DRAFT RED HERRING PROSPECTUS
Dated August 6, 2022
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
Please read Section 32 of the Companies Act, 2013)
100% Book Built Offer

(*Please scan this QR Code to view this Draft Red Herring Prospectus*)

FINCARE SMALL FINANCE BANK LIMITED

Corporate Identity Number: U67120GJ1995PLC025373

REGISTERED OFFICE	CORPORATE OFFICE	CONTACT PERSON	E-MAIL AND TELEPHONE	WEBSITE
301-306, 3rd Floor, Abhijeet -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India	5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru 560035, Karnataka, India	Shefaly Kothari *Company Secretary and Compliance Officer*	**E-mail:** sfbcompsec@fincarebank.com **Tel:** +91 79400 11000	www.fincarebank.com

OUR PROMOTER: FINCARE BUSINESS SERVICES LIMITED

DETAILS OF OFFER

Type	Fresh Issue (*in ₹ million*)	Offer for Sale Size (*By number of shares or by amount in ₹ million*)	Total Offer size (*in ₹ million*)	Eligibility and Share Reservation among QIBs, NIBs and RIBs
Fresh Issue and OFS	Up to [●] Equity Shares aggregating up to ₹6,250.00 million	Up to 17,000,000 Equity Shares aggregating up to ₹ [●] million	Up to [●] Equity Shares aggregating to ₹ [●] million	The Offer is being made pursuant to Regulation 6(1) of SEBI ICDR Regulations. For details in relation to share reservation among QIBs, NIBs and RIBs, please see the section entitled "*Offer Structure*" on page 373.

DETAILS OF THE OFFER FOR SALE BY THE SELLING SHAREHOLDERS

Name	Type	Number of Equity Shares offered	WACA (in ₹)	Name	Type	Number of Equity Shares offered	WACA (in ₹)
Fincare Business Services Limited	P	Up to 14,934,779 Equity Shares aggregating up to ₹ [●] million	42.37	Kotak Mahindra Life Insurance Company Limited	ISS	Up to 126,151 Equity Shares aggregating up to ₹ [●] million	60.08
Wagner Limited	ISS	Up to 471,754 Equity Shares aggregating up to ₹ [●] million	61.14	Edelweiss Tokio Life Insurance Company Limited	ISS	Up to 116,981 Equity Shares aggregating up to ₹ [●] million	60.98
True North Fund V LLP	ISS	Up to 444,140 Equity Shares aggregating up to ₹ [●] million	100.58	Bharti Axa Life Insurance Company Limited	ISS	Up to 45,710 Equity Shares aggregating up to ₹ [●] million	61.06
Indium IV (Mauritius) Holdings Limited	ISS	Up to 430,842 Equity Shares aggregating up to ₹ [●] million	60.49	Silver Leaf Oak (Mauritius) Limited	ISS	Up to 35,092 Equity Shares aggregating up to ₹ [●] million	74.73
Omega TC Holdings Pte. Ltd.	ISS	Up to 223,955 Equity Shares aggregating up to ₹ [●] million	61.13	TATA Capital Financial Services Limited	ISS	Up to 20,572 Equity Shares aggregating up to ₹ [●] million	61.11
LeapFrog Rural	ISS	Up to 130,787 Equity Shares aggregating up to ₹ [●] million	61.13	Edelweiss General Insurance	ISS	Up to 19,237 Equity Shares aggregating up to ₹ [●] million	58.90

Inclusion (India) Ltd				Company Limited			

P: Promoter; ISS: Investor Selling Shareholder; and WACA: Weighted Average Cost of Acquisition

RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of Equity Shares of our Bank, there has been no formal market for the Equity Shares of our Bank. The face value of the Equity Shares is ₹10. The Floor Price, Cap Price and Offer Price determined by our Bank, in consultation with the Book Running Lead Managers ("**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 Offer Price*" on page 101 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 the Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Bank and the Offer, including the risks involved. The Equity Shares in the Offer 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*" on page 21.

ISSUER'S AND SELLING SHAREHOLDERS' 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 Offer, which is material in the context of the Offer, 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 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. Each of the Selling Shareholders, severally and not jointly, accepts responsibility for and confirms the statements specifically made or confirmed by such Selling Shareholder in this Draft Red Herring Prospectus to the extent of information specifically pertaining to itself and the respective portion of its Offered Shares in the Offer for Sale and assume responsibility that such statements are true and correct in all material respects and not misleading in any material respect. However, no Selling Shareholder assumes any responsibility for any other statements, including without limitation, any and all statements made by or relating to our Bank or any other Selling Shareholder or person(s) in this Draft Red Herring Prospectus.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**", and together with NSE, the "**Stock Exchanges**"). For the purposes of the Offer, the Designated Stock Exchange shall be [●].

BOOK RUNNING LEAD MANAGERS

NAME OF BRLM AND LOGO	CONTACT PERSON	E-MAIL AND TELEPHONE	NAME OF BRLM AND LOGO	CONTACT PERSON	E-MAIL AND TELEPHONE
ICICI Securities Limited	Shekher Asnani/ Sumit Singh	**E-mail:** fincare.ipo@icicisecurities.com **Tel:** +91 22 6807 7100	**Axis Capital Limited**	Pavan Naik/Anagha Ganapathy	**Email:** fincare.ipo@axiscap.in **Tel:** +91 22 4325 2183
IIFL Securities Limited	Sachin Jagad/ Pawan Jain	**E-mail:** fincare.ipo@iiflcap.com **Tel:** +91 22 4646 4728	**SBI Capital Markets Limited**	Aditya Deshpande	**E-mail:** fincare.ipo@sbicaps.com **Tel:** +91 22 4006 9807
Ambit Private Limited	Nikhil Bhiwapurkar/Devanshi Shah	**E-mail:** fincare.ipo@ambit.com **Tel:** +91 22 6623 3030			

REGISTRAR TO THE OFFER

NAME OF THE REGISTRAR	CONTACT PERSON	E-MAIL AND TELEPHONE
Kfin Technologies Limited (*formerly known as Kfin Technologies Private Limited*)	M Murali Krishna	**E-mail:** fincare.ipo@kfintech.com **Tel:** +91 40 6716 2222

BID/ OFFER PERIOD

ANCHOR INVESTOR BIDDING DATE	[●]	BID/ OFFER OPENS ON*	[●]	BID/ OFFER 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 Bid/ Offer Period shall be one Working Day prior to the Bid/ Offer Opening Date i.e. [●]*

** *Our Bank may in consultation with the BRLMs, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations*

DRAFT RED HERRING PROSPECTUS
Dated August 6, 2022
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
Please read Section 32 of the Companies Act, 2013)
100% Book Built Offer

FINCARE SMALL FINANCE BANK LIMITED

Our Bank was incorporated as Banas Finlease Private Limited at Palanpur, Gujarat as a private limited company under the Companies Act, 1956, and a certificate of incorporation was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on April 5, 1995. The name of our Bank changed from Banas Finlease Private Limited to Disha Microfin Private Limited as a result of change in management of our Bank and a fresh certificate of incorporation consequent upon change of name was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on March 26, 2010. On October 7, 2015, our Bank was granted an in-principle approval by the RBI to convert into a small finance bank in the private sector under Section 22 of the Banking Regulation Act, 1949. Subsequently, our Bank was converted into a public limited company pursuant to a special resolution passed by our Shareholders at the EGM held on November 29, 2016, and a certificate of incorporation consequent upon conversion to public limited company was granted by the Registrar of Companies, Gujarat at Ahmedabad ("**RoC**") on December 13, 2016. Thereafter, our Bank was granted a license by the RBI on May 12, 2017, to carry on small finance bank business in India in terms of Section 22 (1) of the Banking Regulation Act, 1949. Consequently, the name of our Bank changed from Disha Microfin Limited to Fincare Small Finance Bank Limited, and on June 14, 2017 a fresh certificate of incorporation pursuant to change of name, was granted by the RoC. Our Bank commenced its operations as a small finance bank with effect from July 21, 2017. Our Bank was included in the second schedule to the RBI Act pursuant to a notification dated March 28, 2019 issued by the RBI. For further details, see "*History and Certain Corporate Matters*" on page 201.

Registered Office: 301-306, 3rd Floor, Abhijeet -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India; **Tel**: +91 79 4001 1000
Corporate Office: 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru 560035, Karnataka, India; **Tel**: +91 80 4250 4444
Website: www.fincarebank.com; **Contact Person**: Shefaly Kothari, Company Secretary and Compliance Officer; **E-mail**: sfbcompsec@fincarebank.com
Corporate Identity Number: U67120GJ1995PLC025373

OUR PROMOTER: FINCARE BUSINESS SERVICES LIMITED

INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF FINCARE SMALL FINANCE BANK LIMITED ("BANK" OR "ISSUER" OR "FSFBL") FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[●] PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING UP TO ₹[●] MILLION ("OFFER") COMPRISING OF A FRESH ISSUE BY OUR BANK OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹6,250.00 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 17,000,000 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION ("OFFER FOR SALE" AND SUCH EQUITY SHARES, THE "OFFERED SHARES")), COMPRISING OF AN OFFER FOR SALE OF UP TO 14,934,779 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY FINCARE BUSINESS SERVICES LIMITED ("PROMOTER SELLING SHAREHOLDER"), AN OFFER FOR SALE OF UP TO 471,754 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY WAGNER LIMITED, AN OFFER FOR SALE OF UP TO 444,140 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY TRUE NORTH FUND V LLP, AN OFFER FOR SALE OF UP TO 430,842 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY INDIUM IV (MAURITIUS) HOLDINGS LIMITED, AN OFFER FOR SALE OF UP TO 223,955 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY OMEGA TC HOLDINGS PTE. LTD., AN OFFER FOR SALE OF UP TO 130,787 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY LEAPFROG RURAL INCLUSION (INDIA) LTD, AN OFFER FOR SALE OF UP TO 126,151 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED, AN OFFER FOR SALE OF UP TO 116,981 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY EDELWEISS TOKIO LIFE INSURANCE COMPANY LIMITED, AN OFFER FOR SALE OF UP TO 45,710 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY BHARTI AXA LIFE INSURANCE COMPANY LIMITED, AN OFFER FOR SALE OF UP TO 35,092 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY SILVER LEAF OAK (MAURITIUS) LIMITED, AN OFFER FOR SALE OF UP TO 20,572 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY TATA CAPITAL FINANCIAL SERVICES LIMITED AND AN OFFER FOR SALE OF UP TO 19,237 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY EDELWEISS GENERAL INSURANCE COMPANY LIMITED (TOGETHER, REFERRED TO AS THE "INVESTOR SELLING SHAREHOLDERS" AND WITH THE PROMOTER SELLING SHAREHOLDER, REFERRED TO AS THE "SELLING SHAREHOLDERS"). THIS OFFER INCLUDES A RESERVATION OF UP TO [●] EQUITY SHARES, AGGREGATING UP TO ₹[●] MILLION (CONSTITUTING UP TO [●]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES ("EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". OUR BANK IN CONSULTATION WITH THE BRLMS, OFFER A DISCOUNT OF UP TO ₹[●] TO THE OFFER PRICE (EQUIVALENT OF ₹[●] PER EQUITY SHARE) TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION ("EMPLOYEE DISCOUNT"). THE OFFER AND THE NET OFFER SHALL CONSTITUTE AT LEAST [●]% AND [●]%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

OUR BANK MAY, IN CONSULTATION WITH THE BRLMS, CONSIDER A PRE-OFFER ISSUANCE OF SECURITIES FOR AN AGGREGATE AMOUNT OF NOT EXCEEDING ₹1,250.00 MILLION ("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 ROC. IF THE PRE-IPO PLACEMENT IS UNDERTAKEN, THE AGGREGATE AMOUNT RAISED FROM THE PRE-IPO PLACEMENT WILL BE REDUCED FROM THE FRESH ISSUE, SUBJECT TO THE OFFER COMPLYING WITH RULE 19(2)(B) OF THE SECURITIES CONTRACTS (REGULATION) RULES, 1957, AS AMENDED ("SCRR").

THE PRICE BAND, THE MINIMUM BID LOT AND THE EMPLOYEE DISCOUNT (IF ANY) SHALL BE DECIDED BY OUR BANK IN CONSULTATION WITH THE BRLMS AND WILL BE ADVERTISED IN ALL EDITIONS OF [●], AN ENGLISH NATIONAL DAILY NEWSPAPER, ALL EDITIONS OF [●], A HINDI NATIONAL DAILY NEWSPAPER, AND IN ALL EDITIONS OF [●], A GUJARATI DAILY NEWSPAPER, EACH WITH WIDE CIRCULATION (GUJARATI BEING THE REGIONAL LANGUAGE OF GUJARAT WHERE OUR REGISTERED OFFICE IS LOCATED) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ OFFER OPENING DATE AND SHALL BE MADE AVAILABLE TO THE BSE LIMITED ("BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE", AND TOGETHER WITH BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES IN ACCORDANCE WITH THE SEBI ICDR REGULATIONS.

In case of any revision in the Price Band, the Bid/ Offer Period will be extended by at least three additional Working Days after such revision in the Price Band, subject to the Bid/ Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank in consultation with the BRLMs, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Offer Period, if applicable, shall 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 Self-Certified Syndicate Members, Designated Intermediaries and the Sponsor Bank.

The Offer is being made through the Book Building Process, in terms of Rule 19(2)(b) of the SCRR read with Regulation 31 of the SEBI ICDR Regulations and in compliance with Regulation 6(1)of the SEBI ICDR Regulations, wherein not more than 50% of the Net Offer shall be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**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 in accordance with the SEBI ICDR Regulations ("**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 Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, subject to valid Bids being received at or above the Offer Price, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds. Further, not less than 15% of the Net Offer shall be available for allocation to Non-Institutional Investors and not less than 35% of the Net Offer 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 Offer Price. One-third of the Non-Institutional Portion shall be available for allocation to Non-Institutional Bidders with a Bid 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 Non-Institutional Bidders with a Bid size of more than ₹1,000,000 provided that under-subscription in either of these two sub-categories of the Non-Institutional Portion may be allocated to Non-Institutional 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 Offer Price. Further, Equity Shares will be allotted on a proportionate basis to Eligible Employees applying under the Employee Reservation Portion, subject to valid Bids received from them at or above the Offer Price (net of Employee Discount, if any). All potential Bidders (except Anchor Investors) are mandatorily required to participate in the Offer through the Application Supported by Blocked Amount ("**ASBA**") process by providing details of their respective ASBA accounts and UPI ID in case of UPI Bidders, as applicable, pursuant to which their corresponding Bid Amount will be blocked by the Self Certified Syndicate Banks ("**SCSBs**") or by the Sponsor Bank(s) under the UPI Mechanism, as the case may be, to the extent of the respective Bid Amounts. Anchor Investors are not permitted to participate in the Offer through the ASBA process. For details, see "*Offer Procedure*" on page 377.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of our Bank, there has been no formal market for the Equity Shares of our Bank. The face value of the Equity Shares is ₹10. The Floor Price, Cap Price and Offer Price as determined and justified by our Bank, in consultation with the BRLMs, in accordance with the SEBI ICDR Regulations, as stated under "*Basis for Offer Price*" on page 101 should not be taken 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 and/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 the Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors of the Red Herring Prospectus carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Bank and the Offer, including the risks involved. The Equity Shares in the Offer 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*" on page 21.

ISSUER'S AND SELLING SHAREHOLDERS' 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 Offer, which is material in the context of the Offer, 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 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. Each of the Selling Shareholders, severally and not jointly, accepts responsibility for and confirms the statements specifically made or confirmed by such Selling Shareholder in this Draft Red Herring Prospectus to the extent of information specifically pertaining to itself and its the respective portion of Offered Shares in the Offer for Sale and assume responsibility that such statements are true and correct in all material respects and not misleading in any material respect. However, no Selling Shareholder assumes any responsibility for any other statements, including without limitation, any and all statements made by or relating to our Bank or any other Selling Shareholders or person(s) in this Draft Red Herring Prospectus.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the Stock Exchanges. Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of the Offer, the Designated Stock Exchange shall be [●]. A signed copy of the Red Herring Prospectus and the Prospectus shall be delivered to 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/ Offer Closing Date, see "*Material Contracts and Documents for Inspection*" on page 399.

BOOK RUNNING LEAD MANAGER					REGISTRAR TO THE OFFER
ICICI Securities Limited ICICI Venture House Appasaheb Marathe Marg, Prabhadevi Mumbai 400 025 Maharashtra, India Tel: +91 22 6807 7100 E-mail: fincare.ipo@icicisecurities.com Investor grievance e-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Shekher Asnani/ Sumit Singh SEBI Registration No.: INM000011179	**Axis Capital Limited** 1st Floor, Axis House C 2 Wadia International Centre P. B. Marg, Worli Mumbai 400 025 Maharashtra, India Tel: +91 22 4325 2183 E-mail: fincare.ipo@axiscap.in Investor grievance e-mail: complaints@axiscap.in Website: www.axiscapital.co.in Contact Person: Pavan Naik/Anagha Ganapathy SEBI Registration No.: INM000012029	**IIFL Securities Limited** 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4728 E-mail: fincare.ipo@iiflcap.com Investor grievance e-mail: ig.ib@iiflcap.com Website: www.iiflcap.com Contact Person: Sachin Jagad/ Pawan Jain SEBI Registration No.: INM000010940	**SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Maharashtra, India Tel: +91 22 4006 9807 E-mail: fincare.ipo@sbicaps.com Investor grievance e-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Aditya Deshpande SEBI Registration No.: INM000003531	**Ambit Private Limited** Ambit House 449 Senapati Bapat Marg Lower Parel Mumbai 400 013 Maharashtra, India Tel: +91 22 6623 3030 E-mail: fincare.ipo@ambit.co Investor grievance e-mail: customerservicemb@ambit.co Website: www.ambit.co Contact Person: Nikhil Bhiwapurkar/Devanshi Shah SEBI Registration No.: INM000010585	**KFin Technologies Limited (*formerly known as KFin Technologies Private Limited*)** Selenium, Tower B, Plot No. - 31 and 32 Financial District Nanakramguda, Serilingampally Hyderabad, Rangareddi 500 032 Telangana, India Tel: +91 40 6716 2222 E-mail: fincare.ipo@kfintech.com Website: www.kfintech.com Investor grievance e-mail: einward.ris@kfintech.com Contact Person: M Murali Krishna SEBI Registration Number: INR000000221

BID/ OFFER SCHEDULE					
BID/ OFFER OPENS ON	[●][(1)]	**BID/ OFFER CLOSES ON**			[●][(2)]

(1) *Our Bank may, in consultation with the BRLMs, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/ Offer Period shall be one Working Day prior to the Bid/ Offer Opening Date i.e. [●]*
(2) *Our Bank may, in consultation with the BRLMs, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations*

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft Red Herring Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act, regulation, rules, guidelines or policies as amended, supplemented or re-enacted from time to time, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

The words and expressions used in this Draft Red Herring Prospectus but not defined herein shall have, to the extent applicable, the same meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder, as applicable. Notwithstanding the foregoing, the terms used in "Industry Overview", "Key Regulations and Policies", "Statement of Special Tax Benefits", "Financial Statements", "Basis for Offer Price", "History and Certain Corporate Matters", "Selected Statistical Information", "Financial Indebtedness", "Other Regulatory and Statutory Disclosures", "Outstanding Litigation and Material Developments" and "Description of Equity Shares and Terms of Articles of Association" on pages 109, 186, 104, 258, 101, 201, 236, 343, 354, 345 and 393 respectively shall have the meaning ascribed to them in the relevant section.

General Terms

Term	Description
"our Bank", "the Bank", "the Issuer"	Fincare Small Finance Bank Limited, a company incorporated under the Companies Act, 1956 and a small finance bank registered with the RBI, having its Registered Office at 301-306, 3rd Floor, Abhijeet -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, 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 our Board, 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*" on page 209
"Auditors" or "Statutory Auditors"	S.R. Batliboi and Associates LLP, current statutory auditors of our Bank
"Board" or "Board of Directors"	Board of directors of our Bank, as constituted from time to time
Business Transfer Agreement	Business transfer agreement dated April 13, 2016 entered into between Future Financial Services Private Limited and our Bank, then known as 'Disha Microfin Private Limited', as amended by the supplementary agreement dated September 23, 2016
"CFO" or "Chief Financial Officer"	Chief Financial Officer of our Bank, being Keyur Doshi. For details, see "*Our Management*" on page 209
"Company Secretary and "Compliance Officer"	Company Secretary and Compliance Officer of our Bank, being Shefaly Kothari. For details, see "*Our Management*" on page 209
COO	Chief Operating Officer
Corporate Office	Current corporate office of our Bank, located at 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru 560 035, Karnataka, India
Corporate Social Responsibility Committee	Corporate social responsibility committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in "*Our Management*" on page 209
CRISIL Report	Report titled '*Analysis of small finance banks and various retail loan products*' released in August 2022 by CRISIL Research, a division of CRISIL Limited, available on our website at www.fincarebank.com/investors-relations
Director(s)	The directors on the Board of our Bank
Equity Shares	Equity shares of our Bank of face value of ₹10 each
ESOP 2018	Employee stock option plan of our Bank, named "ESOP-2018-4-FSFB"
Independent Directors	Independent directors on the Board, as described in "*Our Management*" on page 209
Investor Selling Shareholders	Wagner Limited, True North Fund V LLP, Indium IV (Mauritius) Holdings Limited, Omega TC Holdings Pte. Ltd., LeapFrog Rural Inclusion (India) Ltd, Kotak Mahindra Life Insurance Company Limited, Edelweiss Tokio Life Insurance Company Limited, Bharti Axa Life Insurance Company Limited, Silver Leaf Oak (Mauritius) Limited, TATA Capital Financial Services Limited and Edelweiss General Insurance Company Limited
"Key Managerial Personnel" or "KMP"	Key managerial personnel of our Bank in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations as described in "*Our Management*" on page 209
FFSPL	Future Financial Services Private Limited
"Managing Director and Chief Executive Officer"/ "MD & CEO"	Managing Director and Chief Executive Officer of our Bank, Rajeev Yadav

Term	Description
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended
Nomination and Remuneration Committee	Nomination and remuneration committee of our Board, 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*" on page 209
"Promoter" or "FBSL" or "Promoter Selling Shareholder"	Our Promoter, Fincare Business Services Limited
RBI Final Approval	RBI letter dated May 12, 2017, pursuant to which RBI granted license no. MUM:135 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act
RBI In-Principle Approval	RBI letter dated October 7, 2015, pursuant to which our Bank was granted an in-principle approval bearing reference no. DBR.PSBD.NBC (SFB-UFSPL) No. 4922/16.13.216/2015-16, by the RBI to convert into an SFB in the private sector under Section 22 of the Banking Regulation Act
Registered Office	Registered office of our Bank located at 301-306, 3rd Floor, Abhijeet -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India
"Registrar of Companies" or "RoC"	Registrar of Companies, Gujarat at Ahmedabad
Restated Financial Statements	Restated financial statements of our Bank for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020 (derived from our audited financial statements prepared in accordance with applicable accounting standards described under Section 133 of the Companies Act, 2013, read with Companies (Accounts) Rules, 2014, as amended and other accounting principles generally accepted in India, read with provisions of Banking Regulation Act 1949, as well as the Companies Act, 2013 and circulars and guidelines issued by RBI in the manner so required by banking companies and restated in accordance with Section 26 of Part I of Chapter III of the Companies Act, 2023, SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)) which comprises the restated statement of assets and liabilities, the restated statement of profit and loss, the restated statement of cash flows and the restated statement of changes in equity and notes thereto
Selling Shareholders	Together, the Promoter Selling Shareholder and the Investor Selling Shareholders
Shareholders	Shareholders holding Equity Shares of our Bank from time to time
SPSSA	Share purchase and share subscription agreement dated January 9, 2017, as amended by agreement dated February 27, 2017 entered into amongst our Promoter and certain shareholders of our Promoter, in relation to their shareholding in our Promoter
Stakeholders' Relationship Committee	Stakeholders' relationship committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in "*Our Management*" on page 209

Offer Related Terms

Term	Description
Abridged Prospectus	Abridged prospectus means a memorandum containing such salient features of a prospectus as may be specified by the SEBI in this behalf
Acknowledgement Slip	The slip or document issued by a Designated Intermediary to a Bidder as proof of registration of the Bid cum Application Form
"Allot" or "Allotment" or "Allotted"	Unless the context otherwise requires, allotment of the Equity Shares pursuant to the Fresh Issue and transfer of the Offered Shares pursuant to the Offer for Sale to the 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
Ambit	Ambit Private Limited
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 Bid/Offer Period
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 and Prospectus
Anchor Investor Bid/Offer Period	One Working Day prior to the Bid/ Offer Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Offer 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 Offer Price but not higher than the Cap Price The Anchor Investor Offer 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

Term	Description
"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 an 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 which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Axis	Axis Capital Limited
Bankers to the Offer	Collectively, Escrow Collection Bank(s), Public Offer Bank(s), Sponsor Bank(s) and Refund Bank(s)
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Offer and which is described in "*Offer Structure*" on page 373
Bid	Indication to make an offer during the Bid/ Offer Period by an ASBA Bidder pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/Offer Period 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
Bid Amount	The highest value of optional Bids indicated in the Bid cum Application Form and, in the case of RIBs Bidding at the Cut off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Retail Individual Bidder 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. However, RIBs and Eligible Employees applying in the Employee Reservation Portion can apply at the Cut off Price, net of Employee Discount, if any (in case of Eligible Employees), and the Bid Amount shall be Cap Price, net of Employee Discount, if any (in case of Eligible Employees), multiplied by the number of Equity Shares Bid for by such RIBs or Eligible Employee and mentioned in the Bid cum Application Form. The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee shall not exceed ₹500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000 (net of Employee Discount, if any). Only in the event of under-subscription in the Employee Reservation Portion, such unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000 (net of Employee Discount, if any), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any)
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/ Offer 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 [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper and [●] editions of [●], a Gujarati national daily newspaper (Gujarati also being the regional language of Gujarat, where our Registered Office is located), each with wide circulation, and in case of any such extension, the extended Bid/Offer 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. Our Bank in consultation with the BRLMs, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations. In case of any revision if any (in case of Eligible Employees), the extended Bid/ Offer Closing Date shall also be notified on the websites of the BRLMs and at the terminals of the Syndicate Members, and communicated to the Designated Intermediaries and the Sponsor Bank, which shall also be notified in an advertisement in same newspapers in which the Bid/Offer Opening Date was published, as required under the SEBI ICDR Regulations.
Bid/ Offer 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 [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper and [●] editions of [●], a Gujarati national daily newspaper (Gujarati also being the regional language of Gujarat, where our Registered Office is located), each with wide circulation
Bid/ Offer Period	Except in relation to Anchor Investors, the period between the Bid/ Offer Opening Date and the Bid/ Offer Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof, in accordance with SEBI ICDR Regulations. Provided that the Bidding shall be kept open for a minimum of three Working Days for all categories of Bidders, other than Anchor Investors

Term	Description
	Our Bank may in consultation with the BRLMs, consider closing the Bid/Offer Period for the QIB Portion one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations. The Bid/Offer Period will comprise of Working Days only
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	Broker 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 Offer is being made
"Book Running Lead Manager" or "BRLM"	The book running lead manager to the Offer
Broker Centres	Centres notified by the Stock Exchanges where Bidders 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)
"CAN" or "Confirmation of Allocation Note"	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, on/after the Anchor Investor Bid/ Offer Period
Cap Price	Higher end of the Price Band, above which the Offer Price and the Anchor Investor Offer Price will not be finalised and above which no Bids will be accepted. The Cap Price shall not be more than 120% of the Floor Price, provided that the Cap Price shall be at least 105% of the Floor Price.
Cash Escrow and Sponsor Bank Agreement	Agreement to be entered amongst our Bank, the Selling Shareholders, the BRLMs, Syndicate Members, the Bankers to the Offer and Registrar to the Offer, *inter alia*, for collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Offer Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Client ID	Client identification number maintained with one of the Depositories in relation to demat account
"Collecting Depository Participant" or "CDP"	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 BSE and NSE
Cut-off Price	Offer Price, as finalised by our Bank in consultation with the BRLMs, which shall be any price within the Price Band. Only RIBs Bidding in the Retail Portion and Eligible Employees Bidding in the Employee Reservation Portion are entitled to Bid at the Cut-off Price (net of Employee Discount, if any, for Eligible Employees). QIBs (including Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Demographic Details	Details of the Bidders including the Bidders' address, name of the Bidders' father/husband, investor status, occupation, bank account details and UPI ID, wherever 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 locations of the CDPs where Bidders can submit the ASBA Forms. The details of such Designated CDP Locations, along with names and contact details of the Collecting Depository Participants eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as 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 Offer 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, instructions being issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Offer Account or the Refund Account, as the case may be, in terms of the Red Herring Prospectus following which Equity Shares will be Allotted in the Offer
Designated Intermediary(ies)	In relation to ASBA Forms submitted by RIBs 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 Bidders using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs 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 locations of the RTAs where Bidders can submit the ASBA Forms to RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Stock Exchange	[●]

Term	Description
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus dated August 6, 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 Offer, including any addenda or corrigenda thereto
Eligible Employees	Permanent employees, working in India or outside India, of our Bank 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, but not including (i) Promoter; or (ii) 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 maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee shall not exceed ₹500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000. Only in the event of an under-subscription in the Employee Reservation Portion post initial Allotment, such 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 Offer or invitation under the Offer and in relation to whom the ASBA Form and the Red Herring Prospectus will constitute an invitation to subscribe to or to purchase the Equity Shares
Employee Discount	A discount of up to [●]% to the Offer Price (equivalent of ₹[●] per Equity Share) as may be offered by our Bank in consultation with the BRLMs, to Eligible Employees and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date
Employee Reservation Portion	The portion of the Offer being up to [●] Equity Shares aggregating up to ₹[●] million, available for allocation to Eligible Employees, on a proportionate basis
Escrow Account(s)	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 member(s) and registered with SEBI as banker(s) to an issue and with whom the Escrow Account(s) 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 Offer Price and the Anchor Investor Offer Price will be finalised and below which no Bids will be accepted
Fresh Issue	Fresh issue of up to [●] Equity Shares aggregating up to ₹6,250.00 million by our Bank
General Information Document	The General Information Document for investing in public issues, prepared and issued in accordance with the SEBI circular (SEBI/HO/CFD/DIL1/CIR/P/2020/37) dated March 17, 2020, suitably modified and updated pursuant to, among others, the SEBI circular (SEBI/HO/CFD/DIL2/CIR/P/2020/50) dated March 30, 2020. The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs.
IIFL	IIFL Securities Limited
I-Sec	ICICI Securities Limited
Minimum NIB Bid Size	Bid amount of more than ₹200,000
Maximum RIB Allottees	Maximum number of RIBs who can be allotted the minimum Bid Lot. This is computed by dividing the total number of Equity Shares available for Allotment to RIBs by the minimum Bid Lot, subject to valid Bids being received at or above the Offer Price
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 Offer Price
Net Offer	The Offer less the Employee Reservation Portion
Net Proceeds	Proceeds of the Fresh Issue less the Bank's share of Offer expenses. For further details regarding the use of the Net Proceeds and the Offer expenses, see "*Objects of the Offer*" on page 97
Net QIB Portion	The QIB Portion less the number of Equity Shares Allotted to the Anchor Investors
Non-Institutional Bidders	All Bidders that are not QIBs or RIBs or Eligible Employees 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	The portion of the Offer being not less than 15% of the Net Offer comprising of not less than [●] Equity Shares which shall be available for allocation to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price, in the following manner: (a) one-third of the portion available to Non-Institutional Bidders shall be reserved for Bidders with Bid size of more than ₹200,000 and up to ₹1,000,000; (b) two third of the portion available to Non-Institutional Bidders shall be reserved for Bidders with Bid size of more than ₹1,000,000: Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b) above, may be allocated to Bidders in the other sub-category of Non-Institutional Bidders, in accordance with the SEBI ICDR Regulations
Non-Resident	Person resident outside India, as defined under FEMA
Offer	The initial public offer of up to [●] Equity Shares aggregating up to ₹[●] million, comprising of the Net Offer and the Employee Reservation Portion

Term	Description
	Our Bank may, in consultation with the BRLMs, consider the Pre-IPO Placement for for an aggregate amount not exceeding ₹1,250.00 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the BRLMs and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR.
Offer Agreement	Agreement dated August 6, 2022 entered amongst our Bank, the Selling Shareholders and the BRLMs, pursuant to which certain arrangements have been agreed to in relation to the Offer
Offer for Sale	The offer for sale of up to 17,000,000 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Offer 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 Offer Price which will be decided by our Bank in consultation with the BRLMs in terms of the Red Herring Prospectus and the Prospectus. The Offer 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.
Offer Proceeds	The gross proceeds of the Fresh Issue which shall be available to our Bank and the proceeds of the Offer for Sale which will be available to the Selling Shareholders. For further information about use of the Offer Proceeds, see "*Objects of the Offer*" on page 97
Offered Shares	Up to 17,000,000 Equity Shares aggregating to ₹[●] million offered by the Selling Shareholders pursuant to the Offer for Sale
Pre-IPO Placement	An issuance by our Bank, in consultation with the BRLMs, of such number of securities for an aggregate amount not exceeding ₹1,250.00 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the BRLMs and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR.
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, minimum Bid Lot and Employee Discount (if any) will be decided by our Bank in consultation with the BRLMs, and will be advertised, at least two Working Days prior to the Bid/ Offer Opening Date, in [●] editions of [●], an English national daily newspaper, [●] editions of [●], a Hindi national daily newspaper and [●] edition of [●], a Gujarati daily newspaper (Gujarati being the regional language of Gujarat, where our Registered 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
Pricing Date	Date on which our Bank in consultation with the BRLMs, will finalise the Offer Price
Prospectus	Prospectus to be filed with the RoC after the Pricing Date in accordance with Section 26 of the Companies Act, 2013, and the SEBI ICDR Regulations containing, *inter alia*, the Offer Price, the size of the Offer and certain other information, including any addenda or corrigenda thereto
Public Offer Account	Bank account to be opened with the Public Offer Account Bank, under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account(s) and ASBA Accounts on the Designated Date
Public Offer Bank	A bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Offer Account will be opened, in this case being [●]
QIB Portion	The portion of the Net Offer (including the Anchor Investor Portion) being not more than 50% of the Net Offer consisting of not more than [●] Equity Shares which shall be available for allocation to QIBs (including Anchor Investors), subject to valid Bids being received at or above the Offer Price or Anchor Investor Offer 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 Offer Price and the size of the Offer, including any addenda or corrigenda thereto. The Red Herring Prospectus will be filed with the RoC at least three Working Days before the Bid/Offer Opening Date and will become the Prospectus upon filing with the RoC after the Pricing Date
Refund Account(s)	Account(s) 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 Offer and with whom the Refund Account will be opened, in this case being [●]
Registered Brokers	Stock brokers registered under the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, 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 August 6, 2022 entered amongst our Bank, the Selling Shareholders and the Registrar to the Offer, in relation to the responsibilities and obligations of the Registrar to the Offer pertaining to the Offer
"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 Offer" or "Registrar"	KFin Technologies Limited (*formerly known as KFin Technologies Private Limited*)

Term	Description
"Retail Individual Bidder(s)" or "RIB(s)"	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Offer (including HUFs applying through their Karta and Eligible NRIs)
Retail Portion	Portion of the Net Offer being not less than 35% of the Net Offer consisting of not less than [●] Equity Shares which shall be available for allocation to RIBs (subject to valid Bids being received at or above the Offer 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) 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. RIBs and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/ Offer Period and withdraw their Bids until Bid/ Offer Closing Date
SBICAP	SBI Capital Markets Limited
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to UPI Bidders using the 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 updated from time to time Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, 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. The said list shall be updated on SEBI website
Share Escrow Agent	Share escrow agent to be appointed pursuant to the Share Escrow Agreement, namely, [●]
Share Escrow Agreement	Agreement to be entered amongst our Bank, the Selling Shareholders and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Selling Shareholders and credit of such Equity Shares to the demat account of the Allottees
Specified Locations	Bidding Centres where the Syndicate shall accept ASBA Forms from Bidders
Sponsor Bank	[●], being a Banker to the Offer, 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 Selling Shareholders, the BRLMs and the Syndicate Members, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, [●]
Systemically Important Non-Banking Financial Company	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, the Selling Shareholders and the Underwriters 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 Bidder(s)	Collectively, individual investors applying as (i) RIBs in the Retail Portion, (ii) Non-Institutional Bidders with an application size of up to ₹500,000 in the Non-Institutional Portion, and (iii) Eligible Employees Bidding under the Employee Reservation Portion, in each case Bidding under the UPI Mechanism through ASBA Form(s) submitted with Syndicate Members, Registered Brokers, Collecting Depository Participants and RTAs. 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 shall use the UPI Mechanism and shall 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	The 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, SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, 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 number SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, SEBI circular no.

Term	Description
	SEBI/HO/CFD/DIL2/P/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 Bidders by way of a notification on the UPI linked mobile application as disclosed by SCSBs on the website of SEBI and by way of an SMS on directing the UPI Bidders to such UPI linked mobile application) to the UPI Bidders initiated by the Sponsor Bank to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	The bidding mechanism that may be used by an UPI Bidders in accordance with the UPI Circulars to make an ASBA Bid in the Offer
Working Day	All days on which commercial banks in Mumbai are open for business. In respect of announcement of Price Band and Bid/Offer Period, Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. In respect of the time period between the Bid/ Offer Closing Date and the listing of the Equity Shares on the Stock Exchanges, Working Day shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Technical/ Industry Related Terms/ Abbreviations

Term	Description
AHL	Affordable housing loan
ALM	Application lifecycle management
AML	Anti-money laundering
Basel Master Circular	Master Circular – Basel III Capital Regulations, RBI/2015-16/58, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015
BC	Business Correspondent
BO	Banking Ombudsman
CASA	Current account and savings account
CFT	Combating financing of terrorism
CIC	Credit Information Company
CRISIL	CRISIL Limited
ESG	Environment, social and governance
ESG MS	Environment, Social and Governance Management System
FATCA	Foreign Account Tax Compliance Act, 2010
FII	Foreign institutional investor
FIS	Fidelity Information Services
HENRY	High-earning-not-rich-yet, a segment of consumers
IDFC	Infrastructure Development and Finance Company
IGA	Intergovernmental agreement used between governments to implement FATCA
IMPS	A real-time interbank electronic funds transfer payment system in India
IT	Information Technology
KYC	Know your customer
LAG	Loans against gold
LAP	Loans against property
MFI	Microfinance Institution
MSME	Micro, small, and medium enterprises
NBFC	Non-banking financial company
OFAC	Office of Foreign Assets Control
RLAP	Rural loan against property
SFB	Small Finance Bank
SQL	A data processing tool

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR	Indian Rupees
AIFs	Alternative Investments Funds
BSE	BSE Limited
CAGR	Compound annual growth rate
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category II AIF	AIFs who are registered as "Category II 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 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
CCIL	Clearing Corporation of India Limited
CDSL	Central Depository Services (India) Limited
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India

Term	Description
CIN	Corporate Identity Number
Civil Code	The Code of Civil Procedure, 1908
Companies Act or Companies Act, 2013	Companies Act, 2013, along with the relevant rules made thereunder
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
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
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT by way of circular bearing number DPIIT file number 5(2)/2020-FDI Policy dated October 15, 2020 effective from October 15, 2020
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations there under
FEMA Regulations	The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, 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
FIMMDA	Fixed Income Money Market and Derivates Association of India
Financial Year/ Fiscal/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIR	First information report
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	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
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 and the Companies (Accounts) Rules, 2014
India	Republic of India
Indian GAAP/ IGAAP	Acounting principles generally accepted in India including the Companies (Accounting Standard) Rules (as amended) specified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 in compliance with Banking Regulation Act 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time
IPC	Indian Penal Code, 1860
IPO	Initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
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	Not applicable
NACH	National Automated Clearing House
NAV	Net Asset Value
NBFC	Non-banking financial company
NBFC-CIC-ND-SI	Systemically Important Non-Deposit taking Core Investment Company
NBFC-ND-SI	Systemically Important Non-Deposit taking Non-Banking Finance Company
NEFT	National Electronic Funds Transfer
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

Term	Description
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 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. OCBs are not allowed to invest in the Offer
p.a.	Per annum
P/E	Price/earnings
P/E Ratio	Price/earnings ratio
PAN	Permanent account number
PAT	Profit after tax
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
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 ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI SBEB 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	Small finance bank within the meaning of the SFB Licensing Guidelines
SFB Licensing Guidelines	Guidelines for Licensing of Small Finance Banks in the Private Sector issued by the RBI on November 27, 2014 read with the Clarifications to Queries on Guidelines for Licensing of Small Finance Banks and Payment Banks in the Private Sector dated January 01, 2015, issued by the RBI, and such other applicable rules, guidelines, instructions and regulations governing SFBs in India
SFB Operating Guidelines	Operating Guidelines for Small Finance Bank dated October 6, 2016 issued by the RBI
SIDBI	Small Industries Development Bank of India
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
TAN	Tax deduction account number
U.S. GAAP	Generally Accepted Accounting Principles in the United State of America
U.S. Securities Act	U.S. Securities Act of 1933, as amended
U.S. QIBs	“Qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act. For the avoidance of doubt, the term “U.S. QIBs” does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as “QIBs”
U.S./USA/United States	United States of America
URCs	Unbanked rural centres
USD/US$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations
Wilful Defaulter	An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of regulation 2(1)(lll) of the SEBI ICDR Regulations

OFFER DOCUMENT SUMMARY

The following is a general summary of the terms of the Offer and is neither exhaustive, nor purports to contain a summary of all the disclosures in this Draft Red Herring Prospectus, Red Herring Prospectus or 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", "Objects of the Offer", "Our Business", "Industry Overview", "Capital Structure", "The Offer", "Our Promoter and Promoter Group", "Financial Statements", "Outstanding Litigation and Material Developments", "Offer Procedure" and "Description of Equity Shares and Terms of Articles of Association" on pages 21, 97, 154, 109, 73, 60, 230, 258, 345, 377 and 393, respectively.

Summary of the primary business of the Bank

We are a "digital-first" SFB with a focus on unbanked and under-banked customers, especially in rural and semi-urban areas. Among comparable SFB peers in India, we had the highest growth rate in advances over Fiscal 2018 to Fiscal 2020. (*Source: CRISIL Report*) We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution.

Summary of the industry in which our Bank operates

SFBs' AUM clocked a 26% of CAGR from Fiscal 2016 to Fiscal 2022, where the top three SFBs accounted for approximately 60% of the aggregate AUM as of Fiscal 2022, up from 55% in Fiscal 2017. (*Source: CRISIL Report*) These three players logged a 28% CAGR during the period and the top six players account for approximately 86% of the market share. (*Source: CRISIL Report*) CRISIL Research expects the sector's loan portfolio to see a strong 22% CAGR in the near-term as most of the SFBs have completed the transition phase and are likely to benefit from the operating leverage.

Name of Promoter

Fincare Business Services Limited

Offer size

Offer of up to [●] Equity Shares for cash at price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹[●] million comprising of a Fresh Issue of up to [●] Equity Shares aggregating up to ₹6,250.00 million by our Bank and an offer for sale of up to 17,000,000 Equity Shares aggregating up to ₹[●] million by the Selling Shareholders. The Offer shall constitute [●]% of the post-Offer paid-up equity share capital of our Bank.

The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, net of Employee Discount (if any), for subscription by Eligible Employees. The Offer less the Employee Reservation Portion is the Net Offer. The Net Offer shall constitute [●] % of the post-Offer paid-up equity share capital of our Bank.

A Pre-IPO Placement may be undertaken by our Bank, in consultation with the BRLMs, of such number of securities aggregating up to ₹1,250.00 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR.

Objects of the Offer

The objects for which the Net Proceeds shall be utilised are as follows:

(₹ in million)

Particulars	Amount to be funded from the Net Proceeds
For augmentation of our Bank's Tier – 1 capital base to meet our future capital requirements	[●][1]

[1] *To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC*

Aggregate pre-Offer shareholding of our Promoter, and Selling Shareholders as a percentage of our paid-up equity share capital

The aggregate pre-Offer shareholding of our Promoter and the Selling Shareholders as a percentage of the pre-Offer paid-up equity share capital of the Bank is set out below:

Name	No. of Equity Shares held	Percentage of the pre- Offer paid-up equity share capital (%)
Promoter Selling Shareholder		
FBSL	173,489,568	78.58
Investor Selling Shareholder		

Name	No. of Equity Shares held	Percentage of the pre- Offer paid-up equity share capital (%)
Wagner Limited	5,480,130	2.48
True North Fund V LLP	5,159,355	2.34
Indium IV (Mauritius) Holdings Limited	5,004,870	2.27
Omega TC Holdings Pte. Ltd.	2,601,570	1.18
LeapFrog Rural Inclusion (India) Ltd	1,519,290	0.69
Kotak Mahindra Life Insurance Company Limited	1,465,440	0.66
Edelweiss Tokio Life Insurance Company Limited	1,358,910	0.62
Bharti Axa Life Insurance Company Limited	531,000	0.24
Silver Leaf Oak (Mauritius) Limited	407,655	0.18
TATA Capital Financial Services Limited	238,980	0.11
Edelweiss General Insurance Company Limited	223,470	0.10

Summary of Selected Financial Information

The details of our share capital, net worth, the net asset value per Equity Share and borrowings as at March 31, 2022, 2021, 2020, derived from the Restated Financial Statements are as follows:

(₹ in million, except per share data)

Particulars	As at March 31,		
	2022	2021	2020
Share capital	2,207.80	636.10	636.10
Net worth	11,088.43	9,513.96	8,635.79
Net asset value per Equity Share	50.22	149.57	135.76
Borrowings	29,435.43	14,004.34	13,681.62

The details of our total income, profit after tax and earnings per Equity Share (basic and diluted) for the Fiscals 2022, 2021 and 2020 as per the Restated Financial Statements are as follows:

(₹ in million, except per share data)

Particulars	For the year ended March 31,		
	2022	2021	2020
Total income	16,476.48	13,767.10	12,140.92
Net profit for the year	88.71	1,131.39	1,434.49
Earnings per Equity Share			
Basic and Diluted	0.38	5.55	7.03

For further details see "*Financial Information*" and "*Other Financial Information*" on pages 258 and 313, respectively.

Auditor qualifications which have not been given effect to in the Restated Financial Statements

There are no auditor qualifications which have not been given effect to in the Restated Financial Statements. However, for details of certain emphasis of matter included in the Statutory Auditors' reports on the Restated Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Auditor's Observations*" on page 315.

Summary table of outstanding litigations

A summary of outstanding litigation proceedings involving our Bank, Promoter and Directors as of the date of this Draft Red Herring Prospectus is provided below:

Name of Entity/ Individual	Criminal Proceedings	Tax Proceedings	Statutory or Regulatory Proceedings	Disciplinary actions by the SEBI or Stock Exchanges against our Promoter	Material Civil Litigations	Other non-material / civil proceedings	Aggregate amount involved (Rs in million)
Bank							
By our Bank	1,535	-	-	-	4	-	986.94
Against our Bank	-	2	-	-	1	-	2,101.11
Directors							
By our Directors	-	-	-	-	-	-	-
Against our Directors	-	3	-	-	-	-	5.01
Promoter							
By Promoter	54	-	-	-	-	-	17.32

Name of Entity/ Individual	Criminal Proceedings	Tax Proceedings	Statutory or Regulatory Proceedings	Disciplinary actions by the SEBI or Stock Exchanges against our Promoter	Material Civil Litigations	Other non-material / civil proceedings	Aggregate amount involved (Rs in million)
Against Promoter	-	2	-	-	-	-	155.96

For further details, see "*Outstanding Litigation and Material Developments*" on page 345.

Risk Factors

For details of the risks applicable to us, see "*Risk Factors*" on page 21.

Summary table of contingent liabilities

The following is a summary table of our contingent liabilities (in accordance with Accounting Standard (AS) 29) as of March 31, 2022:

(₹ in million)

Contingent Liabilities	As at March 31, 2022
Nil	Nil
Total	Nil

Summary of related party transactions

A summary of related party transactions (as per AS 18 - related party disclosures read with the SEBI ICDR Regulations) entered into by our Bank for the Fiscals 2022, 2021 and 2020 are as follows:

(₹ in million)

Nature of transaction	Relationship			March 31, 2022	March 31, 2021	March 31, 2020
Issue of equity shares		**No. of Equity Shares**	**Value per Share**			
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company			-	-	57.43
Lok Management Services Private Limited	Entities under common control and shareholder			-	-	10.61
Rajeev Yadav	Key management personnel	101	10	0.00	-	-
Keyur Doshi	Key management personnel	68,171	10	0.68	-	-
Relative of key management personnel	Relative of key management personnel	568,644	10	5.69	-	-
Issue of Bonus shares						
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	1,156,59,712	10	1,156.60	-	-
Rajeev Yadav	Key management personnel	224	10	0.00	-	-
Keyur Doshi	Key management personnel	163,964	10	1.64	-	-
Relative of key management personnel	Relative of key management personnel	1,228,168	10	12.28	-	-
Securities premium on equity shares						
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company			-	-	697.57
Lok Management Services Private Limited	Entities under common control and shareholder			-	-	128.93
Rajeev Yadav	Key management personnel			0.02	-	-
Keyur Doshi	Key management personnel			10.91	-	-
Relative of key management personnel	Relative of key management personnel			90.98	-	-

(₹ in million)

Nature of transaction	Relationship		March 31, 2022	March 31, 2021	March 31, 2020
Managerial remuneration/ remuneration for KMP					
Rajeev Yadav	MD & CEO		38.57	29.52	39.06
Keyur Doshi	Chief Financial Officer		13.73	12.12	12.46
Shefaly Kothari	Company Secretary		3.16	2.81	2.22
Term deposits made with the Bank [1]					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company		269.86	676.54	-
Lok Management Services Private Limited	Entities under common control and shareholder		-	-	0.07
Shefaly Kothari	Key Management Personnel		-	-	-
Keyur Doshi	Key Management Personnel		-	-	-
Rajeev Yadav (March 31, 2021: ₹ 3,000)	Key Management Personnel		-	0.00	0.58
Relative of key management personnel	Relative of key management personnel		1.93	22.88	8.36
Term deposits matured (Inclusive of Interest) [1]					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company		233.91	677.09	-
Lok Management Services Private Limited	Entities under common control and shareholder		-	-	0.07
Rajeev Yadav	Key Management Personnel		0.00	-	0.60
Shefaly Kothari	Key Management Personnel		-	-	0.25
Relative of key management personnel	Relative of key management personnel		3.48	4.03	2.26
Interest expense on term deposits					
Rajeev Yadav	Key management personnel		0.05	0.06	0.06
Keyur Doshi	Key management personnel		0.01	0.01	0.01
Shefaly Kothari	Key management personnel		-	-	0.02
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company		1.46	0.56	-
Lok Management Services Private Limited	Entities under common control and shareholder		-	-	-
Relative of key management personnel	Relative of key management personnel		3.38	2.81	1.04
Interest expense on Sub Debts					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company		-	0.39	31.56
Relative of key management personnel	Relative of key management personnel		0.13	-	-
Interest expense on Saving account					
Rajeev Yadav	MD & CEO		0.00	0.01	-
Keyur Doshi	Chief Financial Officer		0.07	0.01	0.00
Shefaly Kothari	Company Secretary		0.02	0.01	0.02
Relative of key management personnel	Relative of key management personnel		4.19	1.19	0.21

[1]*Deposits made with the Bank and deposits matured during the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, exclude reinvestment transactions.*

Details of all financing arrangements whereby the Promoter, the directors of our Promoter, our Directors and their relatives have financed the purchase by any other person of securities of the Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus

Our Promoter, the directors of our Promoter, our Directors and their relatives have not financed the purchase by any other person of securities of our Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.

Weighted average price at which the Equity Shares were acquired by our Promoter and Selling Shareholders, in the last one year

Our Promoter and the Selling Shareholders have not acquired any Equity Shares in the last one year.

Details of price at which specified securities were acquired by our Promoter, Selling Shareholders and Shareholders with nominee director or other special rights in the last three years preceding the date of this Draft Red Herring Prospectus

Except as stated below, there have been no specified securities that were acquired in the last three years preceding the date of this Draft Red Herring Prospectus, by our Promoter, Selling Shareholders and Shareholders with nominee director or other rights. The details of the price at which these acquisitions were undertaken are stated below:

Name of the acquirer/ shareholder	Date of acquisition of Equity Shares	Number of Equity Shares acquired*	Face Value per Equity Share (₹)	Acquisition price per Equity Share (In ₹)*
Promoter Selling Shareholder (where FBSL is also a Shareholder with special rights)				
FBSL	December 5, 2019	5,742,755	10	131.47
	March 5, 2020	2,978,740	10	218.06
	May 4, 2021	115,659,712	10	NA
Investor Selling Shareholders				
Wagner Limited	March 12, 2021	221,710	10	281.00
	April 27, 2021	1,605,000	10	170.00
	May 4, 2021	3,653,420	10	NA
True North Fund V LLP	December 5, 2019	325,706	10	131.47
	December 31, 2019	44,592	10	131.47
	January 18, 2021	248,690	10	280.50
	April 27, 2021	1,471,095	10	170.00
	May 4, 2021	3,439,570	10	NA
Indium IV (Mauritius) Holdings Limited	January 20, 2021	143,290	10	280.50
	April 27, 2021	1,525,000	10	170.00
	May 4, 2021	3,336,580	10	NA
Omega TC Holdings Pte. Ltd.	January 21, 2021	105,190	10	281
	April 27, 2021	762,000	10	170
	May 4, 2021	1,734,380	10	NA
LeapFrog Rural Inclusion (India) Ltd	January 22, 2021	61,430	10	280.00
	April 27, 2021	445,000	10	170.00
	May 4, 2021	1,012,860	10	NA
Kotak Mahindra Life Insurance Company Limited	January 19, 2021	45,480	10	280.00
	April 27, 2021	443,000	10	170.00
	May 4, 2021	976,960	10	NA
Edelweiss Tokio Life Insurance Company Limited	January 15, 2021	52,970	10	281
	April 27, 2021	400,000	10	170
	May 4, 2021	905,940	10	NA
Bharti Axa Life Insurance Company Limited	March 12, 2021	21,000	10	281
	April 27, 2021	156,000	10	170
	May 4, 2021	354,000	10	NA
Silver Leaf Oak (Mauritius) Limited	January 20, 2021	16,320	10	280.20
	April 27, 2021	119,565	10	170.00
	May 4, 2021	271,770	10	NA
TATA Capital Financial Services Limited	January 21, 2021	9,660	10	280
	April 27, 2021	70,000	10	170
	May 4, 2021	159,320	10	NA
Edelweiss General Insurance Company Limited	January 15, 2021	4,490	10	281
	April 27, 2021	70,000	10	170
	May 4, 2021	148,980	10	NA

* *As certified by Manian and Rao, Chartered Accountants, by way of certificate dated August 6, 2022*

Average cost of acquisition of Equity Shares of our Promoter and the Investor Selling Shareholders

The average cost of acquisition of Equity Shares of our Promoter and the Selling Shareholders is as follows:

Name	Number of Equity Shares	Average cost of acquisition per Equity Share* (in ₹)	Offered Shares
Promoter Selling Shareholder			
FBSL	173,489,568	42.37	Up to 14,934,779 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Investor Selling Shareholders			
Wagner Limited	5,480,130	61.14	Up to 471,754 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
True North Fund V LLP	5,159,355	100.58	Up to 444,140 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Indium IV (Mauritius) Holdings Limited	5,004,870	60.49	Up to 430,842 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Omega TC Holdings Pte. Ltd.	2,601,570	61.13	Up to 223,955 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
LeapFrog Rural Inclusion (India) Ltd	1,519,290	61.13	Up to 130,787 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Kotak Mahindra Life Insurance Company Limited	1,465,440	60.08	Up to 126,151 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Edelweiss Tokio Life Insurance Company Limited	1,358,910	60.98	Up to 116,981 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Bharti Axa Life Insurance Company Limited	531,000	61.06	Up to 45,710 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Silver Leaf Oak (Mauritius) Limited	407,655	74.73	Up to 35,092 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
TATA Capital Financial Services Limited	238,980	61.11	up to 20,572 Equity Shares aggregating up to ₹[●] million pursuant to the Offer
Edelweiss General Insurance Company Limited	223,470	58.90	Up to 19,237 Equity Shares aggregating up to ₹[●] million pursuant to the Offer

**As certified by Manian and Rao, Chartered Accountants, pursuant to the certificate dated August 6, 2022*

Size of the pre-IPO placement and allottees, upon completion of the placement

Our Bank may, in consultation with the BRLMs, consider a Pre-IPO Placement of an issuance of securities of such number of Equity Shares aggregating up to ₹1,250.00 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR.

Any issuance of Equity Shares in the last one year for consideration other than cash

Our Bank has not issued any Equity Shares in the last one year from the date of this Draft Red Herring Prospectus, for consideration other than cash.

Any split/ consolidation of Equity Shares in the last one year

Our Bank has not split or consolidated the face value of the Equity Shares in the last one year.

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

Nil.

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 all references to the "US", "U.S." "USA" or "United States" are to the United States of America.

Unless stated 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, the financial information in this Draft Red Herring Prospectus is derived from the Restated Financial Statements, derived from the audited financial statements for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, derived from our audited financial statements prepared in accordance with the applicable accounting standards described under Section 133 of the Companies Act, 2013, read with Companies (Accounts) Rules, 2014, as amended and other accounting principles generally accepted in India, read with provisions of Banking Regulation Act 1949, as well as the Companies Act, 2013 and circulars and guidelines issued by RBI in the manner so required by banking companies, and restated in accordance with Section 26 of Part I of Chapter III of the Companies Act, SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)" issued by ICAI. For further information, see "*Financial Statements*" on page 258. Our Bank's Financial Year commences on April 1 and ends on March 31 of the next year. Accordingly, all references to a particular Financial Year, unless stated otherwise, are to the 12 month period ended on March 31 of that year.

There are significant differences between IGAAP, Ind AS, U.S. GAAP and IFRS. The Restated Financial Statements included in this DRHP have been compiled by the management from the audited financial statements of our Bank for the Fiscals 2022, 2021 and 2020, prepared by the Bank in accordance with the applicable accounting standards described under Section 133 of the Companies Act, 2013, read with Companies (Accounts) Rules, 2014, as amended and other accounting principles generally accepted in India, read with provisions of Banking Regulation Act 1949, as well as the Companies Act, 2013 and circulars and guidelines issued by RBI in the manner so required by banking companies. 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. For risks in this regard, see *"Risk Factors - Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP, which investors may be more familiar with and may consider material to their assessment of our financial condition."* on page 21. 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 policies and practices, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. Our Bank does not provide reconciliation of its financial information to IFRS or U.S. GAAP.

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*" on pages 21, 154 and 315 respectively, and elsewhere in this Draft Red Herring Prospectus have been calculated on the basis of the Restated Financial Statements, derived from our audited financial statements prepared in accordance with the applicable accounting standards described under Section 133 of the Companies Act, 2013, read with Companies (Accounts) Rules, 2014, as amended and other accounting principles generally accepted in India, read with provisions of Banking Regulation Act 1949, as well as the Companies Act, 2013 and circulars and guidelines issued by RBI in the manner so required by banking companies and restated in accordance with SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)" issued by ICAI.

In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the second decimal and all the percentage figures have been rounded off to two decimal places.

Non-GAAP Financial Measures

We have included certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance (together, "**Non-GAAP Financial Measures**" and each, a "**Non-GAAP Financial Measure**") in this Draft Red Herring Prospectus. These Non-GAAP Financial Measures are supplemental measures of our performance and liquidity and not required by or presented in accordance with IGAAP. 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. However, note that these Non-GAAP Financial Measures and other statistical information relating to our operations and financial performance are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, Ind AS, IFRS or US GAAP.

In addition, these Non-GAAP measures are not standardised terms, hence a direct comparison of these Non-GAAP Measures between companies may not be possible. Other companies may calculate these Non-GAAP Measures differently from us, limiting its usefulness as a comparative measure 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 small finance banks or financial services companies. See also "*Risk Factors – In this Draft Red Herring Prospectus, we have 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.*" on page 21.

Currency and Units of Presentation

All references to:

- "Rupees" or "₹" or "INR" or "Rs." are to Indian Rupee, the official currency of the Republic of India; and
- "USD" or "US$" or "$" are to United States Dollar, the official currency of the United States of America.

Our Bank has presented certain numerical information in this Draft Red Herring Prospectus in "lakh", "million" and "crores" units or in whole numbers where the numbers have been too small to represent in such units. One million represents 1,000,000, one billion represents 1,000,000,000 and one trillion represents 1,000,000,000,000. One lakh represents 100,000 and one crore represents 10,000,000.

Figures sourced from third-party industry sources may be expressed in denominations other than millions or may be rounded off to other than two decimal points in the respective sources, and such figures have been expressed in this Draft Red Herring Prospectus in such denominations or rounded-off to such number of decimal points as provided in such respective sources.

Exchange Rates

This Draft Red Herring Prospectus contains conversion of certain other currency amounts into Indian Rupees that have been presented solely to comply with the SEBI ICDR Regulations. These conversions should not be construed as a representation that these currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Indian Rupee and the U.S. Dollar

Currency	As at March 31		
	2022	2021	2020
1 USD	75.81	73.50	75.39

Source: www.fbil.org.in

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Draft Red Herring Prospectus has been obtained from various industry publications and sources, including (a) the report titled "*Analysis of small finance banks and various retail loan products*" released in India in August 2022 by CRISIL (which have been paid for and commissioned by our Bank for an agreed fee, and is available at the website of our Bank at www.fincarebank.com/investors-relations). CRISIL has been exclusively commissioned by our Bank for the purposes of confirming our understanding of the industry in which our Bank operates, in connection with the Offer, and appointed effective from July 2021 pursuant to an engagement letter of January 2021 read with the addendum of agreement for services dated June 28, 2022. This Draft Red Herring Prospectus contains data and statistics from the CRISIL Report, which is subject to the following disclaimer:

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. Fincare 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's 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's Ratings Limited / CRIS. No part of this Report may be published/reproduced in any *form without CRISIL's prior written approval.*

For risks in this regard, see "*Risk Factors - We have commissioned the CRISIL Report from CRISIL Research, which have been used for industry related data in this Draft Red Herring Prospectus and such data has not been independently verified by us.*" on page 21.

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.

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 21.

In accordance with the SEBI ICDR Regulations, "*Basis for the Offer Price*" on page 101 includes information relating to our peer group companies. Such information has been derived from publicly available sources, and neither we, nor the BRLMs or any of their affiliates have independently verified such information. Accordingly, no investment decision should be made solely on the basis of such information.

Notice to Prospective Investors in the United States

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus or approved or disapproved the Equity Shares. Any representation to the contrary is a criminal offence in the United States. In making an investment decision, investors must rely on their own examination of our Bank and the terms of the Offer, including the merits and risks involved. The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any other applicable law of the United States and, unless so registered, 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. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "**U.S. QIBs**") in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs".

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. All statements contained in this Draft Red Herring Prospectus that are not statements of historical fact constitute “forward-looking statements”. All statements regarding our expected financial condition and results of operations, business, plans and prospects are “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “continue”, “can”, “could”, “expect”, “estimate”, “intend”, “likely to”, “seek to”, “shall”, “objective”, “plan”, “project”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans. or goals are also forward-looking statements.

All forward-looking statements whether made by us or any third parties in this Draft Red Herring Prospectus are based on our current plans, estimates, presumptions and expectations and 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, including but not limited to, regulatory changes pertaining to the banking industry 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 which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in our competitive landscape. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

a. Not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance

b. Not being able to effectively manage the growth associated with our expansion

c. Significant dependence on our microloan business

d. Location of a substantial portion of our banking outlets in and a significant portion of our advances originating from four states

e. Significant portion of our loan portfolio originating in rual areas

f. Threat of fraud and cyber-attacks targeted at disrupting our services, such as hacking, phishing and trojans, and/or theft of sensitive internal data or customer information

g. Vulnerability to interest rate and investment-related risks

For further discussion of factors that could cause the actual results to differ from the expectations, see “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 21, 154 and 315 respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated and are not a guarantee of future performance.

Forward-looking statements reflect current views as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. There can be no assurance to 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 to be a guarantee of our future performance.

These forward-looking statements are based on our management’s belief and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based on are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. 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, our Directors, the BRLMs nor 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 shall ensure that investors in India are informed of material developments from the date of the Red Herring Prospectus until the date of Allotment. In accordance with the requirements of SEBI, each of the Selling Shareholders shall, severally and not jointly, ensure that investors in India are informed of material developments in relation to the statements and undertakings specifically made or confirmed by such Selling Shareholder and its respective portion of the Offered Shares in the Red Herring Prospectus, from the date thereof until the date of Allotment.

SECTION II: RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. You should carefully consider all the information set forth in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. You should read this section together with "Industry Overview", "Our Business", "Selected Statistical Information", "Key Regulations and Policies", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" on pages 109, 154, 236, 186, 315 and 258, respectively, and other financial, operational and statistical information included elsewhere in this Draft Red Herring Prospectus. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares.

The Restated Financial Statements have been derived from our audited financial statements prepared in accordance with applicable accounting standards described under Section 133 of the Companies Act, 2013 the read with Companies (Accounts) Rules, 2014, as amended and other accounting principles generally accepted in India, provisions of Banking Regulation Act 1949, as well as the Companies Act, 2013 and circulars and guidelines issued by RBI in the manner so required by banking companies, and restated in accordance with Section 26 of Part I of Chapter III of the Companies Act, SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)" issued by ICAI. 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 21.

The risks and uncertainties described below are not the only risks relevant to us, our Equity Shares or the industry, segments and markets in which we currently operate. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business, prospects, financial condition, results of operations and cash flows. If any or some combination of the following risks, or other risks that we do not currently know about or believe to be material, actually occur, our business, financial condition, results of operations and cash flows 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 making an investment decision, you must rely on your own examination of us and the terms of this Offer, including the merits and risks involved. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors.

You should pay particular attention to the fact that we are incorporated under the laws of India and are 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 forward-looking statements that involve risks and uncertainties. Our actual results could differ materially 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 details, see "Forward-Looking Statements" on page 20.

References herein to "we", "our" and "us" are to Fincare Small Finance Bank Limited, including, as the context may require, (i) the microfinance business of Disha Microfin Private Limited, including, as the context may prior to its conversion from an NBFC-MFI to an SFB, and (ii) the microfinance business that was acquired by Disha Microfin Private Limited from FFSPL.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of small finance banks and various retail loan products" dated August 2022 (the "**CRISIL Report**") prepared and released by CRISIL Limited and exclusively commissioned by and paid for by us pursuant to appointment effective from July 2021 in connection with the Offer. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at www.fincarebank.com/investors-relations 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.*

INTERNAL RISK FACTORS

Risks Relating to our Business

1. ***As a result of our limited operating history, we may not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance.***

   We have 15 years of experience in microfinance, having begun microfinance operations in 2007 via FFSPL, the business of which we acquired in 2016. On May 12, 2017, the RBI granted us a license to carry on small finance banking in terms of Section 22 (1) of the Banking Regulation Act, 1949. We began operations as an SFB on July 21, 2017. For further details about our history, see "*History and Certain Corporate Matters*" on page 201.

Prior to commencing operations as an SFB, our primary offering was microloans. Our limited track record in our newer loan products, such as loans against property, loans against gold, institutional finance, two-wheeler loans, affordable housing loans and overdraft as well as on the deposit side, such as savings accounts, current accounts, Fincare-101 digital savings accounts, fixed deposits including retail term deposits and bulk term deposits, recurring deposits and their variants, exposes us to risks that more experienced competitors may not face. For the newer loan products, we do not have a long track record of credit underwriting for some of these segments, nor an extensive data set to analyze repayment patterns, and hence our credit underwriting models may prove to be less effective as compared to competitors who have been in similar businesses for a longer period. For details regarding the credit underwritten as a percentage of total loans in the three preceding Fiscals, see "*Selected Statistical Information – Loan Portfolio*" on page 236. Moreover, we may not be as experienced originating these loans as some older competitors may be, and so we may not be successful in competing against them for new customers. On the deposit side, we are not as experienced in sourcing deposits as most universal banks in India, many of whom have been deposit-taking for decades. Accordingly, we cannot guarantee that we will effectively grow our deposit base. Also, we may need to offer higher interest rates on deposits than our older competitors.

If we are not able to successfully compete in newer business segments, our credit quality may suffer, we may not be able to diversify our loan portfolio, and we may not be able to lower our cost of funds, any of which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Moreover, as a result of our relatively shorter operating history, there is limited historical financial and operating information available to help prospective investors evaluate our past performance with respect to banking activities. The limited historical data that is available may not be indicative of our financial position or results of operations for any future periods as a small finance bank. Our results and amounts set forth in our financial statements may not provide a reliable indication of our future performance. Accordingly, you should evaluate our business and prospects considering the risks, uncertainties and difficulties frequently encountered by both high growth companies and banking groups that are in the early stages of development. Our failure to mitigate these risks and uncertainties successfully may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

2. ***If we are unable to effectively manage the growth associated with our expansion, our financial, accounting, administrative and technology infrastructure, as well as our business and reputation could be adversely affected.***

We have experienced continued growth over the past few years on account of our transformation to a small finance bank and the corresponding expansion of our banking business. As of March 31, 2020, we had 711 banking outlets servicing approximately 2.54 million customers while as of March 31, 2022, we had expanded to 919 banking outlets, including 246 business correspondent outlets, servicing approximately 3.26 million customers. As part of this growth, we have significantly expanded our network of banking outlets (including those operated by our business correspondents), and accordingly many of the banking outlets are yet to attain full maturity. As of March 31, 2022, we had an average Gross Loan Portfolio of ₹ 74.38 million per outlet and an average Gross Loan Portfolio of ₹ 101.57 million (excluding BC outlets). We may not be able to materially increase the average Gross Loan Portfolio of our banking outlets.

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 geographies and setting up banking outlets, identifying and collaborating with business correspondents, successfully marketing our products and attracting customers in markets in which we have no familiarity, technology costs, upgrading, expanding and securing our technology platform in new banking outlets, operational risks including integration of internal controls and procedures, recruiting, training and retaining skilled personnel, and integrating new banking outlets with our existing network. To address these challenges, we may have to make investments that may not yield desired results or incur costs that we may not be able to recover. Expansion into new geographic regions in India may also be difficult due to existing competition and regional challenges associated with different geographies, and we may not be able to expand into new regions profitably or expand at all. Further, we may also be subject to investigations and inquiries by local law enforcement authorities in relation to accounts maintained by our customers with us. For instance, in the past we have received notices from the cyber police station of the relevant jurisdiction in relation to accounts being maintained by our accountholders allegedly involved in fraudulent transactions. Such notices have been information requests for the relevant accounts for the purpose of investigation and requests to debit freeze the accounts. We cannot assure you that we may not receive such notices in the future and that there will not be any such instances of fraudulent transactions by or involving our account-holders.

Our strategy includes continuing to grow the number and reach of our banking outlets, which may constrain our capital resources and test our asset quality management framework. 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. We may not be able to implement the necessary improvements in a timely manner, or at all, and we may encounter deficiencies in existing systems and controls. We may also be constrained by the requirement that at least 25% of our total banking outlets are required to be located in unbanked rural areas. To help meet this requirement, part of our plan is to use business correspondents to expand in regions experiencing socio-economic challenges, which may be more cost-intensive than expanding in other regions. Further, as we rely on third parties to expand some of our banking outlet network, we are dependent on these third parties for the operations of these banking outlets, which may expose us to reputational, operational and compliance related risks. For further details, see " - *We may face risks associated with our large number of banking outlets and extensive network and our reliance on third-party business correspondents operating banking outlets, which may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.*"

As an SFB, we have introduced several new products and services in addition to our microloan offerings. For further details of our proposed products and services, see "*Our Business – Our Banking Operations*" on page 154. We may incur substantial costs to expand our range of products and services and we cannot assure you that such products and services will be successful once offered, due to factors within or outside of our control, such as general economic conditions, failure to understand customer demand and market requirements or management focus on these new offerings. While expanding our range of products and services, we ensure compliance with all applicable RBI regulations such as on priority sector lending. Further, we may require approval from regulatory authorities before offering certain products and services. If we fail to obtain such approvals, or to develop and launch such products and services successfully, or if there is delay from RBI, we may lose a part or all of the costs incurred in the development and promotion of such offerings, or discontinue these offerings, which could in turn materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

In case of our inability to manage our future expansion successfully, our ability to provide products and services to our customers could be adversely affected, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

3. ***We have in the past received observations from the RBI pursuant to their on-site inspections.***

As a bank which is regulated by the RBI, we are subject to periodic on-site inspections by the RBI on all matters addressing our banking operations and relating to, among other things, solvency and capital adequacy, asset quality, management, earnings, liquidity management and systems and control. Typically, during the course of finalizing an inspection, the RBI shares its findings and recommendations with the entity being inspected and provides such entity with 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, the inspected entity is required to take actions specified therein by the RBI to its satisfaction, including, without limitation, requiring such entity to make provisions where required, impose internal limits on lending to certain sectors and tighten controls and compliance measures and restricting our lending and investment activities.

In its latest inspection report issued to our Bank in Fiscal 2020, the RBI has, among other things, provided certain observations in relation to our operations, including in connection with: (a) absence of detailed roadmap with definitive milestones for reduction of our Promoter’s stake in our Bank, as per regulatory requirements; (b) formation of the Fincare Employee Welfare Trust and loan sanction; (c) pricing of loans as per risk rating / score of borrower not being implemented; (d) implementation of RBI guidelines on Aadhaar-based authentication for card present transactions; and (e) review of Bank’s NPA identification and classification system on the lines of guidelines issued *vide* RBI circular RBI/2020-21/37 Ref. No. DoS.CO.PPG/SEC.03/11.01.005/2020-21 dated September 14, 2020 on 'Automation of Income Recognition, Asset Classification and Provisioning process in banks'.

While we have responded to, or are in the process of responding to, such observations, in the event we are unable to comply with the observations made by the RBI, we could be subject to penalties and restrictions which may be imposed by the RBI. Imposition of any penalty or adverse findings by the RBI during the ongoing or any future inspections may have an adverse effect on our business, results of operations, cash flows, financial condition and reputation.

4. ***We significantly depend on our microloan business, which has its own unique risks and, as a result, we may experience increased levels of non-performing loans and related provisions and write-offs that materially adversely affect our business, financial condition, results of operations, cash flows and prospects.***

Our Gross Loan Portfolio consists primarily of microloans, comprising 76.64% of our Gross Loan Portfolio as of March 31, 2022.

The following table sets forth our revenue from microloan portfolio as a percentage of total income for the years indicated:

Particulars	Fiscal		
	2020	2021	2022
Revenue accrued from microloan portfolio as a percentage of total income	65.68%	70.07%	66.39%

Given the high proportion of microloans, negative events that affect our microloan portfolio will have an adverse impact on our overall business and performance. Our microloan customers typically are women from low income households in rural India, with limited sources of income, savings and credit histories supported by tax returns and statements of previous loan exposures which are generally unsecured. Many microloan borrowers are new to credit, with approximately 54.23% of our customers as of March 31, 2022 being first-time borrowers. Further, some of these microloan borrowers may have availed loans from multiple sources including other microloan providers. Moreover, low income borrowers generally are less financially resilient than larger corporate borrowers, and, as a result, they may be disproportionately affected by economic conditions or socio-political unrest. Also, we may not always receive timely updates regarding changes in the financial condition of our customers or may receive inaccurate or incomplete information, as a result of any misrepresentation by either customers or employees. In addition, microloans are at higher credit risk than secured loans because they are generally not supported by collateral that may help ensure an adequate source of repayment of the loan. Our Gross NPAs of microloans totaled ₹ 270.77 million, ₹ 2,659.42 million and ₹ 4,953.04 million as of March 31, 2020, 2021 and 2022, respectively, which amounted to 0.72%, 5.49% and 8.50% of our total microloans in such periods. In the event of default, we may be unable to collect part or all of the amount lent to a customer.

Currently, our entire microloan portfolio consists of joint liability group loans. Our joint liability group lending products are built on the joint-liability loan model, wherein borrowers form a group and provide mutual guarantee for loans obtained by each other without requiring collateral or security on an individual basis. Though members of a joint liability group are inter-dependent, there can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of the joint liability group in the event of default by any one of them. These arrangements are likely to fail if there is no meaningful personal relationship among members of such group, if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans, or as a result of adverse external factors such as natural calamities or forced migration.

The Indian microfinance industry has experienced adverse market conditions in the past due to external factors such as decisions by central and state governments with respect to loan waivers, disruptions in business activities on account of caste or religion, among other things, and migration of people on account of changes in local employment conditions. Specific events that significantly affected the Indian microfinance industry in the past include national farm loan waivers in 2008, the Andhra Pradesh bill in 2010, Andhra Pradesh farm loan waivers in 2014, demonetization in 2016, farm loan waivers in some states in 2017 and 2018 and the COVID-19 pandemic.

The following table sets forth our write-offs for major products by number of accounts and total amount for the years indicated:

Write-offs	**Fiscal Year**					
	2020		**2021**		**2022**	
	Number of accounts	**Amount (₹ million)**	**Number of accounts**	**Amount (₹ million)**	**Number of accounts**	**Amount (₹ million)**
Microloans	32,980	440.78	26,490	319.72	179,804	3,603.06
Loan Against Property	268	11.89	61	9.49	168	9.80
Loan Against Gold	35	1.69	156	10.05	-	-
Two wheeler loans	-	-	1	0.05	235	5.86
Institutional finance	-	-	-	-	3	76.37
Total	**33,283**	**454.36**	**26,708**	**339.31**	**180,210**	**3,695.10**

Our bad debts written off as a percentage of loans advanced were 0.94%, 0.62% and 5.02% in Fiscal 2020, 2021 and 2022, respectively.

Although we have adopted risk management policies and procedures, we cannot assure you that these policies and procedures will adequately address unidentified or unanticipated consequences or that additional risk management policies for individual borrowers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, may adversely affect our credit portfolio, which may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. As a result of the foregoing factors, customers of our microloan operations pose a higher risk of default than borrowers with better financial resources and more established credit histories and borrowers living in urban areas with access to better education, employment opportunities, and social services. In addition, as our microloans are not generally backed by collateral, they may pose a higher degree of risk than loans secured with physical collateral.

5. ***A substantial portion of our banking outlets are located in and a significant portion of our advances originated from four states, making us vulnerable to risks associated with having geographically concentrated operations.***

A substantial number of our banking outlets and a significant portion of our advances are in the states of Tamil Nadu, Gujarat, Karnataka and Madhya Pradesh. Further, five districts across these four states accounted for 15.18% of our Gross Loan Portfolio as of March 31, 2022. In Fiscal 2022, 19.53% of our disbursements were from Tamil Nadu and 16.26% from Gujarat. Due to this concentration, the success and profitability of our overall operations may be exposed to regional factors. These regional factors include, among others: (i) the growth in population, income and savings levels, (ii) increased competition as more players enter these geographies, (iii) financial health of borrowers in these areas, and the risk of their over-indebtedness, (iv) changes to local laws and regulations (such as in the state of Andhra Pradesh in 2010), (v) public perception around the products and services that we provide, in particular around microloans (such as the change in public perception that occurred at the time of the introduction of the Andhra Pradesh bill in 2010), (vi) influx or efflux of migrant populations, and (vii) other developments including political unrest, disruption or sustained economic downturn in these regions, floods and other natural calamities. Adverse developments in any of the above factors would affect us more than they might affect banks with greater geographic diversity. Any one of these events may require us to close banking outlets, temporarily shut down operations, or lower lending levels, and may result in a material adverse change in our business, financial condition, results of operations and cash flows. In each of Fiscal 2020 and Fiscal 2022, we have witnessed one such instance of shutdowns and closures cumulatively across our Banking Outlets owing to factors such as floods, political unrest, other natural calamities, among others, and have not witnessed any such instance in Fiscal 2021.

The following table sets forth a breakdown of our banking outlets, Gross Loan Portfolio and total advances in the States of Tamil Nadu, Gujarat, Karnataka and Madhya Pradesh in terms of the percentage of our entire network, as of March 31, 2022:

Particulars	**Banking outlets**		**Gross Loan Portfolio**		**Deposits**	
	Number	**% of total**	**₹ millions**	**% of total**	**₹ millions**	**% of total**
State						
Tamil Nadu	117	17.38%	16,510.69	21.73%	8,020.79	12.42%
Gujarat	104	15.45%	12,953.96	17.05%	8,431.69	13.06%
Karnataka	87	12.93%	10,445.75	13.75%	6,345.44	9.83%
Madhya Pradesh	75	11.14%	6,944.55	9.14%	1,353.54	2.10%
Total of top four	383	56.91%	46,854.95	61.65%	24,151.47	37.41%
Total	**673**	**100.00%**	**75,995.80**	**100.00%**	**64,555.80**	**100.00%**

As of March 31, 2022, our top four states accounted for 56.91% of our banking outlets, 61.65% of our Gross Loan Portfolio and 37.41% of our total deposits.

The following tables set forth a breakdown of our top four districts in terms of banking outlets, gross loans and total deposits, as of March 31, 2022:

Particulars	**Banking outlets**	
	Number	**% of total**
District		
Vellore	14	2.08%
Dohad	13	1.93%
Chittoor	12	1.78%
Udaipur	9	1.34%
Total of top four	**48**	**7.13%**

Particulars	**Gross Loans**	
	₹ millions	**% of total**
District		
Dohad	2,423.91	3.19%
Vellore	2,135.14	2.81%
Chittoor	1,818.60	2.39%
Visakhapatnam	1,518.14	2.00%
Total of top four	**7,895.79**	**10.39%**

Particulars	**Deposits**	
	₹ millions	**% of total**
District		
Bangalore	5,325.14	8.25%
Ernakulam	4,325.21	6.70%
New Delhi	3,657.12	5.67%
Gurgaon	2,620.02	4.06%
Total of top four	**15,927.49**	**24.68%**

As on March 31, 2022, our largest banking outlet (located at Vellore in Tamil Nadu) and second largest banking outlet (located at Dohad in Gujarat) in terms of total deposits account for 1.79% and 0.13% of our total deposits, respectively. Our largest banking outlet (located at Vellore in Tamil Nadu) and second largest banking outlet (located at Dohad in Gujarat) in terms of Gross Loan Portfolio account for 2.81% and 3.19% of Gross Loan Portfolio, respectively. As of

March 31, 2022, our ten largest banking outlets accounted for 68.72% of our total deposits and 97.39% of our total Gross Loan Portfolio. Accordingly, any downturn in the performance of either of these banking outlets may result in a material adverse change in our business, financial condition, results of operations and cash flows.

6. ***A significant portion of our loan portfolio was originated in rural areas, exposing us to risks associated with rural economies.***

Many of our microloan customers are located in rural areas of the geographies in which we operate in India. As of March 31, 2022, 93.44% of our loan portfolio comprised rural borrowers, with annual household income of up to ₹ 0.13 million. Such rural borrowers are dependent on the performance of their local economies, which are largely tied to the agricultural, agri-allied and petty trade sectors. Further, the agricultural industry in India depends on the vagaries of weather, and in particular the success of the monsoon. Any drastic changes in weather, drought, excessive rains or floods can lead to weakness in the agricultural industry and, consequently, the ability of our borrowers to repay their loans. Moreover, in the past, high debt among farmers combined with political and socio-economic factors have led a number of states, including Madhya Pradesh, to declare farm debt waivers. Such waivers may lead to a deterioration of credit discipline, as some borrowers in other states may stop repaying their loans in hope of obtaining similar relief.

Any weakness in local economies may lead to an increase in NPAs and credit costs, which may be exacerbated by the fact that all our microloans as of March 31, 2022, are unsecured, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Moreover, rural areas tend to have more limited infrastructure than more developed areas, particularly with regard to transportation, electricity, internet bandwidth and security. We may face difficulties in conducting operations in such areas, or our cost of operations in such areas may be higher. We may not assure you that such costs will not increase in the future, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

7. ***We face the threat of fraud and cyber-attacks targeted at disrupting our services, such as hacking, phishing and trojans, and/or theft of sensitive internal data or customer information. This may cause damage to our reputation and adversely impact our business, financial condition, results of operations, cash flows and prospects.***

As a digitally-oriented bank, we may be exposed to frauds, errors, hacking and system failures, and our systemic or operational controls may not be sufficient to prevent these. Our tablet, mobile and internet-based customer applications and interfaces may be exposed to being hacked or compromised by third parties, resulting in thefts and losses to our customers and us. In addition, our systems feature real-time integration with third parties for e-KYC applications and credit checks, which may get disrupted by hacking or other system failures. Although we have implemented steps to address gaps previously identified in our data protection cyber security framework, some cyber threats from third parties may remain, including: (i) phishing and trojans – targeting our customers, wherein fraudsters may send unsolicited mails seeking account sensitive information or infect customer machines to search and attempt ex-filtration of account sensitive information; (ii) hacking – wherein attackers may seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (iii) data theft – wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information; (iv) advanced persistent threat – a network attack wherein an unauthorized person gains access to our network with the intention to steal our data or information rather than to cause damage to our network or organization and remains undetected for a long period of time; (v) ransomware – wherein attackers may deny us access to our network, or threaten to release our internal or our customer's data, unless a ransom is paid; and (vi) card skimming – wherein attackers use a device, such as one they illegally affix to our ATMs/cash recyclers, to steal our customers' card data and then sell it or use it to make fraudulent purchases. For example, in March 2019, we encountered a ransomware attack on one of our servers; while this did not result in any breach of our data or customer data or any losses, the frequency of such cyber threats may increase in the future with the increased digitization of our services. We have not experienced any other instances of cyber-security breach in the past three years. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third-party service providers, whom we do not control. While we maintain cyber liability insurance, we cannot guarantee that it covers all relevant cyber risks. If we become the target of any cyber-attack, it may materially and adversely affect our business, financial condition, results of operations and cash flows.

A significant system breakdown or system failure caused by intentional or unintentional acts may have an adverse impact on our revenue-generating activities and lead to financial loss. In addition, there can be no assurance that the network infrastructure required for communication with the centralized system can be scaled up to meet any increase in the volume of our transactions.

There is also the risk of our customers blaming us or terminating their accounts with us for a cyber-incident that occurred on their own systems or in dealing with an unrelated third party. On June 2, 2016, the RBI issued a framework for cyber-security for banks, prescribing measures to be adopted by banks to address security risks including putting in place a cyber-security policy and requiring banks to report all unusual cyber-security incidents (whether successful or attempts) to the RBI. Any cyber-security breach may also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

We rely on a combination of internally-developed and third-party software and IT systems, each of which are subject to their own sets of risks. The quality and stability of our internally-developed systems may not match that of systems purchased from third-party software vendors, and we may not be as effective as dedicated software developers in carrying out quality control checks or implementing security protections. Many software developers may have larger technology development teams and devote more resources to software development than we do. They may also have more experience developing software and digital systems, as well as the ability to source feedback from a wider variety of customers, allowing them to be more effective in identifying and fixing glitches or security flaws.

For third-party-sourced software, which includes but is not limited to our current core banking application, some software is marketed as a common solution for banks in India, and there may be functional requirements specific to us that they may not address adequately. In such cases, we may not be able to have the systems customized sufficiently to suit our operations, or we may be forced to rely on our internal development team to attempt customization, and we may incur losses if such customization proves to be inadequate. Moreover, we cannot guarantee that third-party vendors will continue updating or providing ongoing support for the digital products and services that we source from them, and we may be unable to renew the contracts we have with such vendors in time, or at all. Further, we may not be able to find alternative sources for such products or services. Moreover, even if we are able to find alternative products or services, we may not be able to integrate them successfully with our systems, or we may face a period of downtime or delay during integration.

8. ***Our business is vulnerable to interest rate and investment-related risks. Volatility in interest rates, value of investments and other market conditions could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance.***

Our results of operations depend to a large extent on the level of our net interest earned which is our primary revenue source. The differential between the interest rates that we charge on interest-earning assets and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have a significant impact on our results of operations. For Fiscal 2022, interest earned represented 87.75% of our total income (interest earned plus other income). For Fiscal 2020, 2021 and 2022, our interest expended was ₹ 4,508.85 million, ₹ 5,500.48 million and ₹ 5,697.82 million, respectively. For the same periods, our net interest margin was 11.59%, 9.87% and 11.01%, respectively. The following table sets forth the break-down of fixed and floating interest rates applicable to our investments, advances and borrowings for each of the corresponding years:

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022	
	Percentage bearing fixed interest rate (%)	Percentage bearing floating interest rate (%)	Percentage bearing fixed interest rate (%)	Percentage bearing floating interest rate (%)	Percentage bearing fixed interest rate (%)	Percentage bearing floating interest rate (%)
Advances	95.13%	4.87%	98.48%	1.52%	99.62%	0.38%
Investments	100.00%	0.00%	100.00%	0.00%	100.00%	0.00%
Borrowings	100.00%	0.00%	98.61%	1.39%	99.41%	0.59%

Changes in market interest rates may affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities and may also affect the value of our investments. Interest rates are highly sensitive to many factors beyond our control, including the monetary policy of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors, which have historically generated a relatively high degree of volatility in interest rates in India.

An increase in interest rates may result in an increase in interest expense relative to interest earned if we are not able to increase the rates charged on our loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. The differences between repricing maturities of rate sensitive liabilities and rate sensitive assets, called repricing gaps, exposes our business to interest rate risk. Our business is also exposed to interest rate risk in the form of non-uniform movement in different interest rate benchmarks that are used for pricing our assets and liabilities (save that our deposits are not linked to external interest rate benchmarks). As the repricing maturities of our liabilities and assets are spread over different time periods, we are exposed to interest rate risk in the form of non-parallel movement in yield curves. Such scenarios may lead to a reduction in our net interest earned and net interest margin or require us to increase interest rates on loans disbursed to customers to maintain our net interest margins. Exposure of our business to interest rate risks as mentioned above may also impact on the long-term economic value of our equity. Further, any inability to competitively price our loans and credit substitutes could negatively affect our targeted volume growth, which may materially adversely affect our net profits. The quantum of the change in interest rates for our assets and liabilities may also be different, leading to a decrease in the interest margin.

Our cost of funds is sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads (which is the difference between the returns that we earn on our advances and investments and the amounts that we must pay to fund them) on account of changing interest rates. In a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, it could lead to a reduction in our net interest income and NIMs. We also face prepayment risk on our loans, which may result in loss of future interest income and reduced cash flows if we are unable to re-invest the proceeds at similar interest rates. For certain products, we may not be able to collect prepayment charges.

Regulatory requirements that require us to maintain a portion of our assets in fixed income government securities may also have a negative impact on our net interest income and net interest margin since we earn interest on this portion of our assets at rates that are generally less favorable than those received on our other interest-earning assets. Moreover, changes in interest rates may materially adversely affect our fixed income portfolio and treasury income. For further details, see " - *Our treasury income, debt investment portfolio and derivatives portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility*".

9. ***We may face risks associated with our large number of banking outlets and extensive network and our reliance on third-party service providers including business correspondents operating banking outlets, which may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.***

We have a large banking outlet network, with 919 banking outlets (including BC outlets) and more than 3.26 million customers as of March 31, 2022. Our banking outlets consist of 673 banking outlets operated directly by us and 246 banking outlets operated through third-party business correspondents, as of March 31, 2022. We also plan to continue to grow our physical presence through a mix of our own and third-party business correspondent banking outlets. While we operate the majority of our banking outlets ourselves, 26.77% are operated by third-party business correspondents as of March 31, 2022. Accordingly, we may be exposed to certain risks owing to an extensive network and reliance on third parties, including, among others:

- preserving our asset quality as our geographical presence increases and our customer profile changes;
- ensuring compliance with RBI requirements to have at least 25% of our banking outlets in unbanked rural centers;
- maintaining consistency in processes and controls across the network;
- developing and improving our products and delivery channels;
- recruiting, training and retaining sufficient skilled personnel;
- upgrading, expanding and securing our technology platform;
- complying with regulatory requirements such as KYC; Anti Money Laundering ("**AML**") and Foreign Account Tax Compliance Act ("**FATCA**") norms;
- maintaining high levels of customer satisfaction;
- managing difficulties arising from operating a larger and more complex organization;
- overcoming difficulties arising from coordinating and consolidating corporate and administrative functions;
- limiting delays in the transfer of data among various locations;
- incurring higher technology costs in order to achieve last mile connectivity;
- mitigating operational risks including integration of internal controls and procedures;
- allocating technology, management support and other resources optimally across our banking outlets;
- managing third-party service providers effectively in relation to any outsourced services;
- managing termination of arrangements with third-party service providers;
- integrating new banking outlets with our existing network;
- hiring skilled personnel locally in sufficient numbers to operate new banking outlets and creating management bandwidth to supervise such operations centrally;
- mitigating fraud risk, especially at remote locations;
- maintaining the highest standards of client service at all banking outlets; and
- managing unforeseen legal, regulatory, property, labor or other issues.

Set forth below is the contribution of our banking outlets operated through third-party business correspondents, including as a percentage of our total income, in each of the corresponding years:

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022	
	(in ₹ million)	As a percentage of total income (%)	(in ₹ million)	As a percentage of total income (%)	(in ₹ million)	As a percentage of total income (%)
Contribution of our banking outlets operated through third-	6.91	0.06%	10.50	0.08%	172.16	1.04%

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022	
	(in ₹ million)	As a percentage of total income (%)	(in ₹ million)	As a percentage of total income (%)	(in ₹ million)	As a percentage of total income (%)
party business correspondents						

Any of the reasons set forth above may result in our failure to manage our expansive presence, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. Further, there have been instances of delay in the closure of some of our banking outlets due to delayed approvals from relevant district credit committees as a result of the COVID-19 pandemic.

Moreover, our reliance on business correspondents subjects us to specific risks. In particular, all our business correspondents have the right to terminate their agreements with us at any time without any reason, by giving three months' notice to us. While our agreements provide that in such events of termination without cause, the agreement will be valid till subsisting loans are closed, given that we meet the RBI requirement to have at least 25% of our banking outlets in unbanked rural centers primarily through our business correspondents, a termination of the arrangements with these third parties may result in us being in non-compliance with the RBI requirements. Moreover, certain business correspondent agreements are on a non-exclusive basis, meaning that our business correspondents may be engaged by our competitors to provide similar services. Similarly, some of the business correspondent agreements restrict us from appointing other business correspondents in the same region and for the same products. Further, we have indemnified our business correspondents for certain losses, including legal expenses, that they incur in relation to our business correspondent agreements, and our business correspondents have limited liability in case of any direct, indirect, incidental, special or consequential damages arising out of or relating to the agreements. Any degradation in our relationship with our business correspondents, related to the reasons mentioned in this paragraph or otherwise, may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

10. ***We rely on deposits as a low-cost means of funding a substantial portion of our loan portfolio and there is no guarantee that we will be able to source enough deposits or alternative funding to support our business, which may have a material adverse impact on our growth or cost of funds.***

Although we are now an SFB, having built a base of deposits (including retail deposits) and reduced our overall cost of funds, there is no guarantee that we will be able to generate enough funding from deposits to fund our lending activities or sustain or further reduce our cost of funds. We also cannot guarantee that deposits will be realized as quickly as anticipated or be realized at all, or that our strategy of enhancing our base of retail and CASA deposits will work at all times or in all markets, and this may hamper our growth plans. Moreover, we cannot guarantee that we will be able to replace any shortfall in deposits with alternate funding sources.

Any inability on our part to generate sufficient funding to support our lending activities may have a material adverse impact on our growth. Moreover, if we are not able to source sufficient deposits, especially CASA or retail deposits, we may be forced to raise the interest rates that we offer on our deposits which will impact our NIMs. Additionally, we are subject to interbank borrowing limits and to restrictions on our borrowing such as being unable to obtain loans that were generally available to us earlier, when we were an NBFC-MFI. If we are unable to access necessary capital, we may be required to curtail or withdraw from some of our current business operations or growth plans. Any such occurrence may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

A significant portion of our funding is from deposits. In particular, the ratio of our deposits to the aggregate of our deposits and borrowings was 68.68% of as of March 31, 2022 and, as of that date, we had a CASA ratio of 36.30%. Current account and savings account deposits may be withdrawn on demand by our customers. As of March 31, 2022, 40.42% of our term deposits had maturities of up to 12 months. If a substantial number of our depositors do not roll over term deposits upon maturity, or if our current account or savings account customers withdraw their funds, our liquidity position may be adversely affected. Moreover, wholesale deposits, which tend to be more sensitive to interest rates, constituted 17.88% of our term deposits as of March 31, 2022. Although 19.73% of our wholesale deposits as of March 31, 2022 are non-callable, we cannot guarantee that our wholesale deposit customers will continue to place those deposits with us upon maturity.

11. ***Our inability to comply with laws and regulations applicable to us may have an adverse effect on our business, results of operations, financial condition and cash flows. Further, regulation with respect to ownership and eligibility requirements of shareholders of equity securities of an SFB may impact our ability to raise capital and restrict investment in us.***

Compliance with stringent laws and regulations

As an SFB, we are subject to stringent laws and regulations. We are regulated under the Banking Regulation Act and have to comply with circulars and directives issued by the RBI that apply to small finance banks. The SFB Operating Guidelines, the RBI In-Principle Approval, the RBI Final Approval and the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021 require us to comply with certain conditions in order to operate our SFB business, including among others:

- we (and our Promoter) are required to be owned and controlled by Indian residents in accordance with FEMA at all times from the date of commencement of our SFB operations and our Promoter is required to continue to hold at least 40% of our share capital for five years from the commencement of our SFB business and then reduce its shareholding after five years in accordance 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*;

  **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 five year mandatory promoter lock-in period up to completion of 15 years. For further information, see "Key Regulations and Policies" beginning on page 186.*

- we are required to maintain a minimum paid-up equity capital and a minimum net worth of ₹ 1,000 million;

- any change of shareholding by way of fresh issue or transfer of shares to the extent of 5% or more in us requires prior RBI approval;

- at least 25% of our total banking outlets have to be located in unbanked rural areas;

- we are subject to certain prudential norms, with specific focus on our risk management framework; for example, the maximum loan size and investment limit exposure to a single and group obligor will be restricted to 10% and 15% of our capital funds, respectively, and at least 50% of our loan portfolio will constitute loans and advances of up to ₹ 2.5 million;

- we are not permitted exposure in terms of loans and advances to the companies (and directors of such companies) in which our Directors, our Promoter, major shareholders (holding 10% or more of our paid up equity share capital), relatives of Promoter and entities in which such Promoter, major shareholders or relatives of Promoter have significant influence or control, or are interested;

- we are required to extend 75% of our ANBC as at the end of the corresponding quarter of the previous financial year to the sectors eligible for classification as PSL by RBI, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy (for further details, see "*Risk Factors— We are required to extend a minimum level of advances to certain sectors, have limitations on the percentage of our on book advances a particular loan size and must maintain a prescribed cash reserve ratio, statutory liquidity ratio and minimum capital to risk-weighted assets ratio, each of which may have an adverse effect on our business operations*");

- we are required to maintain a minimum capital adequacy ratio of 15% on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time; further, our Tier I capital should be at least 7.5% of our risk weighted assets and our Tier II capital should be limited to a maximum of 100% of total Tier I capital; and

- Under the SEBI ICDR Regulations, upon Allotment in the Offer, (i) the entire pre-Offer 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-Offer equity share capital, forming part of the Promoter's minimum contribution, will be locked in for 18 months.

Further, we were required to list our Equity Shares within three years of our net worth reaching ₹5,000 million, which occurred in September 2018, i.e. by September 2021. Our Bank received a letter dated June 29, 2022 from the RBI observing that the date of completion of the initial public offer by our Bank had passed and our Bank had failed to complete its listing. The RBI also advised that failure to achieve listing before expiry of the then final observations issued by SEBI on the draft red herring prospectus dated May 8, 2021 filed by our Bank, our Bank would be treated as violating licensing conditions and threatened action against our Bank. Our Bank responded to the RBI vide its letter dated July 11, 2022 informing the RBI that we had re-initiated the initial public offer process and are 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 or other regulatory actions by the RBI.

As an SFB, we are not permitted to raise secured borrowings from banks and financial institutions or raise funds from the issuance of secured non-convertible debentures and commercial paper. The RBI issued the SFB guidelines on November 27, 2014 ("**SFB Licensing Guidelines**") to license SFBs in the private sector. The SFB Licensing Guidelines, together with the "Operating Guidelines for Small Finance Banks" issued by RBI on October 6, 2016 ("**SFB Operating Guidelines**", and together with the SFB Licensing Guidelines, the "**SFB Guidelines**") exempt SFBs from the existing regulatory ceiling on inter-bank borrowings until the existing loans mature or up to three years, whichever is earlier. However, while the SFB Guidelines provide an exemption with respect to legacy borrowings, any borrowing made by us since the commencement of operations as an SFB will be subject to inter-bank borrowing limits and restrictions on loans and advances, at par with other scheduled commercial banks. Further, we are precluded from creating floating charges on our assets, and any existing floating charge created on our assets have to be grandfathered until their maturity, subject to the creation of additional charges, in accordance with guidelines issued by the RBI.

As an SFB, we are also regulated under the Banking Regulation Act and have to comply with circulars and directives issued by the RBI from time to time ("**RBI Circulars**"). During the course of annual inspection, RBI does provide their observations and some of these observations are of the nature of “monitorable action plan”. We have in the past received such monitorable action plan matters from RBI. We have rectified such matters and have provided our comments to RBI. No penalty was levied by RBI against us in this regard. We will have to comply with prudential norms specified in respect of market discipline, the classification, valuation and operation of our investment portfolio, income recognition, asset classification and provisioning pertaining to advances, RBI directives on permissible loans and advances, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, and periodic disclosure requirements (including in presentation of financial information and financial statements). Further, the Banking Regulation Act limits the flexibility of shareholders and management in an SFB in many ways, including by way of specifying certain matters for which a banking company would require RBI approval. Additionally, in the event we fail to meet prescribed prudential norms, the RBI may charge penal interest for the period of default, or restrict our SFB activities, or otherwise enforce increased scrutiny and control over our operations. The RBI may also impose additional conditions on us, and may terminate our SFB license, if we are unable to comply with applicable requirements. Further, we are yet to comply with certain RBI guidelines such as compliance with an RBI circular on Aadhaar-based authentication for card-present transactions dated December 2, 2016, and have communicated the same to the RBI.

The Banking Ombudsman ("**BO**"), appointed by the RBI to redress certain customer complaints, has in the past directed us to pay an award of ₹ 0.05 million for not following the applicable KYC and AML guidelines, in relation to customer accounts of certain imposters who compromised a transaction of ₹ 0.90 million. In Fiscal 2022, the BO has also directed us to pay an amount of ₹ 2,500 to a victim of suspicious UPI transactions.

Further, as per the RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019, notified on June 7, 2019, we are required to, among other things, identify incipient stress in loan accounts, immediately on default by classifying stressed assets as special mention accounts and to put in place Board-approved policy for resolution of stressed assets.

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. These directions are required to be implemented by all regulated entities, including SFBs, not later than October 1, 2022. 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 may 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.

We cannot currently determine the full impact and applicability of the SFB Guidelines and other banking regulations on our business. 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.

Ownership and eligibility requirements of shareholders of equity securities of an SFB

We are required to be owned and controlled by residents of India in accordance with FEMA at all times from the date of commencement of our business. Further, investment in an SFB is subject to restrictions under the laws governing banking companies including the Banking Regulation Act and the SFB Guidelines. The SFB Guidelines refer to Section 12B of the Banking Regulation Act, which provides that any acquisition of 5.00% or more of the paid up share capital of a banking company will require prior approval of RBI. This will also apply to an SFB. Section 12B of the Banking Regulation Act further requires any person to seek prior approval of the RBI to acquire, or agree to acquire, shares or voting rights of a bank, either directly or indirectly, 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 5.00% or more of the paid-up share capital of a bank or entitles him to exercise 5.00% or more of the voting rights in a bank. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain "Fit and Proper" criteria.

We cannot assure that we will be able to comply with the requirements under the Banking Regulation Act, SFB Guidelines, the RBI In-Principle Approval, the RBI Final Approval and the RBI Circulars. Further, these restrictions also limit our ability to raise further capital and may also have an adverse effect on our business, results of operations, financial condition and prospects. For further details in relation to the restrictions on shareholding, refer to "*Key Regulations and Policies*" and "*Offer Procedure*" on pages 186 and 277, respectively.

12. ***We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace corporate records and documents in relation to transfer of Equity Shares by and to our Promoter. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records. For details, see "Capital Structure – Notes to the Capital Structure – Share Capital History of our Bank – Equity Share capital", "Capital Structure – Offer of shares for consideration other than cash or our of revaluation of reserves", "Capital Structure – Offer of Equity Shares pursuant to schemes of arrangement" and "History and Certain Corporate Matters – Brief history of our Bank" on pages 73, 81, 81 and 201, respectively.***

We manage our internal compliance by monitoring and evaluating internal controls, and ensuring all relevant statutory and regulatory compliances. However, there can be no assurance that deficiencies in our internal controls will not arise, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such deficiencies in our internal controls, in a timely manner or at all.

On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of the Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, all the corporate records of our Bank (apart from the memorandum and articles of association at the time of incorporation of our Bank, and certain from filings, which include certain Form 1, Form 32, Form 16, Form 5, Form 20B, Form 66 and Form 23AC filings made by our Bank during such period) are not traceable with our Bank, or with the RoC. We have tried to locate copies of the filings made with the RoC that are not available with us by obtaining an RoC search report. Therefore, we are unable to conclusively ascertain, among others, details of the build-up of the equity share capital of our Bank, schemes of amalgamation entered into by our Bank, changes in the registered office of our Bank, time and cost over-runs, defaults or re-scheduling of borrowings and lock-outs and strikes, in each case for the period between April 5, 1995 and February 3, 2009.

Further, we are unable to trace corporate records and other documents in relation to transfer of Equity Shares by and to our Promoter, either in our Bank's records or in the records of our Promoter, which include demat statements and share transfer forms for transfers made on December 16, 2014, October 6, 2016 and October 28, 2016. We have also been unable to trace certain corporate records in relation to our Bank, which include certified true copies of the board resolution approving the issue of Equity Shares allotted on February 24, 2009, September 7, 2009 and December 12, 2009. In the absence of or discrepancies in such records, we have relied on statutory registers maintained by our Bank, annual returns filed with the RoC and minutes of meetings of the Board, as applicable, in order to ascertain details of such allotments and transfers. While we believe that the transfers were undertaken in a valid manner in terms of applicable laws and our AoA, we cannot assure you that the share transfer forms in relation to such transfers of such Equity Shares were filed with us in a timely manner or at all. Further, there have also been certain inadvertent factual inaccuracies in respect of certain filings made by our Bank.

Although no regulatory action/litigation is pending against us in relation to such untraceable secretarial and other corporate records or in relation to the discrepancies in our statutory filings, we cannot assure you that we will not be subject to action that may be taken by regulatory authorities in this respect. Accordingly, we cannot assure you that our Bank will not be subject to any action by statutory authorities on account of any non-availability of any of its secretarial records and filings or discrepancies in our statutory filings, which may adversely affect our business, financial condition and reputation.

13. ***We have a substantial amount of outstanding indebtedness, which requires significant cash flows to service and is subject to certain conditions and restrictions in terms of our financing arrangements which restrict our ability to conduct our business and operations in the manner we desire. For details in relation to our outstanding indebtedness, see "Financial Indebtedness" on page 343.***

Our level of indebtedness and any change in the same has and may have important consequences to us, such as:

- increasing our vulnerability to general adverse economic, industry and competitive conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- affecting our credit ratings;
- limiting our ability to borrow additional amounts in the future;
- affecting our capital adequacy requirements; and
- increasing our finance costs.

Our financing agreements contain restrictive covenants that require us to obtain prior approval from our lenders for, among other things:

- change in our capital structure;
- change in our shareholding pattern;
- change in our control;
- change in our Promoter's shareholding of our Bank;
- cessation or change in our business;
- create any further charge on the secured assets or provide any guarantees to other lenders;
- declaration of dividend or distribution of profits;
- amendment of memorandum of association or articles of association;
- availment of any new borrowing or financing;
- undertaking or permitting any merger, de-merger and investments in any associates, investment in any joint ventures, subsidiaries, consolidation or reorganization of our Bank without the prior approval of the concerned entity/persons; and
- change in management.

In the event of a breach of any financial or other covenants contained in any of our financing arrangements or in the event we had breached any terms in the past which is noticed in the future, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs. A default under the terms of any financing document may also trigger a cross-default under some of our other financing documents, or any other agreements or instruments containing a cross-default provision, which may individually or in aggregate, have an adverse effect on our operations, financial position and credit rating. If the obligations under any of our financing documents are accelerated owing to an event of default, 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. Further, if the lenders of a material amount of the outstanding loans declare an event of default simultaneously, we may be unable to pay our debts when they fall due.

In addition to our financing arrangements, we also rely on, among others, securitization and direct assignment transactions to meet our funding requirements. The governing documents for such transactions may impose certain obligations on us, including, among other things, (i) monitoring the performance of obligors, bearing expenses in relation to the servicing of receivables, notifying the trustees in relation to any change which would affect the rights and obligations of PTC holders, (i) and obtaining the consent of the trustees, assignees, structurers, as applicable for certain corporate actions, such as change of business, amendment to our charter documents, change in management control, change in shareholding or disposal of assets. We cannot assure you that we will continue to be in compliance with such requirements, and any such non-compliance on our part may disrupt our access to funding through securitization and may have a material adverse effect on our liquidity and financial condition.

14. ***We are required to extend a minimum level of advances to certain sectors, have limitations on the percentage of our on-book advances above a particular loan size and must maintain a prescribed cash reserve ratio, statutory liquidity ratio and minimum capital to risk-weighted assets ratio, each of which may have an adverse effect on our business operations.***

As per regulatory guidelines applicable to an SFB, we are required to extend 75% of our ANBC as at the end of the previous financial year to the sectors eligible for classification as PSL, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy. Further, while 40% of our ANBC is required to be allocated to different sub-sectors under the extant PSL prescriptions such as small and marginal farmers, micro enterprises, agriculture and weaker sections, and we may allocate the balance of 35% to any one or more eligible sub-sectors under PSL guidelines where we have a competitive advantage. The PSL requirements applicable to an SFB are significantly higher than those applicable to a universal bank, which could subject us to higher delinquency rates. The PSL requirements in the case of SFBs are monitored on a quarterly basis, and in case of any shortfall by us in meeting the PSL requirements for any financial year, we may be required to contribute the difference between the required lending level and the actual PSL targets to the Rural Infrastructure Development Fund established with NABARD, or with other funds with NABARD, NHB, SIDBI or MUDRA as decided by the RBI from time to time, which may earn lower levels of interest, compared to other interest bearing securities. Our failure to comply with PSL requirements may have an adverse effect on our business, results of operation, financial condition and cash flows.

The maximum loan size and investment limit exposure to a single and group borrower is restricted to 10% and 15% of our capital funds, respectively. In addition, at least 50% of our advances is required to constitute advances of a ticket size of up to ₹ 2.50 million.

The SFB Licensing Guidelines mandate that SFBs will be subject to all prudential norms and regulations of the RBI as applicable to the existing commercial banks including the requirement of maintenance of cash reserve ratio ("**CRR**") and statutory liquidity ratio ("**SLR**"). All scheduled commercial banks (other than regional rural banks) are required to comply with the statutory reserve requirements prescribed by the RBI. As of March 31, 2021, scheduled commercial banks were required to maintain a CRR of 3.5% of their net demand and time liabilities ("**DTL**") in a current account maintained with the RBI, on which no interest is paid. This was revised to 4% on May 22, 2021, and has been increased to 4.5% from May 21, 2022. Further, scheduled commercial banks are also required to maintain, under the current requirements, a SLR equivalent to 18% of their net demand and time liabilities to be invested in cash and Government or other RBI-approved securities. As an SFB, our net interest margin and return on net worth may be adversely affected, given that we are required to set aside capital to meet the CRR and SLR requirements of the RBI. Further, until we scale up our deposit base, a significant portion of the CRR and SLR requirements may be met from our borrowings, which may also adversely affect our net interest margin and return on net worth in the short to medium term.

Further, if we fail to meet the prescribed norms in our banking operations, the RBI may charge penal interest for the period of default, or 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 RBI approval in the future, or even cancel our banking license in view of any major and/or sustained non-compliance. Further, maintaining the CRR and SLR may impose liquidity constraints on us by reducing the amount of cash available with us for lending. In the event that the CRR or SLR requirements applicable to banks are increased in the future, our resources available for making loans and advances to our borrowers would be correspondingly further reduced. Any such actions or events may adversely affect our business, financial condition, results of operations, cash flows and prospects.

Additionally, as per the SFB Guidelines, we are required under applicable laws and regulations to maintain certain minimum capital adequacy ratio on a continuous basis, which is currently 15% of our risk weighted assets. As of March 31, 2020, 2021 and 2022, our CRAR was 29.28%, 29.56% and 22.32%, respectively. As we continue to grow our loan portfolio and asset base, we may be required to raise additional capital in order to continue to meet the applicable capital adequacy ratios with respect to our business. Moreover, universal banks in India are only required to maintain a minimum capital adequacy ratio of 9%, which may hinder our ability to compete effectively with them. We cannot assure you that we will be able to raise adequate additional capital in the future on terms favorable to it, or at all, and this may adversely affect the growth of our business. Further, pursuant to a notification dated November 29, 2018, the RBI has prescribed guidelines in relation to net stable funding ratio ("**NSFR**"), which became applicable to all scheduled commercial bank, including us, starting September 1, 2021. The NSFR guidelines require that the NSFR be equal to at least 100% on an ongoing basis, and compliance with this requirement may require us to set aside additional capital to comply with these requirements.

15. ***We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our business, financial condition including liquidity, results of operations, cash flows and prospects.***

We may face asset and liability mismatches, which represents situations when the duration of an institution's assets and liabilities do not match. For further information on the asset-liability position of our Bank, see "*Selected Statistical Information –Assets and Liabilities*" on page 236. 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 prepayments of the financing facilities we grant to our customers. Any mismatch in our assets and liabilities may lead to a liquidity risk and have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

16. ***Any downgrade in our credit ratings could increase our finance costs and materially adversely affect our business, financial condition, results of operations, cash flows and prospects.***

The cost and availability of capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of rating agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Any downgrade in our credit ratings may cause our lenders to impose additional terms and conditions to any financing or refinancing arrangements that we enter in the future. As of the date of this Draft Red Herring Prospectus, our long term rating is ICRA A (stable outlook) by ICRA and CARE A (stable outlook) by CARE Ratings. Our unsecured sub-ordinated debt is rated CARE A (stable outlook) by CARE Ratings and IND A (stable outlook) by India Ratings. Our fixed deposit program is rated ICRA A (stable outlook) by ICRA, reaffirmed and migrated from MA+ (stable outlook) and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings. For further details of our credit ratings, see "*Our Business – Credit Ratings*" on page 154.

17. ***An increase in our portfolio of non-performing assets may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.***

Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, collection and remedial management and an overall architecture for managing credit risk in our business. If the credit quality of our customers deteriorates, this may have a material adverse effect on our overall business, results of operations, financial condition, cash flows and prospects. Our credit monitoring and risk mitigation policies and procedures may not be accurate, properly designed, or appropriately implemented, and we may suffer material credit losses. For instance, if the value of the collateral securing our credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral) or if we face practical or legal impediments in enforcing collateral, then we may be exposed to greater credit risk and an increased risk of non-recovery if related credit exposures fail to perform. In addition, even if our policies and procedures are accurate and appropriate, we may not be able to anticipate future economic or financial developments or downturns, which may lead to an increase in our NPAs. Further, our customers may face cash flow constraints due to losses incurred by them in their businesses or in the economic activities pursued by them, which may lead to a diversion of the loan proceeds for purposes other than those for which the loan was sanctioned. Any such cash flow constraints or diversion of loan proceeds may affect the ability of our customers to repay their loans, and in turn, our ability to recover the loans.

Provisions for NPAs are created by a charge to our profit and loss account and are currently as per our internal provisioning policies, subject to minimum provision requirements set by the RBI. Our internal provisioning policies are more stringent than those set by the RBI. In addition to the relevant regulatory minimum provision, as required, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of an appropriate 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 incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. As at March 31, 2020, 2021 and 2022, our provision coverage ratio was 91.14%, 73.68% and 78.16%, respectively. There can be no assurance that our provision coverage ratio will 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 recoveries with respect to such NPAs do not materialize in time or at all.

The following table sets forth certain details regarding our non-performing assets as of the dates indicated.

(₹ million, except percentages)

Particulars	**As of March 31,**		
	2020	**2021**	**2022**
NPA			
GNPA	447.18	3,535.85	5,732.25
NNPA	197.47	1,484.10	2,498.27
Gross Advances(1)	48,405.50	55,062.86	73,597.72
Advances (net of provisions)	48,155.79	53,011.20	70,363.74
GNPA to Gross Advances	0.92%	6.42%	7.79%
NNPA to Net Advances	0.41%	2.80%	3.55%

(1) Total outstanding advances.

We witnessed a sharp increase in our GNPA and NNPA in Fiscal 2021, owing to the impact of COVID-19 on the financial condition of our customers. Further, a number of factors outside of our control affect our ability to control and reduce NPAs. These factors include developments in the Indian and global economy, domestic or global turmoil, increased competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. These factors, coupled with other factors such as volatility in commodity markets, decrease in agriculture productivity, adverse effects on the business and results of operations of our borrowers, a rise in unemployment, declining business and consumer confidence and decreases in business and consumer spending, may impact the operations of our customers and in turn impact their ability to fulfil their obligations under the loans we extend to them. In addition, the expansion of our business may cause our NPAs to increase and the overall credit quality of our loan portfolio to deteriorate. Any increase in our NPAs may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

18. ***We derive a substantial portion of our interest income from loans that have tenures of two years or less, and a significant reduction in these short-term loans may result in a corresponding decrease in our interest income.***

A substantial portion of our loans have tenures of two years or less. As of March 31, 2022, 100.00% of our joint liability group loans and loans against gold had tenures of two years or less. The following table sets for the interest income derived from such short term loans that form part of our major product categories, including as a percentage of our total interest earned, for each of the corresponding years:

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022	
	Interest income (₹ million)	As a percentage of total interest income (%)	Interest income (₹ million)	As a percentage of total interest income (%)	Interest income (₹ million)	As a percentage of total interest income (%)
Joint liability group loans	7,973.86	74.50%	9,646.43	77.11%	10,896.60	75.36%
Loans against gold	229.10	2.14%	456.95	3.65%	584.89	4.05%

The relatively short-term nature of our loans means that, our long-term interest income stream is less certain than if more of our loans were for a longer term. In addition, our customers may not obtain new loans from us upon maturity of their existing loans, particularly if competition increases. The potential instability of our interest income may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

19. ***The bankruptcy code in India may affect our rights to recover loans from our customers.***

The Insolvency and Bankruptcy Code, 2016 ("**IBC**") was notified on August 5, 2016. The IBC offers a uniform and comprehensive insolvency legislation encompassing all companies, partnerships and individuals (other than financial firms). It allows creditors to assess the viability of a debtor as a business decision, and agree upon a plan for its revival or a speedy liquidation. The IBC creates a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms, which will facilitate a formal and time-bound insolvency resolution and liquidation process.

In case insolvency proceedings are initiated against our debtor, we may not have complete control over the recovery of amounts due to us. Under the IBC, upon invocation of an insolvency resolution process, a committee of creditors is constituted by the interim resolution professional, wherein each financial creditor is given a voting share proportionate to the debts owed to it. Any decision of the committee of creditors must be taken by a vote of not less than 75% of the voting share of all financial creditors. Any resolution plan approved by committee of creditors is binding upon all creditors, even if they vote against it.

In case a liquidation process is opted for, the IBC provides for a fixed order of priority in which proceeds from the sale of the debtor's assets are to be distributed. Before sale proceeds are distributed to a secured creditor, they are to be distributed for the costs of the insolvency resolution and liquidation processes and debts owed to workmen and other employees. Further, under this process, dues owed to the Central and State Governments rank below the claims of secured creditors, workmen and other employee dues and unsecured financial creditors. Pursuant to an amendment to the IBC, allottees in a real estate project are considered on par with financial creditors. Moreover, other secured creditors may decide to opt out of the process, in which case they are permitted to realize their security interests in priority.

Accordingly, if the provisions of the IBC are invoked against any of our borrowers, it may affect our ability to recover our loans from the borrowers and enforcement of our rights will be subject to the IBC.

20. ***The continuing impacts of COVID-19, or the impact of outbreaks of any other severe communicable disease are highly unpredictable, could be significant and may adversely affect our business, operations and future financial performance.***

In late 2019, the outbreak of COVID-19 spread globally and on 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, closure of non-essential businesses and restrictions on essential businesses. By the end of March 2020, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment, reduction in discretionary spending and market volatility.

The Government of India initiated a nationwide 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.

Further, since the onset of COVID-19, a few of our employees tested positive for the virus, resulting in the temporary closure of certain banking outlets to carry out sanitation and fumigation works. We incurred additional costs linked to upgradation of our IT systems to enable employees to work from home, social distancing measures and sanitization at our banking outlets, additional allowances, reimbursement of medical costs of employees and their families, additional insurance coverage, support in case of hospitalization and access to a doctor on call for our employees. Additionally, many of our customers' and service providers' operations were hampered. As a result, we experienced an increased concentration of disbursements in specific states, 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.

During the second wave of COVID-19, the impact of the pandemic was felt across both rural and urban areas, unlike the first wave which was largely urban-centric. (*Source: CRISIL Report*) Due to the lockdown, there were disruptions to regulated agricultural sales in our Bank’s operating geographies. As a result we witnessed increase in delinquency among farmers.

In the third wave of COVID-19, we witnessed increased concentration of disbursements in specific states, 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. Our provisions increased from ₹ 1,310.72 million in Fiscal 2020 to ₹ 3,768.19 million in Fiscal 2022. The impact of the pandemic on our business, operations and future financial performance have included and may include the following:

- We experienced a decline in collection efficiencies as a significant portion of our collections are cash-based and involve physical presence of our employees and collection executives, which was not possible due to the nationwide lockdown and travel restrictions that have been imposed.

- There has been and there may continue to be lower disbursements due to reduced economic activity. As a result, related revenue generation from processing fees and documentation charges, has and may continue to lower. For Fiscal 2021, our Gross Loan Portfolio increased 13.75% in comparison with Fiscal 2020 and we have disbursed loans of ₹ 46,564.57 million in Fiscal 2020. For Fiscal 2022, our Gross Loan Portfolio increased 25.15% in comparison to Fiscal 2021 and we have disbursed loans of ₹ 68,565.35 million in Fiscal 2022.

- Our customers may default on loan and other payments or other commitments. Our delinquency ratios may increase, and our asset quality may deteriorate. Our GNPA increased from 0.92% as of March 31, 2020 to 6.42% as of March 31, 2021 and to 7.79% as on March 31, 2022. The table below show loan defaults for the years shown:

Particulars	Fiscal Year		
	2020	2021	2022
	(₹ million)		
1 to 30	235.15	1,532.96	1,575.16
31 to 60	199.05	1,179.25	1,518.64
61 to 90	134.91	790.58	1,349.92
91 to 180	241.57	1,825.23	3,142.57
>180	852.77	1,253.26	1,058.60
Write-offs during the period	454.36	339.31	3,695.10
Loan defaults	2,117.81	6,920.59	12,339.99

- Pursuant to the RBI's directions by way of, among other things, the circular dated March 27, 2020, April 17, 2020 and May 23, 2020, we granted moratorium on payment of instalments falling due between March 1, 2020 and August 31, 2020 (the "**Moratorium Period"**) to all eligible borrowers who requested for moratorium and/or as per our policy. The RBI also clarified that for all standard accounts as on February 29, 2020, the moratorium period would be excluded from days past-due ("**DPD**") calculation for the purpose of asset classification under the IRAC norms. As of March 31, 2022, we had additional contingency provision amounting to ₹ 67.00 million for loans which includes provision for increased risk of deterioration of our loan portfolio on account of macroeconomic factors caused by the COVID-19 pandemic.

- Further, the RBI allowed a one-time restructuring of loans impacted by COVID-19 to help lenders and customers reschedule repayment of instalments based on customers' present income and restoration of income in subsequent months. The restructuring under this guidance was intended to limit the potential increase in NPAs out of restructured loan accounts, and such restructured accounts would become NPAs if customers failed to make payments as per the restructured schedule. We extended the facility of restructuring of loans to customers at their request, and as of March 31, 2022, we had cumulatively restructured 206,462 loans, with an outstanding amounting to ₹ 440.78 million.

- We may witness adverse impacts to our interest income, profitability and growth rates – particularly if operating expenses do not decrease at the same pace as any potential revenue decline. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation, employee benefit expenses, IT infrastructure costs and other costs associated with operating and maintaining our banking outlets.

- We have amended our internal processes, controls and policies dealing with collections and recoveries in light of the COVID-19 pandemic. These measures include conducting enhanced analysis of our microloan portfolio, enhanced data analysis of data available from credit bureaus, adding additional staff at our banking outlets, creating a collections team, telecalling, conducting enhanced checks with internal audits, running a risk model to understand losses, counselling clients and giving moratorium to clients, among other things. We cannot assure you that such measures will assist in the timely mitigation of the impact of the COVID-19 pandemic or similar instances on our business and operations.

- There is no guarantee that we and the Indian banking industry in general, notwithstanding measures taken by the RBI, will be able to maintain sufficient liquidity given the uncertain scope and duration of the COVID-19 outbreak.

There has not been a significant impact on our liquidity or solvency or our ability to service our debt. Further, there has also not been any significant impact on us of non-fulfilment of contractual obligations by third parties. Should there be a rise in infections in the future, the Government of India and local governments may impose lockdowns and/or other restrictions that hamper economic activity and impact our business and financial results. The scope, duration and frequency of such measures and the adverse effects of COVID-19 remain uncertain and are likely to be severe.

Our Bank has assessed the impact of COVID-19 pandemic on its liquidity and ability to repay its obligations as and when they are due, and the management is confident that collections will improve. Based on the forgoing and necessary stress tests considering various scenarios, the management believes that the Bank will be able to fulfil its obligations as and when these become due in the foreseeable future. However, the full extent of impact of the pandemic on our Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and our Bank's responses thereto, which are highly uncertain at this time. For further information on the emphasis of matters included by our Statutory Auditors, see "- *Our current statutory auditors have referred to certain emphasis of matters in their examination report on the restated financial statements as at and for the year ended March 31, 2022 and our previous statutory auditors as at and for the years ended March 31, 2021 and March 31, 2020*" on page 47.

Further, the outbreak, or threatened outbreak, of any severe communicable disease or pandemic, as seen in the recent outbreak and aftermath of COVID-19, could materially adversely affect overall business sentiment and environment across industries. In addition, our revenue and profitability could be impacted to the extent that a natural disaster, health epidemic or other outbreak harms the Indian and global economy in general.

21. ***Our success depends on our ability to respond to new technological advances.***

As a digital-oriented bank, our success will depend largely on our ability to respond to technological advances and emerging banking, payments, and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or meeting market standards.

While we have not faced any disruptions to our lending disruptions owing to such instances, we also face threats to our lending operations from newer business models that leverage technology to bring together savers and borrowers. We also face competition in generating deposits from other products and investment avenues in the market. Over a period, we may not be competitive in facing up to the challenges from such newer entrants. This may, accordingly, have a material adverse impact on our business, financial condition, results of operations, cash flows and prospects.

22. ***We rely extensively on our information technology systems and any unforeseen internal or external disruptions may have a detrimental impact on our operations.***

Our information technology systems are a critical part of our business that help us manage, among other things, our risk, account opening and servicing, and loan origination functions, as well as our increasing portfolio of products and services. We also rely heavily on our technology systems in connection with financial controls and transaction processing, and for real-time connections to credit bureaus and e-KYC applications. In addition, our delivery channels include ATMs/cash recyclers, tablet banking applications, mobile banking applications, WhatsApp banking and internet banking, each of which we may need to regularly upgrade, including in respect of their software, back-up systems and disaster recovery operations so that they remain competitive. Our hardware and software systems are subject to both 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. Further, there is a risk of our information technology systems being adversely affected if we are unable to renew contracts with third parties providing these services in a timely manner or at all. There is no warranty under our information technology license agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. While we have faced unscheduled downtime of our IT services in the past, we have not experienced widespread disruptions of service to our customers. There can be no assurance that we will not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. Any inability to maintain the reliability and efficiency of our systems could adversely affect our reputation, and our ability to attract, retain and service our customers. In the event we experience system interruptions, errors or downtime (which may result from a variety of causes, including changes in customer use patterns, technological failure, changes to systems, linkages with third-party systems and power failures), we are unable to develop necessary technology or any other failure occurs in our systems, this may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. For further details, see "*Our Business – Information Technology*" on page 154.

23. ***A decline in the value of security or an inability on our part to enforce such security may have a material adverse effect on the value of our loan portfolio and/or increase our write-offs for credit and other losses.***

Our secured loans, primarily our loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance loans are generally secured by assets, for which we follow certain procedures to evaluate the credit profile of our customers and the value of the security. The recoverability and/or value of security or assets charged to us as collateral could decline as a result of a deterioration in macro economic conditions or of security or 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. Among other factors, we consider a mix of cash flow and availability of collateral when making lending decisions.

As per RBI guidelines on the matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances, our exposure is considered as "unsecured" if the realizable value of the security is not more than 10% of the outstanding exposure. As of March 31, 2022, none of our Net Advances were classified as unsecured by tangible assets. We may not be able to realize the full value of the collateral, changes in economic policies of the Indian government, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, our records of borrowers' and guarantors' addresses being ambiguous or outdated, defects in the perfection of collateral, and fraudulent transfers by borrowers, among other things. In the event that a specialized regulatory agency gains jurisdiction over the borrower, creditor actions may be further delayed.

Further, the value of collateral may be less than we expect or may decline. For loans against property and affordable housing loans, we are exposed to risks related to the enforcement of real-estate collateral, such as title risk to the underlying property, as well as fluctuations in real estate prices. For two-wheeler loans, we are subject to the risk that the collateral rapidly depreciates, as well as fluctuations in the used vehicle markets. For loans against gold, we are subject to changes in the market price of gold. The fluctuations in the prices of assets secured as collateral for a loan may impact our recovery amount during the enforcement of security resulting in write-offs in our loan amount. Any decline in the value of the collateral securing our loans, any inability to obtain additional collateral or our inability to realize the value of collateral may require us to increase our write-offs for credit and other losses. In Fiscal 2020, 2021 and 2022, our write-offs for credit amounted to ₹ 454.36 million, ₹ 339.31 million and ₹ 3,695.10 million, respectively, representing 0.94%, 0.62% and 5.02% of our loans advanced in the corresponding periods. In such a scenario, our losses may increase, and our net profits may decline. For information in connection with risks relating to recovery owing to initiation of insolvency proceedings, see "- *The bankruptcy code in India may affect our rights to receiver loans from our customers.*" on page 36.

24. ***Banking companies in India may be required to report financial statements under the Ind AS in the future, and we may be materially adversely affected by this transition.***

We currently prepare our financial statements under Indian GAAP. However, the Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for the implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to us. 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 beginning April 1, 2018 and were also required to be in preparedness to submit pro forma Ind AS financial statements to the RBI from the half-year ended September 30, 2016, onwards. However, the RBI, through its notification dated March 22, 2019, decided to further defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks).

Ind AS will change, among other things, our methodology for estimating allowances for expected loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of expected loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realizable from its advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognizing allowances for expected loan losses in the future which may be higher or lower than under current Indian GAAP. There can be no assurance, therefore, that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind AS than under Indian GAAP. In our transition to Ind AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Further, there is no significant body of established practice on which to draw in forming judgments regarding the implementation and application of Ind AS to Indian banks. There can be no assurance that our adoption of Ind AS will not materially adversely affect our reported results of operations, financial condition or cash flows and any failure to successfully adopt Ind AS could materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

Moreover, although we currently have an internal control framework in place in order to report our financial statements under Indian GAAP, we may have to modify our internal control framework and adopt new internal controls in order to report under Ind AS. These new internal controls will require, among others, a transition to more model-based evaluation of certain items, as well as staff that are adequately knowledgeable with Ind AS. There is no guarantee that we will be able to implement effective internal controls under Ind AS in a timely manner or at all, and any failure to do so may materially adversely affect our business, financial condition, results of operations, cash flows and prospects. See also "*Risk Factors—Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation*" on page 40.

25. ***Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation.***

We are responsible for establishing and maintaining adequate internal measures commensurate with our size and the complexity of our operations. 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, 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 clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. 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. We face operational risks in our business and there may be losses due to deal errors, deficiencies in the credit sanction process, settlement problems, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. There can be no guarantee that our procedures and processes will be successful, nor that we will be able to monitor or detect frauds that occur. For Fiscal 2020, 2021 and 2022, we detected 47, 24 and 37 instances of fraud amounting to ₹ 4.79 million, ₹ 85.56 million and ₹ 5.43 million, respectively. We have initiated the required legal proceedings to recover the sums due to us from these borrowers as well as declare them as NPAs and refer the cases to the RBI. There can be no assurance that we will not be subject to similar frauds in the future. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer material monetary losses. Such instances may also materially adversely affect our reputation.

26. ***Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business.***

We have a limited operating history operating as a small finance bank, and the success of our operations depends on a number of factors, including our ability to compete effectively with other banks and financial institutions. The Indian banking industry is highly competitive. We face strong competition in our business from much larger government controlled public sector banks, Indian and foreign commercial banks, non-banking financial companies, microfinance institutions, payment banks, other small finance banks, fintechs and other financial services companies as well. Public sector banks and larger private sector banks, which generally have a much larger customer and deposit base, larger banking outlet networks and Government support for capital augmentation, pose strong competition to us. Mergers among public sector banks, including those encouraged and facilitated by Government efforts, may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. For example, with effect from April 1, 2017, the State Bank of India, India's largest public sector bank, merged its five associate banks and Bharatiya Mahila Bank with itself, while the Bank of Baroda, Dena Bank and Vijaya Bank merged with effect from April 1, 2019. Further, a number of private sector banks in India have a larger customer base and greater financial resources than us, giving them a substantial advantage by way of economies of scale and improving organizational efficiencies. We also face threat to our loan market from newer business models that leverage technology to bring together savers and borrowers. Over a period, we may not be competitive in facing up to the challenges from such newer entrants.

As small finance banks are a relatively new format of banks in India, we are subject to the risk that small finance banks such as ourselves may not be able to compete effectively with more traditional and well-established universal banks for a number of reasons, including differences in regulatory requirements, such as more stringent PSL requirements and capital adequacy requirements, public perception around the stability of small finance banks, and other pressures.

As part of our strategy to source deposits, we may have paid a higher interest rate to our depositors than many of our competitors. Moreover, a small portion of our deposits (17.88% as of March 31, 2022) consists of wholesale deposits, which are generally considered more sensitive to changes in interest rates. Consequently, we may not be able to continue to successfully source deposits if our competitors increase their deposit rates, and we may not be able to increase our own deposit rates while maintaining attractive NIMs.

The RBI has liberalized the licensing regime for banks in India and intends to issue licenses on an ongoing basis, subject to meeting the qualification criteria. The RBI is supportive of creating more specialized banks and granting differentiated banking licenses such as for payment banks and small finance banks. We believe that the RBI also has plans to create wholesale and long-term finance banks in the near future. In April 2014, the RBI issued in-principle banking licenses to two NBFCs, Infrastructure Development and Finance Company Limited ("**IDFC**") and Bandhan Bank Limited. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks. In September 2015, the RBI granted in-principle licenses to 10 applicants for small finance banks (including us), most of which were NBFC-MFIs, and subsequently to two other applicants. In August 2016, the RBI also released guidelines with respect to a continuous licensing policy for universal banks. On April 7, 2017, the RBI also put in the public domain a discussion paper on Wholesale and Long-Term Finance banks. These banks will focus primarily on lending to infrastructure sector and small, medium and corporate businesses. These banks can provide refinancing to lending institutions and may operate in the capital markets in the form of aggregators. The banks may act like market makers in corporate bonds, credit derivatives and take out financing, among others. In addition, the RBI has, through guidelines for on-tap licensing of SFBs released in 2019, announced that licenses for small finance banks will also be available on an on-going basis, subject to meeting the qualification criteria. Further, on November 26, 2021, RBI issued a press release confirming acceptance of 21 recommendations out of total of 33. after examining the comments and suggestions received from the stakeholders and members of the public, This may increase competition in the banking industry, including, among other things, recommending that banking licenses be allowed for NBFCs with assets over ₹ 500,000 million and more than ten years of operations for universal banks and with assets over ₹ 300,000 million and more than five years of operations for SFBs , as well as for large corporates and for conversion of payments banks to SFBs, where a track record of three years as a payments bank may be sufficient.

We also compete with foreign banks with operations in India. In November 2013, the RBI released a framework for the setting up of wholly owned subsidiaries in India by foreign banks. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, wholly owned subsidiaries of foreign banks may be allowed to open banking outlets in Tier 1 to Tier 6 centers (except at a few locations considered sensitive on security considerations) without having the need for prior permission from the RBI in each case, subject to certain reporting requirements. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result may have a material adverse effect on our business.

If the number of scheduled commercial banks, public sector banks, private sector banks, payment banks, other small finance banks, and foreign banks with banking outlets in the country increases, we may face increased competition in the businesses, which may have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, we have faced and may face in the future staff attrition and difficulties in hiring, including hiring of field staff and specialized roles, due to an increase in competition. Due to such intense competition, we may be unable to execute our growth strategy successfully and offer competitive products and services, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

27. ***We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.***

Our Promoter has granted us a non-exclusive, worldwide, royalty free, irrevocable right and license to use the intellectual property owned by our Promoter to conduct its daily business activities including but not limited to providing services, products and related promotional activities as per its business objectives or any other purpose conveyed in writing by us to our Promoter. For details, see "*History and Certain Corporate Matters – Key terms of other subsisting material agreements*" on page 201. We have operated under the "Fincare" brand since December 2014, prior to which the microloans businesses operated under the brand names of Disha Microfin and Future Financial Services. Any damage to the "Fincare" brand or our reputation may substantially impair our ability to maintain or grow our business or have a material adverse effect on our overall business, financial condition, results of operations and cash flows. 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. We also distribute third-party products, and engage business correspondents, via partnerships with external organizations whom we have limited control over. Any negative news affecting such external organizations might also affect our reputation and brand value. Moreover, small finance banks are a relatively new category of banks in India, and any adverse events affecting other small finance banks, or any shift in public perception of small finance banks generally, might also affect our brand and reputation. In such an event, we may not be able to compete for customers effectively, and our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected.

In addition, any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others in their corporate names or product brands or otherwise may harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. For further details, see "*Our Business"* on page 154. Moreover, we may also be harmed by the actions of or negative press relating to entities which have similar names. We have in the past instituted proceedings against third parties for infringing upon our licensed trademarks and trade names. Further, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise.

Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. The misappropriation or duplication of our intellectual property or proprietary information may disrupt our business, distract management and employees, reduce revenues and increase expenses.

In addition, we may also become subject to infringement claims, including due to accidental or purposeful actions by our employees. Even if claims against us are not meritorious, any legal, arbitral or administrative proceedings that we may be required to initiate or defend in this regard may be time-consuming, costly and harmful to our reputation, and there is no assurance that such proceedings will ultimately be determined in our favor. 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 stop using the relevant intellectual property (including by way of temporary or permanent injunction) or make changes to our marketing strategies or to the brand names of our products, any of which may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Furthermore, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

28. ***Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons.***

Our performance depends largely on the continued services of our management team, including members of our Board and Key Managerial Personnel. See "*Our Management*" on page 154 for details of our Board and Key Managerial Personnel.

Our future performance depends on the continued service of these persons. We believe that the inputs and experience of our senior management, in particular, and other key personnel are valuable for the development of our business and operations and the strategic directions taken by us.

We comply with the RBI guidelines on Fit & Proper Criteria for Directors, relevant provisions of the Banking Regulation Act 1949 regarding Board composition, and other applicable provisions of the Companies Act, 2013 and Listing Regulations.

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, if the RBI is satisfied that it is in public interest or to prevent the affairs of the Bank being conducted in a manner detrimental to the interests of the depositors. The RBI 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, and to penalize the management by way of freezing remuneration levels and/ or other measures. The RBI may exercise powers of supersession where it is satisfied, in consultation with the central government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein be taken by RBI, our reputation, business, results of operations, financial conditions and cash flows may be materially and adversely affected.

The RBI also mandates certain requirements (including qualification and experience requirements) for directors who sit on the board of banks and approval prior to appointment of certain directors and such requirements will make it more difficult for us to replace our directors when we have to. We may not be able to replace our Board of Directors with similarly experienced professionals, which may materially and adversely impact the quality of our management and leadership team.

Aside from our MD & CEO, our employment agreements with our Key Managerial Personnel are not fixed, do not obligate them to work for us for any specified period and do not contain non-compete or non-solicitation clauses in the event of termination of employment. Our MD & CEO has been appointed for a fixed tenure, the renewal or extension of which is subject to RBI approval. If RBI approval is not forthcoming for any reason, we may not be able to replace the MD & CEO with someone of similar experience in a timely manner. Further, if one or more of our management team are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skills and expertise.

We also face a continuing challenge to hire and assimilate field officers and skilled personnel. Competition for field officers and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. Our attrition rate for senior management stood at nil, 22.00% and 11.00% in Fiscal 2020, 2021 and 2022, respectively. The loss of key personnel or our inability to replace key personnel may restrict our ability to grow, to execute our strategy, to raise the profile of our brand, to raise funding, to make strategic decisions and to manage the overall running of our operations, which may have a material adverse impact on our results of operations, financial position and cash flows.

29. ***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. While all such transactions have been conducted on an arm's length basis and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favorable 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 Listing Regulations, we cannot assure you that such transactions in future, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. In Fiscal 2020, 2021 and 2022, we entered into related party transactions whose aggregated absolute arithmetic total amounted to ₹ 86.66 million, ₹ 49.50 million and ₹ 64.78 million, respectively, amounting to 0.81%, 0.40% and 0.45% of our total income, respectively, in such periods. For further information, see "*Other Financial Information - Related Party Transactions"* on page 313. We cannot assure you that such transactions in future, individually or in the aggregate, will always be in the best interests of our minority shareholders and will not have an adverse effect on our business, results of operations, financial condition and cash flows.

30. ***Some of our Directors may have interests in entities in businesses similar to ours, which may result in conflicts of interest with us.***

Some of our Directors may have investments or interests in entities engaged in businesses similar to ours, which may, in the future, result in conflicts of interest with us. For details, see "*Our Management – Board of Directors*" on page 209.

31. ***Certain of our Directors and Key Management Personnel have interests in us other than reimbursement of expenses incurred and normal remuneration or benefits.***

Certain of our Directors and Key Management Personnel may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Certain Directors and Key Management

Personnel may be deemed to be interested to the extent of Equity Shares held by them, as well as to the extent of any dividends, bonuses or other distributions on such Equity Shares and employee stock options held by them. We cannot assure you that our Directors and our Key Management Personnel will exercise their rights as shareholders to the benefit and best interest of our Bank. For further details, see "*Capital Structure*" and "*Our Management*" on pages 73 and 209, respectively.

32. ***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. For details in relation to legal proceedings against us, our Promoter and our directors, see "Outstanding Litigation and Material Developments" on page 345.***

There are outstanding legal proceedings against us and our Promoter. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate tribunals. We cannot assure you that these proceedings will be decided in our, our Promoter or our Director's favour. Brief details of material outstanding litigation that have been initiated by and against us and our Promoter are set forth below:

Litigation against our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Material civil cases	1	3.00
Tax cases	2	2,098.11

Litigation by our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	1,535	879.26
Material civil cases	4	107.68

Litigation by our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	54	17.32

Litigation against our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Tax cases	2	155.96

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. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations and financial condition.

33. ***We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law. Any deficiency or interruption in their services could materially adversely impact our business, financial condition, results of operations, cash flows and prospects.***

We enter into outsourcing arrangements with third-party vendors (such as business correspondents) and independent contractors, in compliance with the RBI guidelines on outsourcing. In particular, we outsource the set up and operations of some banking outlets to third-party business correspondents and a part of our IT services to third parties, whilst other vendors, employees and contractors provide services that include, among others, payroll, cloud hosting, software development and support, courier and logistical services, printing of cheque books and KYC of customers opening Digital 101 accounts. Our agreements with our business correspondent banking outlet providers can be terminated by either party with three months' notice without reason to the other party. We cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. Some third-party vendors may also be small companies which are likely to experience financial or operational difficulties than larger, well established companies due to limited financial and other resources. This may result in a delay of services or products delivered to us and we may be unable to find alternative vendors. While we have not experienced such instances in the past, if there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition, results of operations and cash flows may be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in litigation or other costs. Such additional costs, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition, results of operations and cash flows.

The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" dated March 11, 2015 issued by the RBI places obligations on banks, their directors and senior management for ultimate responsibility for the outsourced activity. Private banks in India are required to ensure that their service provider employs the same high standard of care in performing the services as would be employed by the banks, if the activities were conducted within the banks and not outsourced. Banks are also required to provide prior approval for use of subcontractors by outsourced vendors and to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. We have not enforced this approval requirement uniformly in our dealings with outsourced vendors and may be subject to investigation and censure by the RBI in the future. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. For further details on the risks associated with our reliance on third-party business correspondents, see " - *We may face risks associated with our large number of banking outlets and extensive network and our reliance on third-party business correspondents operating banking outlets, which may materially adversely affect our business, financial condition, results of operations, cash flows and prospects*" on page 28.

34. ***We are subject to the risk associated with all our premises being leased. Non-renewal or dispute with the lessors may disrupt our business, and we may be subject to significant increases in lease rentals. For details in relation to our properties, see "Our Business - Properties" on page 154.***

We do not own any of the premises in which our Registered Office, Corporate Office, banking outlets and any other office premises are situated. Rather, such premises are maintained on a leasehold basis. Such leasehold arrangements require renewal or escalations in rentals from time to time during the lease period. If we are unable to renew the relevant lease agreements, or if such agreements are renewed on unfavorable terms and conditions, we may be required to relocate operations and incur additional costs in such relocation. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease agreements and there is no assurance that we will be able to identify suitable locations to re-locate our operations. Moreover, we may face significant increases in the lease rental rates. Any of the foregoing factors may cause a disruption in our operations or result in increased costs, or both, which may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

Furthermore, some of our lease agreements and leave and license agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, will not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law, which may materially adversely affect the continuance of our operations and business.

35. ***Our operations involve handling significant amounts of cash, exposing us to operational risks, including misappropriation, fraud, petty theft and embezzlement.***

In Fiscal 2022 we undertook a significant percentage of disbursements on a cashless basis, and we continue to endeavor to move towards cashless collections for all our banking operations. However, in the interim, a significant portion of our collections remain in cash. Accordingly, we are exposed to the risk of misappropriation, fraud or other misconduct by employees or outsiders. This risk is further exacerbated by the high level of autonomy on the part of our field officers.

We have encountered several instances of fraud relating to embezzlement of cash by employees and cheating and forgery involving ATM withdrawals by customers. Any material increase in the number of such cases will adversely affect our business, reputation and results of operation. For further details, see "*Outstanding Litigation and other Material Developments*" on page 345.

During Fiscal 2020, 2021 and 2022, we discovered 32, 24 and 37 cases, respectively, of theft, robbery and burglary/ other fraud by either third parties or employees in an aggregate amount of ₹2.61 million, ₹85.56 million and ₹5.43 million, respectively. For further details, see "*Outstanding Litigations and Material Developments*" on page 345. We have in the past been questioned by the RBI on actions initiated by us to obviate such incidents in view of frequent reoccurrence of robbery cases.

Fraud and other misconduct can be difficult to detect and deter. Given the high volume of transactions we process, instances of fraud and misconduct may go unnoticed or may only be discovered and rectified after substantial delays. Even when we discover instances of fraud or theft and pursue them with law enforcement or with our insurance carriers, there can be no assurance that we will recover any of the amounts involved. 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 may result in losses that are difficult to detect. As our banking operations expand, we believe the frequency of, and amount of cash handled by employees at our banking outlets is likely to increase and continue to expose us to risks of loss, fraud, misappropriation and unauthorized transactions by our employees.

36. ***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 186.

37. ***Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, financial condition and results of operations. For details in relation to our insurance coverage, see "Our Business - Insurance" on page 154.***

Our operations are subject to a variety of risks inherent in the banking industry, and we maintain insurance through third-party insurers for the same. As of March 31, 2022, we had insurance coverage equivalent to 410.74% of our net fixed assets (including furniture and fixtures and excluding intangible assets), cash in hand. None of our insurance policies are assigned in favor of any third party. We may not have identified and insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our results of operations, financial condition and cash flows. There can be no assurance that any claims filed will be honored fully or timely under our insurance policies, or that we have obtained sufficient insurance to cover all our losses. Our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

38. ***We may not be able to obtain accurate and complete information about our borrowers, which could hinder our ability to effectively manage our credit risk.***

We rely on the accuracy and completeness of information about our borrowers, and on representations by them or third parties as to the accuracy and completeness of such information, while carrying out credit checks and making underwriting decisions. The borrower profile of our microloans customers typically consists of groups of women from low income households in rural India, with limited sources of income, savings and credit histories, and who cannot provide us with any significant collateral (secondary security) for their borrowings. For our other lending products, we may rely on reports of independent auditors with respect to the financial statements of the customer, property valuers in the case of loans against property, gold valuers in the case of loans against gold, and other valuations or reports from various third parties. We also rely on credit ratings and bureau scores assigned to our customers. Our results of operations, financial condition and cash flows may be materially adversely impacted by reliance on missing information or information provided by third parties that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be materially adversely affected.

We rely on the Aadhar e-KYC process for collecting information about our borrowers and undertaking verification of information provided by our customers. In Fiscal 2022, we opened 3,093,551 accounts through Aadhar e-KYC verification, 28,765 accounts through non-Aadhar paper based methods (such as voter ID, driving license, among others) and 144,954 accounts through other methods (such as video KYC, among others). These accounts are Savings, Current, Retail and Bulk FD. As of March 31, 2022, we did not have PAN details of 88.66% of our customers. The use of Aadhar information pursuant to the Aadhar Act has been subject to challenges on account of privacy related concerns. Whilst banks are presently permitted to undertake Aadhar e-KYC with the customers' consent and subject to meeting certain specific conditions, any changes to the Aadhar Act or limitations on our ability to use Aadhar information in the future may materially impact our business operations as we may need to employ alternate means of completing customer and borrower information checks and document verification, which may not be as streamlined or cost efficient. Such checks could result in delays in bank account opening and loan disbursements which may impact our competitiveness in the market and also our digital initiatives.

39. ***Our current statutory auditors have referred to certain emphasis of matters in their examination report on the restated financial statements as at and for the year ended March 31, 2022 and our previous statutory auditors as at and for the years ended March 31, 2021 and March 31, 2020.***

The emphasis of matters are set forth below:

Fiscal 2022: *Our statutory auditor has drawn attention to Annexure 4.2(a) of the Restated Financial Statements, which describes the extent to which the COVID-19 pandemic continues to impact the Bank's operations and its financial metrics, including provisions which are dependent on uncertain future developments.*

Further, the examination report includes the following emphasis of matters, referenced in Annexure 4.2(a) of the Restated Financial Statements, based on the reports issued by our previous statutory auditors:

Fiscal 2021: *The emphasis of matter include by our previous statutory auditor describes the economic and social disruption our Bank was facing as a result of the COVID-19 pandemic. In view of these uncertainties, the impact of the pandemic on our operations and financial metrics will depend on future developments which were uncertain at the relevant time.*

Fiscal 2020: *The emphasis of matter include by our previous statutory auditor describes the economic and social disruption our Bank was facing as a result of the COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Bank's operations and financial metrics will depend on future developments which were uncertain at the relevant time.*

The opinion of our Statutory Auditors is not modified in respect of these matters. 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.

40. ***Our treasury income and debt investment portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility.***

Our investments primarily amounted to ₹ 21,516.29 million as of March 31, 2022, which primarily comprises government securities, state development bonds and treasury bills. We have put in place limits and controls over investment portfolio exposures, but in the event interest rates rise, our portfolio may be exposed to the adverse impact of the mark-to-market valuation of such debt investments. Any rise in interest rates leading to a fall in the market value of our investments may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. We may also face income volatility due to the illiquid market for the disposal of some of debt investment portfolio.

Our income from our treasury operations is subject to volatility due to, among other things, changes in interest rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as government securities and corporate bonds and may require us to mark down the value of these investments on our balance sheet and recognize a loss on our income statement. Though we currently do not invest in corporate debt instruments as part of our normal business, we may decide to do so in the future and consequently expose ourselves to the risk of the issuer defaulting on its obligations. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. Although we have risk and operational controls and procedures in place for our treasury operations, such as sensitivity limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not incur losses in the course of trading on our fixed income book in our held-for-trading and available-for-sale portfolio. Any such losses may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

41. ***Negative cash flows from operating activities in the future could adversely affect our cash flow requirements, our ability to operate our business and implement our growth plans, thereby affecting our financial performance.***

We have in the past, and may in the future, experience negative cash flows from operating activities. The following table sets forth certain information relating to our cash flows from operating activities for the years indicated:

Particulars	Fiscal Year		
	2020	2021	2022
	(₹ million)		
Net cash (used in)/ generated from operating activities	4,693.81	478.42	(16,439.02)

Negative cash flows over extended periods, or significant negative cash flows in the short term, may materially impact our ability to operate our business and implement our growth plans. As a result, our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 342.

42. ***Changes in our defined benefit gratuity plan's liabilities and obligations could have a materially adverse effect on us.***

We operate a defined benefit gratuity plan in respect of certain eligible employees. The defined benefit gratuity plan is administered by a Board of Trustees and funded with an insurance company in the form of qualifying insurance policy. Should the value of assets to liabilities in respect of the defined benefit scheme operated by us record a deficit, due to either a reduction in the value of the defined benefit gratuity plan's assets (depending on the performance of financial markets) and/or an increase in the defined benefit gratuity plan's liabilities due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, the expected rate of return on scheme assets, or other factors, this may result in us having to make increased contributions to reduce or satisfy the deficits which may divert resources from use in other areas of our business and reduce our capital resources.

43. ***Potential employee strikes and other disputes with employees could have a materially adverse effect on our business and operations.***

None of our workforce is currently unionized. However, there is a risk that our employees may choose to unionize in the future. Labor unions for banking employees organize strikes, and we may in the future be affected by strikes, work stoppages or other labor disputes if any portion of our workforce were to become part of a union in the future. In the event of a labor dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations and, if not resolved in a timely manner, may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. Further, there have been instances of complaints to our Prevention of Sexual Harassment Committee, pertaining to sexual harassment cases, which numbered three received during the year, four received during the year and nil in Fiscal 2020, 2021 and 2022, respectively. While such cases have been investigated and resolved in the mandated timeframe under applicable law and appropriate steps have been taken by us to address similar issues, we cannot assure that we may not encounter similar cases in the future, which if not resolved in a timely manner, could affect our brand and reputation.

44. ***Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that we will be able to pay dividends in the future.***

We currently intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and business prospects. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on our Equity Shares. We have not paid any dividends historically on our Equity Shares and there can be no assurance that we will be able to or choose to pay dividends in the future. 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 being written off. For details, see "*Dividend Policy*" on page 235.

45. ***We will continue to be controlled by our Promoter after the completion of the Offer and any substantial change in our Promoter's shareholding will have an impact on the trading price of our Equity Shares and result in us not complying with one of our regulatory requirements, which could have an adverse effect on our business, financial condition, results of operations and cash flows.***

Following completion of the Offer, our Promoter, will continue to hold a significant percentage of our Equity Share capital. Our Promoter will, therefore, be able to control the outcome of matters submitted to our Board or Shareholders for approval. After the Offer, our Promoter will continue to exercise significant control or influence over our business and major policy decisions. The trading price of our Equity Shares may be adversely affected if potential new investors are disinclined to invest in us because they perceive disadvantages to a large shareholding being concentrated in our Promoter. As at the date of this Draft Red Herring Prospectus, our Promoter holds 173,489,568 Equity Shares, or 78.58% of our issued, subscribed and paid-up Equity Share capital. Upon completion of the Offer, our Promoter will hold [●]% of our Equity Share capital. For details of our Equity Shares held by our Promoter, see "*Capital Structure*" on page 73.

Pursuant to a sanction letter dated September 23, 2020 ("**Sanction Letter**"), Tata Capital Financial Services Limited ("**Tata Capital**") has sanctioned a loan to our Promoter. Pursuant to the Sanction Letter, read with the Loan-cum-Security Agreement dated January 27, 2021 and Capping Letter dated February 26, 2021, our Promoter has borrowed ₹370 million and has pledged 2,331,150 Equity Shares in favor of Tata Capital. As of the date of the DRHP, the outstanding amount on the loan, excluding interest, is ₹ 190 million, and 3,891,787 Equity Shares are pledged.

In the event of non-adherence of the terms under such loan and security arrangements, the pledge on our Promoter's shares may be invoked. If this was to happen, the trading price of the Equity Shares may be adversely affected. As a result, we may not be able to conduct our business or implement our strategies as currently planned, which may have an adverse effect on our business.

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, it is proposed that pledge of shares by promoters during the lock-in period, which amounts to bringing the unencumbered promoters' shares below the prescribed minimum threshold, should be disallowed. Further, in case invoking the pledge results in purchase/transfer of shares of such bank beyond 5% of the total shareholding of the bank, without prior approval of the RBI, voting rights of such pledgee shall be restricted to 5% cent till the pledgee obtains permission of the RBI for regularisation of acquisition of these shares. The RBI may also introduce a reporting mechanism for pledging of shares by promoters of private sector banks. While the consequential amendments to regulatory norms are yet to be notified, the RBI has directed all stakeholders (including SFBs) to be guided by these accepted recommendations. Accordingly, our Promoter may need to find an alternate means of providing collateral or security for its loans available from time to time. Further, we cannot assure you that our Promoter will be able to offer alternate collateral that will be acceptable to its lenders.

46. ***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 Offer. In order to comply with the RBI Final Approval 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 a monetary penalty on our Bank under Section 47A(1)(c) read with Section 46(4) of the Banking Regulation Act, or make take 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, including with the RBI Dilution Requirement, which may have a material adverse effect on our business and operations and the trading price of our Equity Shares.

47. ***Our non-convertible debentures are listed on the BSE and we are subject to rules and regulations with respect to such listed non-convertible debentures. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, which may have an adverse effect on our business, results of operations, financial condition and cash flows. Please see "-our revenues typically tend to fluctuate on a seasonal basis, which may contribute to fluctuations in our results of operations and financial condition" on page 50.***

Our non-convertible debentures are listed on the debt segment of BSE. We are required to comply with various applicable rules and regulations, including the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and applicable provisions of the Listing Regulations, in terms of our listed non-convertible debentures. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, including, without limitation, restrictions on the further issuance of securities and the freezing of transfers of securities, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

For details of such listed non-convertible debentures, see "*Financial Indebtedness*" on page 343.

48. ***We have commissioned and paid for the CRISIL Report from CRISIL Limited exclusively in connection with the Offer, which has been used for industry related data in this Draft Red Herring Prospectus.***

We have commissioned the CRISIL Report in connection with the Offer. The report uses certain methodologies for market sizing and forecasting. Neither we, nor any of the Managers nor any of their respective affiliates have independently verified such data and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. The report uses certain methodologies for market sizing and forecasting. Accordingly, investors should read the industry related disclosure in this Draft Red Herring Prospectus in this context. 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. While industry sources take due care and caution while preparing their reports, they do not guarantee the accuracy, adequacy or completeness of the data. Accordingly, investors should not place undue reliance on, or base their investment decision solely on this information.

49. ***Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP, which investors may be more familiar with and may consider material to their assessment of our financial condition.***

Our statutory 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 Draft Red Herring Prospectus to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from 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.

50. ***In this Draft Red Herring Prospectus, we have 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 relating to our operations and financial performance have been included in this Draft Red Herring Prospectus (in particular in the section on Selected Statistical Information). We compute and disclose such non-GAAP financial measures and 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. We have also included in this Draft Red Herring Prospectus financial information that may be different from those followed by other financial services companies. For further details, see "*Selected Statistical Information*" on page 236. Further, these Non-GAAP financial measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, Ind AS, IFRS or US GAAP. In addition, these non GAAP 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 financial services industry, are not standardised terms. Hence a direct comparison of these Non-GAAP Measures with financial measures and statistical information of similar nomenclature that may be computed and presented by other NBFCs, NBFC-MFIs, SFBs and other financial services companies may not be possible. Other companies may calculate these Non-GAAP Measures differently from us, limiting its usefulness as a comparative measure. Accordingly prospective investors are cautioned not to place undue reliance on such non-GAAP financial measures.

51. ***We will not receive any proceeds from the Offer for Sale.***

The Offer includes a Fresh Issue and the Offer for Sale. The proceeds from the Offer for Sale will be paid to the Selling Shareholders and we will not receive any such proceeds. For further details, see "*Objects of the Offer*" and "*Capital Structure*" on pages 97 and 73, respectively.

52. ***Our revenues typically tend to fluctuate on a seasonal basis, which may contribute to fluctuations in our results of operations and financial condition.***

We experience some seasonality in our business, as demand by our customers for new microloans is primarily concentrated during the third and fourth quarters of the Fiscal owing to agricultural conditions, festive season demand and other factors. Because of this demand, we typically disburse more microloans during our third and fourth quarters than during our first and second quarters. The period during which our business may experience higher revenues varies from state to state, and depends principally on the financing requirements of our customers.

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. Such fluctuations may impact comparison of our reported quarterly financial performance across quarters.

Further, non-convertible debentures issued by our Bank are listed on the debt segment of BSE. For details, see "*Financial Indebtedness*" on page 343. As a result of having our debt listed, our Bank is subject to the continuous disclosure obligations under the SEBI Listing Regulations. This requires us to publish our quarterly financial results, subjected to a limited review by our statutory auditors, for every quarter within 45 days from the completion of the previous quarter, as well as submit a copy of the financial results to the debenture trustees on the same day the information is submitted to stock exchanges. Accordingly, soon after the date of this Draft Red Herring Prospectus, we will be required to disclose our quarterly unaudited results for the quarter ended June 30, 2022 to the BSE. The financial results for the three months ended June 30, 2022 have not yet been prepared/ finalised and/or subjected to a limited review by our statutory auditors.

We recorded high GNPA and NNPA as of March 31, 2022, and made additional provisions to account for these. As a result, in the three months ended June 30, 2022, we may have significant write-offs and credit costs, which may materially and adversely affect our results of operations, potentially leading to a loss for such period. We have witnessed high collection efficiencies in the three months ended June 30, 2022. Our AUM as well as CASA, as of June 30, 2022 is also expected to remain flat compared to that as of March 31, 2022. In addition, we have introduced supply chain products in the three months ended June 30, 2022.

53. ***Any future hedging strategies may not be successful in preventing all risk of losses.***

In the future, we may utilize a variety of financial instruments, such as derivatives, interest rate swaps, futures and forward contracts to seek to hedge against any declines in our assets as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. As of March 31, 2022, we had not hedged any of our foreign currency exposure. Hedging transactions may also limit the opportunity for gain if the value of the hedged positions should increase, it may not be possible for us to hedge against a change or event at a price sufficient to fully protect our assets from the decline in value of the positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or the non-occurrence of other events being hedged may result in our poorer overall performance than if we had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose us to additional risk of loss.

54. ***We may undertake strategic investments or divestments, acquisitions and joint ventures, which may not perform in line with our expectations.***

We may, depending on our management's view and market conditions, pursue strategic investments or divestments, undertake acquisitions and enter into joint ventures.

We may enter into various acquisitions including the acquisition of certain portfolios or accounts classified as standard assets, in their entirety or in part, from other banks or non-banking financial institutions, for the purpose of meeting PSL requirements as specified by RBI, in each case to the extent permitted under the Laws applicable to us. We may only be able to undertake limited diligence on the security and collateral of such acquired accounts, so there are no assurances that the asset quality, creditworthiness of such borrowers or the security and collateral provided under these portfolios and accounts are of a similar level to our existing borrowers, portfolios or accounts. This may result in difficulties should any of such portfolios or accounts enter into default, which might materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. Further, after the listing of Equity Shares of our Bank, we may consider a merger with our holding company, or any similar reorganization.

We cannot assure you that we will be able to undertake such strategic investments or divestments, acquisitions (including by way of a merger, or share or asset acquisition) or joint ventures in the future, either on terms acceptable to us or at all. Moreover, we require regulatory approval for acquisitions, and we cannot guarantee that we will receive such approvals in a timely manner, or at all.

We may have future plans to be involved in new businesses, including complementary businesses, technologies, services and products, and we may enter into strategic partnerships or joint ventures with parties that we believe can provide access to new markets, technology, capabilities or assets.

These new businesses subject us to many risks, and we can provide no assurances that any such ventures will be successful or meet our expectations. In addition, these new ventures may require regulatory approvals, and we cannot assure you that we will be able to procure such approvals, either in a timely manner or at all. If these new ventures are not successful, we may suffer losses, dilute value to shareholders or may not be able to take advantage of appropriate investment opportunities or conclude transactions on terms commercially acceptable to us. These ventures may require significant investments of capital and we may not realize our expected (or any) returns on these investments. Our management may also need to divert its attention from our operations in order to integrate such new businesses, which may affect the quality of operational standards and our ability to retain the business of our existing customers. We may also have difficulty in integrating the acquired products, services, solutions, technologies, management and employees into our operations. We may face litigation or other claims arising out of our new businesses, including disputes with regard to additional payments or other closing adjustments. These difficulties may disrupt our ongoing business, distract our management and employees, and increase our expenses. As a result, our business, financial condition, results of operations, cash flows and prospects may be materially adversely affected.

Further, after listing of the Equity Shares, in order to reduce the shareholding of our Promoter, as regulatorily mandated, we may apply for reverse merger, subject to approval by our board, our Promoter's board and shareholders, RBI, SEBI and other regulatory requirements.

55. ***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 intend to utilize the Net Proceeds to augment our Tier I capital base to meet our future capital requirements, which are expected to arise out of growth in our assets, primarily our advances and investment portfolio, and to ensure compliance with applicable RBI regulations and guidelines. For further details, see "*Objects of the Offer - Net Proceeds*" on page 97. As stipulated in Regulation 41 of the SEBI ICDR Regulations, we are not required to appoint a monitoring agency for the use of the Net Proceeds and we do not intend to do so. Our proposed deployment of the Net Proceeds has not been appraised and it is based on management estimates. Under the SEBI ICDR Regulations, we are not required to appoint a monitoring agency for the Offer and deployment of the Fresh Issue proceeds will be entirely at our discretion. Our management will therefore 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. Accordingly, the use of the Net Proceeds may not result in the growth of our business or increased profitability.

56. ***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-Offer issuance of securities aggregating up to ₹1,250.00 million. 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 Offer complying with Rule 19(2)(B) of the SCRR. Further, upon utilization of the proceeds from the Pre-IPO Placement (if any), prior to the completion of the Offer, there is no guarantee that it may proceed with the Offer or the Offer may be successful and will result in the listing of the Equity Shares on the Stock Exchanges.

EXTERNAL RISK FACTORS

Risks Relating to Regulations

57. ***We depend on various licenses issued by domestic regulators and we are subject to supervision and inspection by authorities such as the RBI. Any failure to obtain or renew our licenses in a timely manner, or non-compliance with the terms and conditions of such licenses or directions or observations issued by such authorities, may materially adversely affect our business, results of operation, financial condition and cash flows.***

We are required to maintain various licenses and registrations issued by a variety of regulators, including the RBI and IRDAI, for various aspects of our operations. Any failure to obtain, renew or maintain any required approvals, permits or licenses, may result in the interruption of all or some of our operations, which could adversely affect our business, results of operations and cash flows. Any licenses we have obtained may also be revoked if we fail to comply with any of the terms or conditions of such license, or restrictions may be placed on our operations. For instance, the RBI In-Principle Approval and RBI Final Approval require 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 this license or may place stringent restrictions on our operations. For further details, including pending material approvals and licenses, see "*Government and Other Approvals*" on page 349. We may not have, or may not receive, all necessary approvals, or be able to obtain renewals of all our approvals within the time frames anticipated by us or may not obtain the same at all, which could materially adversely affect our business, results of operation, financial condition and cash flows.

In addition, we require several registrations to operate our banking outlets in the ordinary course of business. These registrations include those required to be obtained or maintained under applicable legislations governing shops and establishments, professional tax, labor-related registrations, GST registrations and trade licenses of the particular state in which we operate. Some of these approvals may have expired in the ordinary course, and we have either applied, or are in the process of applying for renewals of them. For further information, see "*Government and Other Approvals*" on page 349. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

In the future, we may be required to obtain new registrations, permits and approvals for any of our existing business, as a result of change in current regulations or for any proposed expansion strategy or diversification into additional business lines or new financial products. There can be no assurance that the relevant authorities will issue any permits or approvals required by us in a timely manner, or at all, and/or on favorable terms and conditions. The RBI issues instructions and guidelines to banks on banking outlet authorization from time to time.

58. ***RBI guidelines relating to prompt corrective action could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.***

On November 2, 2021, the RBI revised the Prompt Corrective Action ("**PCA**") framework for banks. The new PCA framework has stipulated thresholds for capital ratios, non-performing assets, profitability and leverage for banks. The RBI has a range of discretionary actions it can take to address the outstanding issues. If we were to violate the RBI's rules and regulations and become covered by the PCA framework, it could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

59. ***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.

We provide services to our customers, who may be doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran. 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 transactions in which we participate violate U.S. or other sanctions, we may 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 may 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.

60. ***RBI may remove any employee, managerial person or may supersede our Board of Directors in certain circumstances.***

The Banking Regulation Act confers powers on the RBI to remove from office any directors, chairman, chief executive officer or other officers or employees of a bank in certain circumstances. RBI 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. The RBI may exercise powers of supersession where it is satisfied, in consultation with the Central Government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein are taken by RBI, our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected.

61. ***Changing laws, rules and regulations and legal uncertainties, including adverse application of RBI regulations or tax laws and regulations, across the multiple jurisdictions we operate in, may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.***

Our business and financial performance may be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our general and microfinance businesses, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations.

The governmental and regulatory bodies may notify new regulations and/ or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently, or change the manner in which we conduct KYC or authenticate our customers. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition and results of operations.

In addition, unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing our business, operations and investments in us by non-residents, could result in us being deemed to be in contravention of such laws and/ or may require us to apply for additional approvals.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time.

Further, as GST is implemented, there can be no assurance that we will not be required to comply with additional procedures or obtain additional approvals and licenses from the government and other regulatory bodies or that they will not impose onerous requirements and conditions on our operations. With the implementation of GST, we are obligated to pass on any benefits accruing to us as result of the transition to GST to the consumer thereby limiting our benefits. In order for us to utilise input credit under GST, the entire value chain has to be GST compliant, including us. While we are and will continue to adhere to the GST rules and regulations, there can be no assurance that our suppliers and dealers will do so. Any such failure may result in increased cost on account of non-compliance with the GST and may adversely affect our business and results of operations.

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 arising out of capital gains and stamp duty on the sale of the Equity Shares* ” on page 56.

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, many laws and regulations relating to privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data are subject to varying degrees of enforcement and new and changing interpretations by courts or regulators. Several jurisdictions have implemented new data protection regulations and others are considering imposing additional restrictions or regulations. The Indian Government has been mooting a legislation governing non-personal data. In September 2019, the Ministry of Electronics and Information Technology formed a committee of experts (“**NPD Committee**”) to recommend a regulatory regime to govern non-personal data (“**NPD**”). The NPD Committee has released two reports till date, which recommend, among other items, a framework to govern NPD (defined as any data other than personal data), access and sharing of NPD with government and corporations alike and a registration regime and for “data businesses”, being business that collect, process or store data, both personal and non-personal. 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. Changes in laws or regulations relating to privacy, data protection, and information security, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of such laws or regulations, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could require us to modify our existing systems or invest in new technologies to ensure compliance with such applicable laws, which may require us to incur additional expenses.

Similarly, changes in other laws may require additional compliances and/or result in us incurring additional expenditure. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant 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 impact the viability of our current businesses or restrict our ability to grow our businesses in the futureWe have not determined the impact of these recent and proposed laws and regulations on our business. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy in the jurisdictions in which we operate, 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 impact the viability of our current business or restrict our ability to grow our business in the future. For instance, the Supreme Court of India has in a decision clarified the components of basic wages which need to be considered by companies while making provident fund payments, which resulted in an increase in the provident fund payments to be made by companies. Further, as of March 31, 2022, we had a total of 11,733 full-time employees. Our full-time employees are employed by us and are entitled to statutory employment benefits, such as defined benefit gratuity plan, among others. In addition to our full-time employees, we empanel agencies for our outsourcing requirements and also engage persons on a contractual basis.

We are subject to various labor laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labor and work permits.

A change of law that requires us to increase the benefits to the employees from the benefits now being provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work for or increase in number of mandatory casual leaves, which all may affect the productivity of the employees. For example, the GoI has recently introduced (a) the Code on Wages, 2019 (“**Wages Code**”); (b) the Code on Social Security, 2020 (“**Social Security Code**”); (c) the Occupational Safety, Health and Working Conditions Code, 2020; and (d) the Industrial Relations Code, 2020 which consolidate, subsume and replace numerous existing central labour legislations. The rules for the implementation of these codes have not been announced, and as such, the full impact of such laws on our business, operations and growth prospects, remain uncertain. For example, the Social Security Code aims to provide uniformity in providing social security benefits to employees which were previously segregated under different acts and had different applicability and coverage.

A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, similar to our full-time employees may create potential liability for us. If we fail to comply with current and future health and safety and labor laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, this may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Risks Relating to India

62. ***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 customers 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 may be less robust as compared to similar transactions in more developed economies. Any inability to undertake a fulsome due diligence or credit check may 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.

63. ***Financial instability in other countries may cause increased volatility in Indian financial markets.***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our business, our future financial performance and the prices of the Equity Shares.

64. ***We are subject to regulatory, economic and social and political uncertainties and other factors beyond our control.***

We are incorporated in India and we conduct our corporate affairs and our business in India. Our Equity Shares are to be listed on the BSE and the NSE. Consequently, our business, operations, financial performance and the market price of our Equity Shares will be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

Factors that may adversely affect the Indian economy, and hence our results of operations may include:

- any exchange rate fluctuations, the imposition of currency controls and restrictions on the right to convert or repatriate currency or export assets;
- the impact of international trade wars or uncertain or unfavorable policies on international trade or (whether or not directly involving the Government of India);
- any scarcity of credit or other financing in India, resulting in an adverse effect on economic conditions in India and scarcity of financing for our expansions;
- prevailing income conditions among Indian customers and Indian corporations;
- epidemic or any other public health in India or in countries in the region or globally, including in India's various neighboring countries;
- macroeconomic factors and central bank regulation, including in relation to interest rates movements which may in turn adversely impact our access to capital and increase our borrowing costs;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- decline in India's foreign exchange reserves which may affect liquidity in the Indian economy;
- political instability, including terrorism or military conflict in India or in countries in the region or globally, including in India's various neighboring countries;

- civil unrest, acts of violence, regional conflicts or situations or war may adversely affect the financial markets;

- international business practices that may conflict with other customs or legal requirements to which we are subject, including anti-bribery and anti-corruption laws;

- logistical and communication challenges;

- downgrading of India's sovereign debt rating by rating agencies;

- changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India;

- occurrence of natural calamities and force majeure events;

- difficulty in developing any necessary partnerships with local businesses on commercially acceptable terms and/or a timely basis; and

- being subject to the jurisdiction of foreign courts, including uncertainty of judicial processes and difficulty enforcing contractual agreements or judgments in foreign legal systems or incurring additional costs to do so.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

65. ***Investors may have difficulty enforcing foreign judgments in India against us or our management.***

Our Bank is incorporated in India. All of our Directors named herein save for Mr. Varun Sabhlok are residents of India and substantially all of our assets and the assets of such persons are located in India. As a result, it may not be possible for investors outside of India to effect service of process on us or such persons from their respective jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India. Further, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India.

Risks Relating to the Equity Shares

66. ***Financial difficulty and other problems in certain 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 by being a part of the system. The commercial soundness of financial institutions in India 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, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of 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 expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

67. ***Investors may be subject to Indian taxes arising out of capital gains and stamp duty on the sale of the Equity Shares.***

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. Unfavorable 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.

68. ***The Equity Shares have never been publicly traded and the Offer may not result in an active or liquid market for the Equity Shares.***

Prior to the Offer, there has been no public market for the Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Offer. Listing and quotation does not guarantee that a market for the Equity Shares will develop, or if developed, the liquidity of such market for the Equity Shares. Further, the price of the Equity Shares may be volatile, and the investors may be unable to resell the Equity Shares at or above the Offer Price, or at all. The market price of the Equity Shares may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the industry we operate in, developments relating to India and volatility in the Stock Exchanges and securities markets elsewhere in the world.

69. ***The Offer Price may not be indicative of the market price of the Equity Shares after the Offer.***

The Offer Price will be determined by our Bank in consultation with the Managers through the Book Building Process. This price will be based on numerous factors, including as described under "*Basis for Offer Price*" on page 101 and may not be indicative of the market price for the Equity Shares after the Offer. The market price of the Equity Shares could be subject to significant fluctuations after the Offer, and may decline below the Offer Price. There can be no assurance that the investor will be able to resell their Equity Shares at or above the Offer Price or at the time they would want to sell their Equity Shares.

70. ***Any future issuance of Equity Shares may dilute your shareholding and sales of the Equity Shares by any of our significant shareholders may adversely affect the trading price of the Equity Shares.***

Any future issuance of the Equity Shares or securities linked to the Equity Shares by us, including issuance of Equity Shares to employees or former employees up on exercise of vested options held by them under ESOP 2018 and ESOP 2019, may dilute your shareholding. Any such future issuance of the Equity Shares or future sales of the Equity Shares by any of our significant shareholders may also adversely affect the trading price of the Equity Shares and impact our ability to raise funds through an offering of our securities. Any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares. Additionally, the disposal, pledge or encumbrance of the Equity Shares by any of our significant shareholders, or the perception that such transactions may occur, may affect the trading price of the Equity Shares. No assurance may be given that we will not issue Equity Shares or that our significant shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

71. ***Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.***

Our Articles, the instructions issued by the RBI, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank or corporate entity in another jurisdiction. Shareholders' rights 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 one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

72. ***Our ability to raise foreign capital may be constrained by Indian law.***

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that any required regulatory approvals for borrowing in foreign currencies will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

73. ***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 the Equity Shares.***

Under foreign exchange regulations which are 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 valuation and reporting requirements specified under applicable law. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions, then prior approval of the relevant regulatory authority is 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. Further, this conversion is subject to the shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the relevant regulatory approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020, which came into effect from April 22, 2020, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares a land border with India, can only be made through the Government approval route, as prescribed in the FDI Policy. These investment restrictions also apply to subscribers of offshore derivative instruments. We cannot assure you 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 392. Our ability to raise any foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, cash flows, results of operations and prospects.

74. ***The market value of the Equity Shares may fluctuate due to the volatility of the Indian securities markets.***

Indian securities markets may be more volatile than, and not comparable to, the securities markets in countries with more developed economies and capital markets. Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities. Indian stock exchanges (including the BSE and the NSE) have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have a negative effect on market sentiment.

75. ***Foreign Account Tax Compliance withholding may affect payments on the Equity Shares.***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Equity Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, such withholding would not apply prior to January 1, 2019. Investors should consult their own tax advisors regarding how these rules may apply prior to the second anniversary of the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Equity Shares, no person will be required to pay additional amounts as a result of the withholding.

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

Under the Companies Act, a company incorporated in India must offer holders of its equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares who have voted on such resolution. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in us would be reduced.

SECTION III: INTRODUCTION

THE OFFER

The following table sets forth details of the Offer:

Equity Shares Offered	
Offer of Equity Shares*#	Up to [●] Equity Shares, aggregating up to ₹[●] million
The Offer consists of:	
Fresh Issue(1)	Up to [●] Equity Shares, aggregating up to ₹6,250.00 million
Offer for Sale(2)	Up to 17,000,000 Equity Shares, aggregating up to ₹[●] million
Of which	
Employee Reservation Portion (3) (4) (6)	Up to [●] Equity Shares, aggregating up to ₹[●] million
Net Offer	Up to [●] Equity Shares, aggregating up to ₹[●] million
The Net Offer consists of:	
A) QIB Portion(5)(6)	Not more than [●] Equity Shares
of which:	
- Anchor Investor Portion	Up to [●] Equity Shares
- Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	[●] Equity Shares
of which:	
- Mutual Fund Portion	[●] Equity Shares
- Balance for all QIBs including Mutual Funds	[●] Equity Shares
B) Non-Institutional Portion(6) (7)	Not less 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(6)	Not less than [●] Equity Shares
Pre and Post-Offer Equity Shares	
Equity Shares outstanding prior the Offer	220,779,720 Equity Shares
Equity Shares outstanding after the Offer	[●] Equity Shares
Use of Net Proceeds	See "*Objects of the Offer*" on page 97 for information about the use of the proceeds from the Offer.

* *In terms of the Banking Regulation Act and circulars issued thereunder, prior approval from the RBI is required for any issue/ acquisition of shares which results in a person holding (by himself or acting in concert with any other person) five percent or more of the paid-up equity share capital or voting rights of our Bank.*

Our Bank may, in consultation with the BRLMs, consider a Pre-IPO Placement of such number of securities for an aggregate amount of up to ₹ 1,250.00 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR.

(1) *The Fresh Issue has been authorized by our Board pursuant to a resolution passed on July 29, 2022 and by our Shareholders pursuant to a special resolution passed on August 5, 2022. Further, our Board has taken on record the approval for the Offer for Sale by the Selling Shareholders pursuant to its resolution dated August 6, 2022.*

(2) *The Selling Shareholders have confirmed and approved their participation in the Offer for Sale as set out below:*

Selling Shareholder	No. of Equity Shares proposed to be offered in the Offer for Sale	Date of Board Resolution/ corporate authorisation	Date of consent letter
FBSL	Up to 14,934,779 Equity Shares, aggregating up to ₹[●] million	July 18, 2022	August 4, 2022
Wagner Limited	Up to 471,754 Equity Shares, aggregating up to ₹[●] million	July 25, 2022	August 5, 2022
True North Fund V LLP	Up to 444,140 Equity Shares, aggregating up to ₹[●] million	July 14, 2022	August 5, 2022
Indium IV (Mauritius) Holdings Limited	Up to 430,842 Equity Shares, aggregating up to ₹[●] million	July 14, 2022	August 4, 2022
Omega TC Holdings Pte. Ltd.	Up to 223,955 Equity Shares, aggregating up to ₹[●] million	July 20, 2022	August 6, 2022
LeapFrog Rural Inclusion (India) Ltd	Up to 130,787 Equity Shares, aggregating up to ₹[●] million	July 26, 2022	August 5, 2022
Kotak Mahindra Life Insurance Company Limited	Up to 126,151 Equity Shares, aggregating up to ₹[●] million	July 20, 2022	August 4, 2022

Selling Shareholder	No. of Equity Shares proposed to be offered in the Offer for Sale	Date of Board Resolution/ corporate authorisation	Date of consent letter
Edelweiss Tokio Life Insurance Company Limited	Up to 116,981 Equity Shares, aggregating up to ₹[●] million	July 22, 2022	August 4, 2022
Bharti Axa Life Insurance Company Limited	Up to 45,710 Equity Shares, aggregating up to ₹[●] million	May 21, 2022, February 2, 2022 and May 18, 2022	July 26, 2022
Silver Leaf Oak (Mauritius) Limited	Up to 35,092 Equity Shares, aggregating up to ₹[●] million	July 14, 2022	August 4, 2022
TATA Capital Financial Services Limited	Up to 20,572 Equity Shares, aggregating up to ₹[●] million	July 22, 2022	August 6, 2022
Edelweiss General Insurance Company Limited	Up to 19,237 Equity Shares, aggregating up to ₹[●] million	July 18, 2022	August 4, 2022

(3) *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 (net of Employee Discount, if any), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any). The unsubscribed portion, if any, in the Employee Reservation Portion (after allocation up to ₹500,000), shall be added to the Net Offer. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up equity share capital.*

(4) *Our Bank may, in consultation with the BRLMs, offer an Employee Discount of up to [●]% to the Offer Price (equivalent of ₹ [●] per Equity Share), which shall be announced at least two Working Days prior to the Bid/Offer Opening Date.*

(5) *Our Bank may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis. The QIB Portion will accordingly be reduced for any 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 remaining Equity Shares shall be added 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 (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. In the event the aggregate demand from Mutual Funds is less than as specified above, 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 details, see "Offer Procedure" on page 377.*

(6) *Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in the in any category, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Bank in consultation with the BRLMs and the Designated Stock Exchange. Further, an Eligible Employee Bidding in the Employee Reservation Portion can also Bid under the Net Offer and such Bids will not be treated as multiple Bids. Any under-subscription in the Employee Reservation Portion shall be added to the Net Offer. In the event of under-subscription in the Offer, subject to receiving minimum subscription for 90% of the Fresh Issue and compliance with Rule 19(2)(b) of the SCRR, the Allotment for the valid Bids will be made in the first instance towards subscription for 90% of the Fresh Issue. If there remain any balance valid Bids in the Offer, the Allotment for the balance valid Bids will be made towards the Offered Shares being offered by the Selling Shareholders in the Offer for Sale on a pro-rata basis on the basis of the number of Offered Shares being offered for sale by each Selling Shareholder, and only then, towards the remaining Equity Shares in the Fresh Issue. For further details, see "Offer Structure" on page 377.*

(7) *The Equity Shares available for allocation to Non-Institutional Bidders under the Non-Institutional Portion, shall be subject to the following: (i) one-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with a Bid size of more than ₹ 200,000 and up to ₹ 1,000,000, and (ii) two-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with Bid size of more than ₹ 1,000,000, provided that the unsubscribed portion in either of the aforementioned sub-categories may be allocated to applicants in the other sub-category of Non-Institutional Bidders. The allotment to each Non-Institutional Bidder shall not be less than the Minimum NIB Application Size, subject to the availability of Equity Shares in the Non-Institutional Portion, and the remaining Equity Shares, if any, shall be allotted on a proportionate basis. For details, see "Offer Procedure" beginning on page 377.*

Allocation to all categories, except the Anchor Investors, if any, Non-Institutional Bidders and the Retail Individual Bidders, shall be made on a proportionate basis subject to valid Bids received at or above the Offer 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. The allocation to each Non-Institutional Bidder shall not be less than the Minimum NIB Application Size, subject to the availability of Equity Shares in Non-Institutional Portion, and the remaining Equity Shares, if any, shall be allotted 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 "*Offer Procedure – Basis of Allotment*" on page 377.

SUMMARY OF FINANCIAL INFORMATION

SUMMARY OF RESTATED BALANCE SHEET

(All amounts in ₹ million except otherwise stated)

Particulars	As on March 31, 2022	As on March 31, 2021	As on March 31, 2020
Capital & Liabilities			
Capital	2,207.80	636.10	636.10
Employees stock options outstanding	63.81	9.97	-
Reserves and surplus	9,747.00	9,532.94	8,401.55
Deposits	64,555.80	53,184.98	46,539.33
Borrowings	29,435.43	14,004.34	13,681.62
Other liabilities and provisions	3,049.19	2,302.40	1,912.68
TOTAL	**1,09,059.03**	**79,670.73**	**71,171.28**
Assets			
Cash and balances with Reserve Bank of India	11,167.90	10,364.98	10,585.33
Balances with banks and money at call and short notice	1,191.69	1,191.34	243.73
Investments	21,516.29	12,793.59	10,069.60
Advances	70,363.74	53,011.20	48,155.79
Fixed assets	423.40	361.91	403.64
Other assets	4,396.01	1,947.71	1,713.19
TOTAL	**1,09,059.03**	**79,670.73**	**71,171.28**
Contingent liabilities	-	32.66	183.67
Bills for collection	-	-	-

SUMMARY OF RESTATED STATEMENT OF PROFIT AND LOSS

(All amounts in ₹ million except otherwise stated)

Particulars	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2020
I. Income			
Interest earned	14,458.72	12,510.31	10,702.56
Other income	2,017.76	1,256.79	1,438.36
TOTAL	**16,476.48**	**13,767.10**	**12,140.92**
II. Expenditure			
Interest expended	5,697.82	5,500.48	4,508.85
Operating expenses	6,467.96	4,632.81	4,267.53
Provision and contingencies	4,221.99	2,502.42	1,930.05
TOTAL	**16,387.77**	**12,635.71**	**10,706.43**
III. Profit / (loss)			
Net profit / (loss) for the period / year	88.71	1,131.39	1,434.49
Profit / (loss) brought forward	1,810.83	970.74	(61.75)
Total profit	**1,899.54**	**2,102.13**	**1,372.74**
IV. Appropriation/transfers			
Transfer to statutory reserves	22.20	282.90	358.70
Transfer to other reserves	125.42	8.39	43.30
Transfer to Government/proposed dividend	-	-	-
Balance carried over to the balance sheet	1,751.92	1,810.84	970.74
Total	**1,899.54**	**2,102.13**	**1,372.74**
Earnings per equity share			
Basic and diluted (₹)	0.38	5.55	7.03
Face value per share (₹)	10.00	10.00	10.00

SUMMARY OF RESTATED STATEMENT OF CASH FLOWS

(All amounts in ₹ million except otherwise stated)

	Particulars	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2020
A	**Cash flows from/ (used in) operating activities:**			
	Profit before tax	**57.46**	**1,464.19**	**2,027.25**
	Adjustments for:			
	Depreciation and amortisation expenses	201.19	170.08	169.04
	Amortisation of premium on investments	103.18	68.49	16.02
	(Profit) / loss on disposal of fixed assets	0.29	(0.08)	0.66
	Share / debenture issue expenses	-	-	-
	Goodwill written off	-	-	-
	Employee stock option cost	53.84	9.97	-
	Loan portfolio written off (net of recovery)	3,695.10	339.31	454.36
	Provision for loan portfolio	600.24	1,857.22	921.04
	Provision for other contingencies	2.19	(26.67)	(15.25)
	Provision / depreciation - Investments	56.06	(0.51)	(0.79)
	(Profit) on sale of investment in SLR securities	(53.95)	(12.21)	(1.79)
	Loss on sale of investment in SLR securities	28.38	9.94	1.26
	(Profit) on sale of investment in mutual funds	(1.92)	(2.93)	(10.64)
	Operating profits before working capital changes	**4,742.06**	**3,876.80**	**3,561.16**
	Movement in working capital:			
	Increase in deposits	11,370.82	6,645.67	26,107.21
	Increase / (decrease) in other liabilities	1,318.58	408.98	(576.04)
	(Increase) in investments (net)	(8,856.38)	(2,789.71)	(3,075.70)
	(Increase) in advances	(22,229.82)	(6,996.81)	(20,948.98)
	Decrease / (increase) in fixed deposits	(375.16)	(51.57)	642.70
	(Increase) in other assets	(2,013.76)	(2.06)	(269.99)
	Cash generated (used in) / from operating activities	**(16,043.66)**	**1,091.31**	**5,440.36**
	Taxes on income paid, net	(395.36)	(612.89)	(746.55)
	Net cash (used in) / generated from operating activities	**(16,439.02)**	**478.42**	**4,693.81**
B.	**Cash flows from investing activities:**			
	Purchase of fixed assets	(263.59)	(129.15)	(243.32)
	Proceeds from sale of fixed assets	0.66	0.88	0.73
	Purchase of investments in mutual funds	(499.98)	(1,799.98)	(4,800.00)
	Proceeds from sale of investments in mutual funds	501.90	1,802.86	4,810.64
	Proceeds from term money lending	(163.90)	(399.92)	899.90
	Net cash generated / (used in) from investing activities	**(424.91)**	**(525.31)**	**667.95**
C.	**Cash flows from financing activities:**			
	Proceeds from issue of equity shares	1,697.07	-	943.22
	Share / debenture issue expenses	-	-	-
	Repayment of borrowing under the LAF segment	-	(470.00)	-
	Proceeds from borrowing under the LAF segment	5,400.00	-	1,030.00
	Proceeds from loans availed from banks and financial institutions	13,580.42	4,700.00	4,249.93
	Repayment of loans availed from banks and financial institutions	(3,549.34)	(3,907.33)	(5,004.07)
	Proceeds from issue of non-convertible debentures	-	-	1,000.00
	Redemption of non-convertible debentures	-	-	(425.00)
	Net cash generated / (used in) from financing activities	**17,128.15**	**322.67**	**1,794.08**
	Net increase / (decrease) in cash and cash equivalents during the period/year (A+B+C)	**264.22**	**275.78**	**7,155.84**
	Cash and cash equivalents at the beginning of the year	**11,028.41**	**10,752.63**	**3,596.79**
	Cash and cash equivalents at the end of the year[1]	**11,292.63**	**11,028.41**	**10,752.63**
	Components of cash and cash equivalents			
	Cash and balances with Reserve Bank of India	11,167.90	10,364.98	10,585.33
	Balances with banks and money at call and short notice	124.73	663.43	167.30
		11,292.63	**11,028.41**	**10,752.63**

[1] *Includes cash and bank balances with Reserve Bank of India and balances with Banks in current account as on March 31, 2022, March 31, 2021 and March 31, 2020.*

GENERAL INFORMATION

Registered Office

Fincare Small Finance Bank Limited
301-306, 3rd Floor, Abhijeet -V
Opp. Mayor's Bunglow, Law Garden Road
Mithakhali
Ahmedabad 380 006
Gujarat, India
Registration Number: 025373
CIN: U67120GJ1995PLC025373
RBI Registration Number: MUM:135

Corporate Office

Fincare Small Finance Bank Limited
5th Floor, Bren Mercury, Kaikondanahalli
Sarjapur Main Road
Bengaluru 560 035
Karnataka, India

Address of the RoC

Our Bank is registered with the RoC situated at the following address:

Registrar of Companies, Ahmedabad
ROC Bhavan, Opposite Rupal Park Society
Behind Ankur Bus Stop
Naranpura
Ahmedabad 380 013
Gujarat, India

Company Secretary and Compliance Officer

Shefaly Kothari
5th Floor, Bren Mercury, Kaikondanahalli
Sarjapur Main Road
Bengaluru 560 035
Karnataka, India
Tel: +91 73496 14778
Email: sfbcompsec@fincarebank.com

Board of Directors

As on the date of this Draft Red Herring Prospectus, our Board of Directors of our Bank comprises the following:

Name	Designation	DIN	Address
Pramod Kabra	Part-time Chairman and Non-Executive Director	02252403	T4/2101, Planet Godrej, K K Marg,Jacob Circle, Mumbai 400 011, Maharashtra, India
Rajeev Yadav	MD & CEO	00111379	Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devara Beesana Halli, Bellandur, Bangalore 560 103, Karnataka, India
Aarthi Sivanandh	Independent Director	00140141	Flat E G R N Sri Kripa Apartments No. 36 East Abhiramapuram, 2nd Street, Mylapore, Chennai 600 004, Tamil Nadu, India
Alok Prasad	Independent Director	00080225	144, Vista Villas, Opposite Unitech Cyber Park, Sector 45, Gurgaon 122 001, Haryana, India
Divya Sehgal	Nominee Director*	01775308	Flat No 1307 & 1308, Wing A, 13th Floor, Ashok Tower, Dr. Ambebkar Road, Parel, Mumbai 400 012, Maharashtra, India
Dhiraj Poddar	Nominee Director*	01946905	G – 001, Springs, GD Ambedkar Marg, Near Wadala, Telephone Exhange, Dadar East, Mumbai 400 014, Maharashtra India
Nanda Sameer Dave	Independent Director	08673208	Paras Emperor A-703, Bawadia Kalan, Hazur, Trilanga, Bhopal 462 039, Madhya Pradesh, India
Narayanan Rajagopalan	Additional Director (Independent)	07877022	A – 503, Gulmohar Apartments, Ceaser Road, Amboli, Andheri West, Mumbai 400 058, Maharashtra, India

Name	Designation	DIN	Address
Nadadur			
Sameer Yogesh Nanavati	Nominee Director*	00157693	901/E, Safal Parivesh, Prahladnagar, Satelite Ahmedabad City, Ahmedabad, Manekbag 380 015, Gujarat, India
Sunil Satyapal Gulati	Independent Director	00016990	Flat No. 703, Sterling Sea Face, Dr. A B Road, Near Poonam Chambers, Worli, Mumbai 400 018, Maharashtra, India
Varun Sabhlok	Independent Director	07704720	237, Arcadia Road, #01-01, The Arcadia Singapore 289 844
Vinay Baijal	Independent Director	07516339	701, Lodha Grandeur, Sayani Road, Near Parel S. I. Depot, Prabhadevi, Mumbai 400 025, Maharashtra, India

Dhiraj Poddar, Divya Sehgal and Sameer Yogesh Nanavati are Nominee Directors of our Promoter, on our Board.

For further details of our Directors, see "*Our Management*" on page 209.

Filing

A copy of this Draft Red Herring Prospectus will be filed electronically on the SEBI Intermediary Portal at https://siportal.sebi.gov.in/intermediary/index.html, in accordance with SEBI circular bearing reference SEBI/HO/CFD/DIL1/CIR/P/2018/011 dated January 19, 2018 and shall be submitted to SEBI on cfddil@sebi.gov.in. in accordance with the instructions issued by the SEBI on March 27, 2020, in relation to "Easing of Operational Procedure – Division of Issues and Listing – CFD."

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed 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, 2013 would be filed with the RoC at its office and through the electronic portal at http://www.mca.gov.in/mcafoportal/loginvalidateuser.do.

Book Running Lead Managers

ICICI Securities Limited
4th Floor, ICICI Venture House
Appasaheb Marathe Marg, Prabhadevi
Mumbai 400 025
Maharashtra, India
Tel: +91 22 6807 7100
E-mail: fincare.ipo@icicisecurities.com
Investor grievance e-mail: customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Shekher Asnani/ Sumit Singh

Axis Capital Limited
1st Floor, Axis House
C 2 Wadia International Centre
P. B. Marg, Worli
Mumbai 400 025
Maharashtra, India
Tel: +91 22 4325 2183
E-mail: fincare.ipo@axiscap.in
Investor grievance e-mail: complaints@axiscap.in
Website: www.axiscapital.co.in
Contact Person: Pavan Naik/Anagha Ganapathy

IIFL Securities Limited
10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4646 4728
E-mail: fincare.ipo@iiflcap.com
Investor grievance e-mail: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Sachin Jagad/ Pawan Jain

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
Maharashtra, India
Tel: +91 22 4006 9807
E-mail: fincare.ipo@sbicaps.com
Investor grievance e-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Aditya Deshpande

Ambit Private Limited
Ambit House 449
Senapati Bapat Marg
Lower Parel
Mumbai 400 013
Maharashtra, India
Tel: +91 22 6623 3030
E-mail: fincare.ipo@ambit.co
Investor grievance e-mail: customerservicemb@ambit.co
Website: www.ambit.co
Contact Person: Nikhil Bhiwapurkar/Devanshi Shah

Syndicate Members

[●]

Legal Counsel to our Bank and the Promoter Selling Shareholder, True North Fund V LLP, Silver Leaf Oak (Mauritius) Limited, Indium IV (Mauritius) Holdings Limited, Wagner Limited, LeapFrog Rural Inclusion (India) Ltd and Kotak Mahindra Life Insurance Company Limited as to Indian Law

Cyril Amarchand Mangaldas
3rd Floor, Prestige Falcon Towers
19, Brunton Road, Off. M.G. Road
Bengaluru – 560 025
Karnataka, India
Tel: +91 80 2558 4870

Legal Counsel to the BRLMs as to Indian Law

IndusLaw
2nd Floor
Block D, The MIRA
Mathura Road
New Delhi 110 065
India
Tel.: +91 11 4782 1000

International Legal Counsel to the BRLMs

Hogan Lovells Lee & Lee
50 Collyer Quay
#10-01 OUE Bayfront
Singapore 049 321
Tel.: (+65) 6538 0900

Legal Counsel to Omega TC Holdings Pte. Ltd. and TATA Capital Financial Services Limited

AZB & Partners
AZB House, Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013, India
Tel: +91 22 6639 6880

AZB & Partners
AZB House
Plot No. A8, Sector-4
Noida 201 301
India
Tel: +91 120 417 9999

Legal Counsel to Edelweiss Tokio Life Insurance Company Limited, Bharti Axa Life Insurance Company Limited and Edelweiss General Insurance Company Limited

Hemant Sahai Associates
Construction House
5th Floor Ballard Estate
Mumbai 400 001
Maharashtra, India
Tel.: +91 22 4340 0400

Statutory Auditors to our Bank

S.R. Batliboi and Associates LLP
The Ruby, 12th Floor
29 Senapati Bapat Marg, Dadar (West)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 6819 8000
Email: SRBA@srb.in
Firm Registration Number: 101049W/E300004
Peer Review Certificate Number: 013325

Except as mentioned below, there has been no change in our Statutory Auditors in the three years immediately preceding the date of this Draft Red Herring Prospectus:

Name of the Statutory Auditor	Date of Change	Reason
S. R. Batliboi & Associates LLP, Chartered Accountants 12th Floor, The Ruby 29 Senapati Bapat Marg Dadar (West) Mumbai – 400 028 Maharashtra, India Tel: +91 22 6819 8000 Email: SRBA@srb.in Firm Registration Number: 101049W/E300004 Peer Review Certificate Number: 013325	April 1, 2021	Appointment as Statutory Auditors of the Bank
Walker Chandiok & Co. LLP 11th Floor, Tower II, One Financial Centre SB Marg, Elphinstone (W) Mumbai 400 013 Maharashtra, India Tel: +91 22 6626 2699 Email: manish.gujral@walkerchandiok.in Firm Registration Number: 001076N/N500013 Peer Review Number: 014158	March 31, 2021	Completion of term

Registrar to the Offer

KFin Technologies Limited (*formerly known as KFin Technologies Private Limited*)
Selenium, Tower B, Plot No. - 31 and 32
Financial District
Nanakramguda, Serilingampally
Hyderabad, Rangareddi 500 032
Telangana, India
Tel: +91 40 6716 2222
E-mail: fincare.ipo@kfintech.com
Website: www.kfintech.com
Investor grievance e-mail: einward.ris@kfintech.com
Contact Person: M Murali Krishna
SEBI Registration Number: INR000000221

Banker to the Bank

ICICI Bank Limited
ICICI Bank, Shobha Pearl, Fifth Floor,Commisasariat Road
MG Road, Bangalore 560025
Karnataka, India
Tel: +91 7977779842
E-mail: aggarwal.gaurav@icicibank.com
Website: www.icicibank.com
Contact Person: Gaurav Aggarwal

Bankers to the Offer

Escrow Collection Bank(s)

[●]

Refund Bank(s)

[●]

Public Offer Bank(s)

[●]

Sponsor Bank

[●]

Designated Intermediaries

Self-Certified Syndicate Banks

The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at (www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34) and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to UPI Bidders using the 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 updated from time to time.

SCSBs and mobile applications enabled for UPI Mechanism

Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, 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. The said list shall be updated on SEBI website at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43, as updated from time to time and at such other websites as may be prescribed by SEBI 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 the SEBI (http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes) and updated 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 the SEBI (http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes) as updated from time to time.

Registered Brokers

The list of the Registered Brokers eligible to accept ASBA forms, including details such as postal address, telephone number and e-mail address, is provided on the websites of the BSE and the NSE at www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx? and www.nseindia.com/products/content/equities/ipos/ipo_mem_terminal.htm, respectively, as updated from time to time.

Registrar and Share Transfer Agents

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 Stock Exchanges at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, respectively, as updated from time to time.

Collecting Depository Participants

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 BSE at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and on the website of NSE at www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, as updated from time to time.

Experts

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent dated August 6, 2022 from S.R. Batliboi and Associates LLP, Chartered Accountants, to include their name as required under section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, in this Draft Red Herring Prospectus, and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 to the extent and in their capacity as our Statutory Auditors, and in respect of their (i) examination report dated July 29, 2022 on our Restated Financial Statements; and (ii) their report dated August 6, 2022 on the Statement of 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.

In addition, our Bank has received written consent dated from, Manian and Rao, Chartered Accountants, as the independent chartered accountants to include its name as an "expert" under Section 2(38) of the Companies Act, and other applicable provisions of the Companies Act in its capacity as an independent chartered accountant, in respect of the certificates dated August 6, 2022, and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

Monitoring Agency

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 Offer.

Appraising Entity

None of the objects for which the Net Proceeds will be utilised have been appraised by any agency.

Credit Rating

As this is an issue of Equity Shares, there is no credit rating required for the Offer.

IPO Grading

No credit agency registered with SEBI has been appointed in respect of obtaining grading for the Offer.

Trustees

As this is an issue of Equity Shares, the appointment of trustees is not required.

Green Shoe Option

No green shoe option is contemplated under the Offer.

Inter-se allocation of responsibilities

The following table sets forth the inter-se allocation of responsibilities for various activities among the BRLMs:

Sr. No.	Activity	Responsibility	Coordinator
1.	Pre-Offer 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	BRLMs	I-Sec
2.	Capital structuring with the relative components and formalities such as type of instruments, size of issue, allocation between primary and secondary, etc.	BRLMs	I-Sec
3.	Drafting and approval of all statutory advertisements	BRLMs	SBICAP
4.	Drafting and approval of all publicity material other than statutory advertisements, including corporate advertisements, brochures, filing of media compliance report with SEBI, etc.	BRLMs	SBICAP
5.	Appointment of Registrar to the Offer, Printers, Banker(s) to the Offer, Advertising agency, Monitoring Agency, etc (including coordinating all agreements to be entered with such parties)	BRLMs	Ambit
6.	International institutional marketing of the Offer, which will cover, *inter alia*: • Co-ordination for research briefing • Preparation and finalization of road show presentation and FAQs • Institutional marketing strategy • Finalizing the list and division of international investors for one-to-one meetings • Finalizing international road show and investor meeting schedules	BRLMs	I-Sec
7.	Domestic institutional marketing of the Offer, which will cover, *inter alia*: • Finalizing the list and division of domestic investors for one-to-one meetings • Finalizing domestic road show and investor meeting schedules	BRLMs	IIFL
8.	Conduct non-institutional marketing of the Offer, which will cover, *inter-alia*: • Finalising media, marketing and public relations strategy; • Formulating strategies for marketing to Non-Institutional Bidders	BRLMs	Axis
9.	Conduct retail marketing of the Offer, which will cover, *inter-alia*: • Finalising media, marketing, public relations strategy and publicity budget including list of frequently asked questions at retail road shows • Finalising collection centres • Finalising centres for holding conferences for brokers etc. • Follow-up on distribution of publicity and Offer material including form, RHP/Prospectus and deciding on the quantum of the Offer material	BRLMs	SBICAP
10.	Coordination with Stock Exchanges for book building process, filing of letters including software, bidding terminals, mock trading and anchor investor intimation, and payment of 1% security deposit to the designated stock exchange	BRLMs	Axis
11.	Managing the book and finalization of pricing in consultation with our Bank and the Promoter Selling Shareholder	BRLMs	I-Sec
12.	Post bidding activities including management of escrow accounts, coordinate non- institutional allocation, coordination with Registrar, SCSBs, Sponsor Banks and other Bankers to the Offer, intimation of allocation and dispatch of refund to Bidders, unblocking of application monies etc.	BRLMs	IIFL

Sr. No.	Activity	Responsibility	Coordinator
	Post-Offer activities, which shall involve essential follow-up steps including allocation to Anchor Investors, follow-up with Bankers to the Offer and SCSBs to get quick estimates of collection and advising our Bank about the closure of the Offer, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and co-ordination with various agencies connected with the post-Offer activity such as registrar to the Offer, Bankers to the Offer, SCSBs including responsibility for underwriting arrangements, as applicable. Payment of the applicable securities transactions tax on sale of unlisted equity shares by the Selling Shareholder under the Offer for Sale to the Government. Co-ordination with SEBI and Stock Exchanges for refund of 1% security deposit and submission of all post-Offer reports including the initial and final post-Offer report to SEBI		

Book Building Process

Book Building Process, in the context of the Offer, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band, minimum Bid Lot size and Employee Discount (if any) will be decided by our Bank, in consultation with the BRLMs, and advertised in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper and [●] editions of [●], a Gujarat national daily newspaper (Gujarati also being the regional language of Gujarat, where our Registered Office is located) at least two Working Days prior to the Bid/ Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Offer Price shall be determined by our Bank, in consultation with the BRLMs after the Bid/ Offer Closing Date.

All Bidders, except Anchor Investors, are mandatorily required to use the ASBA process for participating in the Offer by providing details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by SCSBs. 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. Anchor Investors are not permitted to participate in the Offer through the ASBA process.

In accordance with the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders (subject to the Bid Amount being up to ₹200,000) and Eligible Employees Bidding in the Employee Reservation Portion (subject to the Bid Amount being up ₹500,000, net of Employee Discount, if any) can revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date. Further, Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Offer Period. Allocation to the Anchor Investors will be on a discretionary basis.

For further details on the method and procedure for Bidding, see "*Offer Structure*" and "*Offer Procedure*" on pages 373 and 377, respectively.

Illustration of Book Building and Price Discovery Process

For an illustration of the Book Building Process and the price discovery process, see "*Offer Procedure"* on page 377.

Underwriting Agreement

After the determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC, our Bank intends to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and offered in the Offer. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of each of the Underwriters will be several and will be subject to certain conditions specified therein.

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 Number and Email Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (₹ in million)
[●]	[●]	[●]

The abovementioned underwriting commitments are indicative and will be finalised after pricing of the Offer, the Basis of Allotment and actual allocation in accordance with provisions of the SEBI ICDR Regulations.

In the opinion of our Board, the resources of the abovementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our Board, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Bank.

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

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors respectively procured by them in accordance with the Underwriting Agreement. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscribers for or subscribe to the Equity Shares to the extent of the defaulted amount 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 Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC. The extent of underwriting obligations and the Bids to be underwritten in the Offer shall be as per the Underwriting Agreement.

CAPITAL STRUCTURE

The share capital of our Bank, as on the date of this Draft Red Herring Prospectus, is set forth below:

(In ₹, except share data)

Sr. No.	Particulars	Aggregate value at face value (₹)	Aggregate value at Offer Price*
A.	**AUTHORIZED SHARE CAPITAL**(1)		
	300,000,000 Equity Shares	3,000.00 million	-
B.	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE AND AFTER THE OFFER**		
	220,779,720 Equity Shares	2,207.80 million	-
C.	**PRESENT OFFER**#		
	Offer of up to [●] Equity Shares aggregating up to ₹[●] million(2) (3)	[●]	[●]
	of which		
	Fresh Issue of up to [●] Equity Shares aggregating up to ₹6,250.00 million	[●]	[●]
	Offer for Sale of up to 17,000,000 Equity Shares by the Selling Shareholder aggregating up to ₹[●] million	[●]	[●]
	which includes		
	Employee Reservation Portion of up to [●] Equity Shares aggregating up to ₹[●] million (4)	[●]	[●]
	Net Offer of up to [●] Equity Shares	[●]	[●]
D.	**SECURITIES PREMIUM ACCOUNT**		
	Before the Offer	₹ 6,823.04 million	
	After the Offer	[●]	

* *To be included upon finalisation of Offer Price*

\# *Our Bank may, in consultation with the BRLMs, consider a Pre-IPO Placement of such number of securities for an aggregate amount of up to ₹ 1,250.00 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the BRLMs, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR*

(1) *For details in relation to the changes in the authorised share capital of our Bank, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association" on page 201.*

(2) *The Offer has been authorised by our Board of Directors and our Shareholders pursuant to the resolutions passed at their meetings dated July 29, 2022 and August 5, 2022, respectively, and this DRHP has been approved by our Board pursuant to a resolution passed at their meeting dated August 6, 2022. Each of the Selling Shareholders has confirmed and authorized its participation in the Offer for Sale. For further details, see "The Offer" beginning on page 60.*

(3) *The Equity Shares being offered by each of the Selling Shareholders have been held by them for a period of at least one year prior to the date of filing of this Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer in accordance with the provisions of the SEBI ICDR Regulations. For details on the authorization of the Selling Shareholders in relation to the Offer for Sale, see "The Offer" on page 60.*

(4) *Eligible Employees bidding in the Employee Reservation Portion must ensure that the maximum Bid Amount does not exceed ₹500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000 (net of Employee Discount, if any). Only in the event of under-subscription in the Employee Reservation Portion, such unsubscribed portion will be available for allocation and Allotment proportionately to all Eligible Employees who have Bid in excess of ₹200,000 (net of Employee Discount, if any), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any).*

Notes to the Capital Structure

1. **Share Capital History of our Bank**

   (a) ***Equity Share capital***

   The history of the Equity Share capital of our Bank is set forth in the table below:

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Offer price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
April 5, 1995*	200	100 Equity Shares each allotted to Becharbhai and Daxaben	10	10	Cash	Initial subscription to MoA	200	2,000
February 24, 2009*	210,000	60,000 Equity Shares each were allotted to Keyur Doshi, Soham Shukla and Sameer Nanavati, and 30,000 Equity Shares were allotted to Mahender Chawla	10	10	Cash	Preferential allotment	460,000	4,600,000
May 7, 2009	442,500	147,500 Equity Shares each were allotted to Keyur Doshi, Soham Shukla and Sameer Nanavati	10	10	Cash	Preferential allotment	902,500	9,025,000
May 7, 2009	1,000,000	300,000 partly-paidpartly paid up equity shares of our Bank ("Partly Paid-up Shares") each were allotted to Keyur Doshi, Soham Shukla and Sameer Nanavati, and 100,000 Partly Paid-up Shares were allotted to Mahender Chawla. The Partly Paid-up Shares were made fully paid up in Fiscal 2011	10	10	Cash	Preferential allotment	1,902,500	10,025,000
September 7, 2009	409,000	113,000 Equity Shares each were allotted to Komal K. Doshi and Parinda S. Nanavati, 73,000 Equity Shares were allotted to Bhargavi S. Shukla, 50,000 Equity Shares were allotted to Mahender R. Chawla, 40,000 Equity Shares were allotted to Soham S. Shukla and 20,000 Equity Shares were allotted to Preeti M. Chawla	10	10	Cash	Preferential allotment	2,311,500	14,115,000
September 7, 2009	589,300	50,000 Equity Shares each were allotted to Manjula Shah jointly with Bhaskar Shah, Geeta R Chhabria jointly with Raajkumar K Chhabria, Madhuben S Mehta jointly with Shaileshbhai S Mehta, Neha K Shah, Hetal T Desai, Vipulkumar Modi jointly with Sonal V Modi, Mona Parikh, Pranav A Shah jointly with Alpa P Shah, Vishal S Mehta jointly with Mansi V Mehta, Sahil S Mehta jointly with Kajal S Mehta and Binduben V Joshi jointly with Virenbhai Joshi, 25,000 Equity Shares were allotted to Sunitha R Chawla jointly with Ramchand D Chawla and 14,300 Equity Shares were allotted to Alam S Shukla jointly with Anagha A Shukla	10	11	Cash	Preferential allotment	2,900,800	20,008,000
December 12, 2009	225,000	225,000 Equity Shares were allotted to Vivek S Kothari	10	11	Cash	Preferential allotment	3,125,800	22,258,000
October 25, 2010	2,762,430	2,762,430 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited	10	36.20	Cash	Preferential allotment	5,888,230	58,882,300
June 19, 2013	3,488,373	3,488,373 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited	10	43	Cash	Preferential allotment	9,376,603	93,766,030
October 30, 2014	405,063	405,063 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited	10	39.50	Cash	Rights issue of Equity Shares	9,781,666	97,816,660
May 3, 2016	6,868,132	5,066,081 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited and 1,802,051 Equity Shares were allotted to our Promoter	10	91	Cash	Rights issue of Equity Shares	16,649,798	166,497,980

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Offer price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
October 1, 2016	4,054,054	4,054,054 Equity Shares were allotted to Future Financial Services Private Limited	10	111	Cash	Private Placement	2,0703,852	207,038,520
October 1, 2016	4,054,054	4,054,054 Equity Shares were allotted to Future Financial Services Private Limited	10	111	Cash	Private Placement	24,757,906	247,579,060
October 1, 2016	2,997,015	2,997,015 Equity Shares were allotted to Future Financial Services Private Limited	10	111	Cash	Private Placement	27,754,921	277,549,210
March 3, 2017	6,995,073	6,995,073 Equity Shares were allotted to our Promoter	10	203	Cash	Private Placement	34,749,994	347,499,940
March 24, 2017	2,610,837	2,610,837 Equity Shares were allotted to our Promoter	10	203	Cash	Private Placement	37,360,831	373,608,310
March 30, 2017	98,523	98,523 Equity Shares were allotted to our Promoter	10	203	Cash	Private Placement	37,459,354	374,593,540
September 27, 2018	15,723,932	14,943,820 Equity Shares were allotted to our Promoter, and 390,056 Equity Shares each were allotted to True North Fund V LLP and Silver Leaf Oak (Mauritius) Limited	10	89	Cash	Rights issue of Equity Shares	53,183,286	531,832,860
March 29, 2019	3,252,695	1,917,293 Equity Shares were allotted to Lok Management Services Private Limited; 1,204,644 Equity Shares were allotted to our Promoter and 130,758 Equity Shares were allotted to True North Fund V LLP	10	266	Cash	Rights issue of Equity Shares	56,435,981	564,359,810
December 5, 2019	6,559,436	5,742,755 Equity Shares were allotted to our Promoter, 490,975 Equity Shares were allotted to Lok Management Services Private Limited and 325,706 Equity Shares were allotted to True North Fund V LLP	10	131.47	Cash	Rights issue of Equity Shares	62,995,417	629,954,170
December 31, 2019	615,064	570,472 Equity Shares were allotted to Lok Management Services Private Limited and 44,592 Equity Shares were allotted to True North Fund V LLP	10	131.47	Cash	Rights issue of Equity Shares	63,610,481	636,104,810
April 27, 2021	9,982,759	1,605,000 Equity Shares were allotted to Wagner Limited, 1,525,000 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited, 1,471,095 Equity Shares were allotted to True North Fund V LLP, 762,000 Equity Shares were allotted to Omega TC Holdings Pte Limited, 524,113 Equity Shares were allotted to Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III, 445,000 Equity Shares were allotted to LeapFrog Rural Inclusion (India) Ltd, 443,000 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited, 400,000 Equity Shares were allotted to Edelweiss Tokio Life Insurance Company Limited, 391,719 Equity Shares were allotted to Amethyst Inclusion Pte. Limited, 273,440 Equity Shares were allotted to H S Khola (jointly with Saroj Khola), 253,616 Equity Shares were allotted to Saroj Khola (jointly with H S Khola), 211,256 Equity Shares were allotted to Dasarathareddy Gunnamreddy, 199,785 Equity Shares were allotted to Acts Mahila Mutually Aided Co-operative Thrift Society, 156,000	10	170	Cash	Rights issue of Equity Shares	73,593,240	735,932,400

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Offer price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
		Equity Shares were allotted to Bharti Axa Life Insurance Company Limited, 126,000 Equity Shares were allotted to Kalavathi Gunnamreddy, 119,565 Equity Shares were allotted to Silver Leaf Oak (Mauritius) Limited, 115,630 Equity Shares were allotted to S Shivapriya and Prakash Sundaram (representing Omaze Investments), 70,000 Equity Shares were allotted to TATA Capital Financial Services Limited, 84,888 Equity Shares were allotted to Motilal Oswal Finvest Limited, 70,000 Equity Shares were allotted to Edelweiss General Insurance Company Limited, 68,171 Equity Shares were allotted to Keyur Doshi, 49,500 Equity Shares were allotted to Care Health Insurance Limited, 49,500 Equity Shares were allotted to Jhelum Investment Fund I, 47,000 Equity Shares were allotted to Sameer Nanavati, 38,382 Equity Shares were allotted to Pankaj Gulati (jointly with Lalita Gulati), 25,000 Equity Shares were allotted to Bhargavi Soham Shukla, 25,000 Equity Shares were allotted to Mahender Ramchand Chawla, 24,006 Equity Shares were allotted to Vurakaranam Chandar Rao, 20,972 Equity Shares were allotted to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 20,616 Equity Shares were allotted to Komal Keyur Doshi (jointly with Keyur Doshi), 20,500 Equity Shares each allotted to Vic Enterprises Private Limited and MB Finmart Private Limited, 20,500 Equity Shares were allotted to Soham Sanatbhai Shukla, 19,500 Equity Shares were allotted to M Venkata Jayaraman, 16,000 Equity Shares were allotted to Vivek Kothari, 15,500 Equity Shares were allotted to Mahesh Krishnamurthy, 15,000 Equity Shares were allotted to S M Sundaram, 13,273 Equity Shares were allotted to Paresh Bhaskar Shah, 13,272 Equity Shares were allotted to Kishore R Mangalvedhe, 13,220 Equity Shares were allotted to Deepabh Jain, 12,500 Equity Shares were allotted to Jyoti Ajay Pancholi, 12,000 Equity Shares were allotted to Raj Kumari Arora, 8,800 Equity Shares were allotted to Geeta R Chhabria, 8,700 Equity Shares were allotted to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa), 7,971 Equity Shares were allotted to Preeti M Chawla, 7,870 Equity Shares were allotted to Rakesh Kumar Das, 7,610 Equity Shares were allotted to Ravish Chandra, 7,600 Equity Shares were allotted to Sandeep Bhalla, 7,400 Equity Shares were allotted to Ayush Ajay Pancholi, 6,400 Equity Shares were allotted to Imtiyaz Ahmed, 6,300 Equity Shares were allotted to Yogesh Markandrai Nanavati, 6,200 Equity Shares were allotted to Ashish Karamchandani (jointly with Vibha Krishnamurthy), 5,519 Equity Shares were allotted to Mahender R Chawla HUF, 5,300 Equity Shares were allotted to Parinda Sameer Nanavati, 5,200 Equity Shares were allotted to Amar Y G Simha, 4,870 Equity Shares were allotted to Prakash Sundaram, 4,800 Equity						

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Offer price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
		Shares were allotted to Nilesh Sangoi, 4,600 Equity Shares were allotted to Dhanya Anapuzha, 4,600 Equity Shares were allotted to Devika Praveen, 4,300 Equity Shares were allotted to Manoj Bhalla, 3,700 Equity Shares were allotted to Pratiksha Yogesh Nanavati, 3,700 Equity Shares were allotted to Ashish Chhabra (jointly with Payal Jain), 3,439 Equity Shares were allotted to Virender Sharma, 3,500 Equity Shares were allotted to Shashi Kumar Tatikonda, 3,400 Equity Shares were allotted to Pallavi S, 3,300 Equity Shares were allotted to Rekha Prafulchandra Kothari, 3,100 Equity Shares were allotted to Vineetha Rani, 3,100 Equity Shares were allotted to Sriram Raju, 3,100 Equity Shares were allotted to Tathamangalam Natarajan Sambasivan, 2,800 Equity Shares were allotted to Meera Krishnamurthy, 1,900 Equity Shares were allotted to Mani Murugan, 1,900 Equity Shares were allotted to Jigar Modi, 1,900 Equity Shares were allotted to Mayur Dashrathbhai Amin, 1,600 Equity Shares were allotted to Sooriya Biju, 1,600 Equity Shares were allotted to Sunanda Praveen Bakshi, 1,600 Equity Shares were allotted to Surya Narayan Patro, 1,500 Equity Shares were allotted to Karuthapandian V, 1,300 Equity Shares were allotted to Amit Trangri, 1,300 Equity Shares were allotted to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah), 1,219 Equity Shares were allotted to V Subash, 1,100 Equity Shares were allotted to Vijay Kashyap, 716 Equity Shares were allotted to Desai Nimisha Anjan, 900 Equity Shares were allotted to Shobhan Rohitkumar Modi, 700 Equity Shares were allotted to Krupali Ajay Shah (jointly with Ajay Kantilal Shah), 700 Equity Shares were allotted to Ramana J V N S, 700 Equity Shares were allotted to Manjula Seshan Vijayraghavan, 700 Equity Shares were allotted to Trivedi Beena Nimish, 612 Equity Shares were allotted to Swetha Tatikonda, 605 Equity Shares were allotted to Sovon Lal Mukherjee, 600 Equity Shares were allotted to Surya Kumari Kalivarapu, 600 Equity Shares were allotted to Kafeel Ahmed, 505 Equity Shares were allotted to Yashwant Khare, 500 Equity Shares were allotted to Shweta H Shah, 500 Equity Shares were allotted to Sukhjinder Singh Saini, 500 Equity Shares were allotted to Vivek Sharma, 303 Equity Shares were allotted to Suresh N, 400 Equity Shares were allotted to Paul Jose, 300 Equity Shares were allotted to Raghavendra Rao T S, 300 Equity Shares were allotted to Baisy Dennis, 200 Equity Shares were allotted to Sunakshi Agarwal, 200 Equity Shares were allotted to Suresh Samikannu, 101 Equity Shares were allotted to Rajeev Yadav, 100 Equity Shares were allotted to Ramkumar Subramonian, 100 Equity Shares were allotted to Ashish V B Goudar, 100 Equity Shares were allotted to Shah Pratik, 100 Equity Shares were allotted to Neelima Panghal, 100 Equity Shares						

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Offer price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
		were allotted to Vidya K H, 100 Equity Shares were allotted to Parimal Mahendrabhai Raval, 100 Equity Shares were allotted to Sunil Vijayraj Bothra, 100 Equity Shares were allotted to Ajit Singh, 100 Equity Shares were allotted to Sube Kumumpallil Philip and 100 Equity Shares were allotted to Aylam Rajendran Santhosh in proportion to their existing shareholding in our Bank						
May 4, 2021	147,186,480	115,659,712 Equity Shares were allotted to our Promoter, 4,697,222 Equity Shares were allotted to Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III, 5,766,956 Equity Shares were allotted to Amethyst Inclusion Pte. Ltd., 3,336,580 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited, 3,653,420 Equity Shares were allotted to Wagner Limited, 3,439,570 Equity Shares were allotted to True North Fund V LLP, 1,734,380 Equity Shares were allotted to Omega TC Holdings Pte Ltd, 1,012,860 Equity Shares were allotted to LeapFrog Rural Inclusion (India) Ltd, 976,960 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited, 905,940 Equity Shares were allotted to Edelweiss Tokio Life Insurance Company Limited, 760,780 Equity Shares were allotted to Motilal Oswal Finvest Limited, 577,920 Equity Shares were allotted to H S Khola (jointly with Saroj Khola), 553,232 Equity Shares were allotted to Saroj Khola (jointly with H S Khola), 476,654 Equity Shares were allotted to G Dasarathareddy, 460,450 Equity Shares were allotted to Acts Mahila Mutually Aided Co-operative Thrift Society, 354,000 Equity Shares were allotted to Bharti AXA Life Insurance Company Limited, 284,260 Equity Shares were allotted to Kalavathi Gunnamreddy, 271,770 Equity Shares were allotted to Silver Leaf Oak (Mauritius) Limited, 258,260 Equity Shares were allotted to S Shivapriya and Prakash Sundaram (representing Omaze Investments), 163,964 Equity Shares were allotted to Keyur Doshi, 159,320 Equity Shares were allotted to TATA Capital Financial Services Limited, 148,980 Equity Shares were allotted to Edelweiss General Insurance Company Limited, 112,560 Equity Shares were allotted to Care Health Insurance Limited, 112,560 Equity Shares were allotted to Jhelum Investment Fund I, 108,142 Equity Shares were allotted to Sameer Nanavati, 87,984 Equity Shares were allotted to Pankaj Gulati (jointly with Lalita Gulati) 57,820 Equity Shares were allotted to Mahender Ramchand Chawla, 57,240 Equity Shares were allotted to Bhargavi Soham Shukla, 54,452 Equity Shares were allotted to Vurakaranam Chandar Rao, 49,072 Equity Shares were allotted to Komal Keyur Doshi (jointly with Keyur Doshi), 47,944 Equity Shares were allotted to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 47,882 Equity Shares were allotted to Soham Shukla, 46,560 Equity Shares were allotted to M.B. Finmart	10	NA	NA	Bonus issue of two Equity Shares as bonus share for every one existing Equity Share held on May 3, 2021^	220,779,720	2,207,797,200

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Offer price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
		Private Limited, 46,560 Equity Shares were allotted to Vic Enterprises Private Limited, 45,360 Equity Shares were allotted to M Venkata Jayaraman, 37,342 Equity Shares were allotted to Vivek Kothari, 35,260 Equity Shares were allotted to Mahesh Krishnamurthy, 34,020 Equity Shares were allotted to S M Sundaram, 30,026 Equity Shares were allotted to Paresh Bhaskar Shah, 30,004 Equity Shares were allotted to Kishore R Mangalvedhe, 29,240 Equity Shares were allotted to Deepabh Jain, 28,420 Equity Shares were allotted to Jyoti Ajay Pancholi, 27,580 Equity Shares were allotted to Raj Kumari Arora, 21,680 Equity Shares were allotted to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa), 20,260 Equity Shares were allotted to Geeta R Chhabria, 18,122 Equity Shares were allotted to Preeti M Chawla, 17,900 Equity Shares were allotted to Rakesh Kumar Das, 17,780 Equity Shares were allotted to Sandeep Bhalla, 16,820 Equity Shares were allotted to Ayush Ajay Pancholi, 16,620 Equity Shares were allotted to Ravish Chandra, 16,000 Equity Shares were allotted to Prakash Sundaram, 15,800 Equity Shares were allotted to Parinda Sameer Nanavati, 15,020 Equity Shares were allotted to Yogesh Markandrai Nanavati, 14,560 Equity Shares were allotted to Imtiyaz Ahmed, 14,100 Equity Shares were allotted to Ashish Karamchandani (jointly with Vibha Krishnamurthy), 12,558 Equity Shares were allotted to Mahender R Chawla HUF, 11,820 Equity Shares were allotted to Amar Y G Simha, 10,480 Equity Shares were allotted to Dhanya Anapuzha, 10,180 Equity Shares were allotted to Nilesh Sangoi, 9,800 Equity Shares were allotted to Manoj Bhalla, 9,940 Equity Shares were allotted to Devika Praveen, 8,460 Equity Shares were allotted to Pratiksha Yogesh Nanavati, 8,380 Equity Shares were allotted to Shashi Kumar Tatikonda, 8,180 Equity Shares were allotted to Ashish Chhabra (jointly with Payal Jain), 7,720 Equity Shares were allotted to Pallavi S, 7,378 Equity Shares were allotted to Virender Sharma, 7,060 Equity Shares were allotted to Vineetha Rani, 7,040 Equity Shares were allotted to Tathamangalam Natarajan Sambasivan, 7,020 Equity Shares were allotted to Rekha Prafulchandra Kothari, 6,860 Equity Shares were allotted to Sriram Raju, 6,360 Equity Shares were allotted to Meera Krishnamurthy, 4,320 Equity Shares were allotted to Mayur Dashrathbhai Amin, 4,200 Equity Shares were allotted to Jigar Modi, 4,200 Equity Shares were allotted to Mani Murugan, 3,560 Equity Shares were allotted to Surya Narayan Patro, 3,560 Equity Shares were allotted to Sunanda Praveen Bakshi, 3,540 Equity Shares were allotted to Sooriya Biju, 3,340 Equity Shares were allotted to Karuthapandian V, 2,960 Equity Shares were allotted to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah), 2,880 Equity Shares were allotted to Amit Trangri, 2,678						

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Offer price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
		Equity Shares were allotted to V Subash, 2,420 Equity Shares were allotted to Vijay Kashyap, 2,000 Equity Shares were allotted to Shobhan Rohitkumar Modi, 1,632 Equity Shares were allotted to Desai Nimisha Anjan, 1,600 Equity Shares were allotted to Krupali Ajay Shah (jointly with Ajay Kantilal Shah), 1,600 Equity Shares were allotted to Trivedi Beena Nimish, 1,580 Equity Shares were allotted to Manjula Vijayraghavan, 1,500 Equity Shares were allotted to Ramana J V N S, 1,384 Equity Shares were allotted to Swetha Tatikonda, 1,280 Equity Shares were allotted to Kafeel Ahmed, 1,270 Equity Shares were allotted to Sovon Lal Mukherjee, 1,070 Equity Shares were allotted to Yashwant Khare, 1,280 Equity Shares were allotted to Surya Kumari Kalivarapu, 1,060 Equity Shares were allotted to Shweta H Shah, 1,060 Equity Shares were allotted to Vivek Sharma, 1,060 Equity Shares were allotted to Sukhjinder Singh Saini, 860 Equity Shares were allotted to Paul Jose, 680 Equity Shares were allotted to Baisy Dennis, 680 Equity Shares were allotted to Raghavendra Rao T S, 646 Equity Shares were allotted to Suresh N, 440 Equity Shares were allotted to Suresh Samikannu, 440 Equity Shares were allotted to Sunakshi Agarwal, 280 Equity Shares were allotted to Vidya K H, 224 Equity Shares were allotted to Rajeev Yadav, 220 Equity Shares were allotted to Ramkumar Subramonian, 220 Equity Shares were allotted to Shah Pratik, 220 Equity Shares were allotted to Aylam Rajendran Santhosh, 220 Equity Shares were allotted to Neelima Panghal, 220 Equity Shares were allotted to Parimal Mahendrabhai Raval, 220 Equity Shares were allotted to Ajit Singh, 220 Equity Shares were allotted to Sunil Vijayraj Bothra, 220 Equity Shares were allotted to Sube Kumumpallil Phillip, 220 Equity Shares were allotted to Ashish V B Goudar, 80 Equity Shares were allotted to Arti Upadhyay, 20 Equity Shares were allotted to Mani Sumathi						

* *On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. For further details, see "Risk Factors - We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records." on page 32.*

^ *There will be no adverse impact of such Bonus Issue on the shareholders post the listing of the Equity Shares.*

(b) ***Preference Share capital***

Our Bank does not have any outstanding preference shares as on the date of the filing of this Draft Red Herring Prospectus.

2. **Offer of Equity Shares at a price lower than the Offer Price in the last year**

Our Bank has not issued any Equity Shares during a period of one year preceding the date of this Draft Red Herring Prospectus.

3. **Offer of shares for consideration other than cash or out of revaluation of reserves***

Our Bank has not issued any Equity Shares out of revaluation of reserves since its incorporation or for consideration other than cash as on the date of this Draft Red Herring Prospectus.

* *On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. For further details, see "Risk Factors - We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records." on page 32.*

4. **Offer of Equity Shares pursuant to schemes of arrangement***

Our Bank has not allotted any Equity Shares pursuant to a scheme of amalgamation approved under Section 391 to 394 of the Companies Act, 1956 or Sections 230 to 234 of the Companies Act.

* *On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. For further details, see "Risk Factors - We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records." on page 32.*

5. **History of the Equity Share capital held by our Promoter**

As on the date of this Draft Red Herring Prospectus, our Promoter holds 173,489,568 Equity Shares equivalent to 78.58% of the issued, subscribed and paid-up Equity Share capital of our Bank.

(a) **Build-up of the shareholding of our Promoter in our Bank**

The details regarding the equity shareholding of our Promoter since incorporation of our Bank is set forth in the table below.

Date of allotment/ transfer/ date on which Equity Shares were made fully paid-up	Number of Equity Shares	Nature of transaction	Nature of consideration	Face Value per Equity Share (₹)	Offer Price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer Equity share capital (%)	Percentage of the post-Offer capital (%)
Fincare Business Services Limited							
December 16, 2014	1,386,500	570,000 Equity Shares were transferred from Keyur Doshi, 242,500 Equity Shares were transferred from Mahender Chawla, 225,000 Equity Shares were transferred from Vivek Kothari, 113,000 Equity Shares each were transferred from Komal K. Doshi and Parinda S Nanavati, 73,000 Equity Shares were transferred from Bhargavi S Shukla and 50,000 Equity Shares were transferred from Geeta R. Chhabria (jointly with Raajkumar K. Chhabria)	Cash	10	47.7	0.63	[●]
December 16, 2014	1,180,000	610,000 Equity Shares were transferred from Soham Shukla and 570,000 Equity Shares were transferred from Sameer Nanavati	Cash	10	53.14	0.53	[●]
May 3, 2016	1,802,051	Rights Issue of Equity Shares	Cash	10	91	0.82	[●]
September 15, 2016	7,215,166	Swap of 7,215,166 equity shares held by Indium IV (Mauritius) Holdings Limited in our Bank and 8,883,092 equity shares held by Indium IV (Mauritius) Holdings Limited in FFSPL with 12,781,306 equity shares of our Promoter allotted to Indium IV (Mauritius) Holdings Limited, pursuant to restructuring of our Promoter's holdings in compliance with the RBI Final In-Principle Approval ("Swap"). Prior to 2016, a majority of the Equity Shares of our Bank, then known as 'Disha Microfin Private Limited', were held by Indium IV (Mauritius) Holdings Limited. Pursuant to the Swap, our Promoter acquired 7,215,166 Equity Shares of our Bank and 8,803,092 Equity Shares of FFSPL, from Indium IV (Mauritius) Holdings Limited, and our Promoter issued 12,781,306 equity shares of face value `10 to Indium IV (Mauritius) Holdings Limited, as consideration. Consequently, our Bank, then known as 'Disha Microfin Private Limited', became a subsidiary of our Promoter	Other than cash	10	NA	3.27	[●]
October 5, 2016	1,735,490	1,735,490 Equity Shares were transferred from Indium IV (Mauritius) Holdings Limited	Cash	10	111	0.79	[●]
October 14, 2016	(6)	1 Equity Share each was transferred to Keyur Doshi, Soham Shukla, Sameer Nanavati, Vivek S. Kothari, Rajeev Yadav and Dashrathareddy G	Cash	10	111	0.00	[●]
March 3, 2017	6,995,073	Private placement	Cash	10	203	3.17	[●]
March 24, 2017	2,610,837	Private placement	Cash	10	203	1.18	[●]
March 30, 2017	98,523	Private placement	Cash	10	203	0.04	[●]
September 15, 2017	11,105,123	Transfer of 11,105,123 Equity Shares pursuant to the amalgamation of Future Financial Services Private Limited and India Finserve Advisors Private Limited with our Promoter pursuant to a scheme of amalgamation under Sections 391 to 394 read with Section 100 to 103 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013	Other than cash	10	NA	5.03	[●]

Date of allotment/ transfer/ date on which Equity Shares were made fully paid-up	Number of Equity Shares	Nature of transaction	Nature of consideration	Face Value per Equity Share (₹)	Offer Price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer Equity share capital (%)	Percentage of the post-Offer capital (%)
September 27, 2018	14,943,820	Rights Issue of Equity Shares	Cash	10	89	6.77	[●]
March 29, 2019	1,204,644	Rights Issue of Equity Shares	Cash	10	266	0.55	[●]
December 5, 2019	5,742,755	Rights Issue of Equity Shares	Cash	10	131.47	2.60	[●]
March 5, 2020	2,978,740	Transfer of 2,978,740 Equity Shares pursuant to the amalgamation of Lok Management Services Private Limited and our Promoter pursuant to a scheme of amalgamation under Section 233 and other relevant provisions of the Companies Act, 2013	Other than cash	10	NA	1.35	[●]
January 13, 2021	(3,620)	3,620 Equity Shares were transferred to Bhargavi Soham Shukla	Cash	10	285	0.00	[●]
January 13, 2021	(2,130)	2,130 Equity Shares were transferred to Mahesh Krishnamurthy	Cash	10	282.50	0.00	[●]
January 13, 2021	(9,360)	3,910 Equity Shares were transferred to Mahender Ramchand Chawla, 2,780 Equity Shares were transferred to M.B. Finmart Private Limited 1,790 Equity Shares were transferred to Raj Kumari Arora and 880 Equity Shares were transferred to Imtiyaz Ahmed	Cash	10	282	0.00	[●]
January 13, 2021	(3,180)	3,180 Equity Shares were transferred to M. Venkata Jayaraman	Cash	10	281.61	0.00	[●]
January 13, 2021	(380)	380 Equity Shares were transferred to Meera Krishnamurthy	Cash	10	281.50	0.00	[●]
January 13, 2021	(11,550)	6,780 Equity Shares each were transferred to Care Health Insurance Limited, 3,920 Equity Shares were transferred to Komal Keyur Doshi (jointly with Keyur Doshi) and 850 Equity Shares were transferred to Ashish Karamchandani (jointly with Vibha Krishnamurthy)	Cash	10	281	0.01	[●]
January 13, 2021	(180)	180 Equity Shares were transferred to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah)	Cash	10	280.60	0.00	[●]
January 13, 2021	(23,270)	8,810 Equity Shares were transferred to Keyur Doshi, 6,780 Equity Shares were transferred to Jhelum Investment Fund I, 3,000 Equity Shares were transferred to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 2,670 Equity Shares were transferred to Vivek Kothari, 2,010 Equity Shares were transferred to S M Sundaram	Cash	10	280.50	0.01	[●]
January 13, 2021	(3,790)	2,780 Equity Shares were transferred to Vic Enterprises Private Limited and 1,010 Equity Shares were transferred to Ayush Ajay Pancholi	Cash	10	280	0.00	[●]
January 15, 2021	(20)	20 Equity Shares were transferred to Suresh Samikannu	Cash	10	287	0.00	[●]

Date of allotment/ transfer/ date on which Equity Shares were made fully paid-up	Number of Equity Shares	Nature of transaction	Nature of consideration	Face Value per Equity Share (₹)	Offer Price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer Equity share capital (%)	Percentage of the post-Offer capital (%)
January 15, 2021	(2,440)	2,440 Equity Shares were transferred to Soham Sanatbhai Shukla	Cash	10	284	0.00	[●]
January 15, 2021	(5,610)	5,610 Equity Shares were transferred to Pankaj Gulati (jointly with Lalita Gulati)	Cash	10	283	0.00	[●]
January 15, 2021	(1,130)	700 Equity Shares were transferred to Ravish Chandra, 420 Equity Shares were transferred to Tathamangalam Natarajan Sambasivan and 10 Equity Shares were transferred to Ramkumar Subramonian	Cash	10	282.50	0.00	[●]
January 15, 2021	(1,290)	1,290 Equity Shares were transferred to Sandeep Bhalla	Cash	10	281.50	0.00	[●]
January 15, 2021	(5,860)	4,490 Equity Shares were transferred to Edelweiss General Insurance Company Limited, 1,080 Equity Shares were transferred to Rakesh Kumar Das, 250 Equity Shares were transferred to Virender Sharma and 40 Equity Shares were transferred to Baisy Dennis	Cash	10	281	0.00	[●]
January 15, 2021	(52,970)	52,970 Equity Shares were transferred to Edelweiss Tokio Life Insurance Company Limited	Cash	10	280.60	0.02	[●]
January 15, 2021	(1,730)	1,730 Equity Shares were transferred to Kishore R. Mangalvedhe	Cash	10	280.50	0.00	[●]
January 15, 2021	(80)	80 Equity Shares were transferred to Swetha Tatikonda,	Cash	10	280.25	0.00	[●]
January 16, 2021	(221,710)	221,710 Equity Shares were transferred to Wagner Limited	Cash	10	280.55	0.10	[●]
January 18, 2021	(30)	30 Equity Shares were transferred to Yashwant Khare	Cash	10	288	0.00	[●]
January 18, 2021	(10)	10 Equity Shares were transferred to Shah Pratik	Cash	10	287	0.00	[●]
January 18, 2021	(210)	210 Equity Shares were transferred to Rekha Prafulchandra Kothari	Cash	10	286.50	0.00	[●]
January 18, 2021	(90)	50 Equity Shares were transferred to Ramana J.V.N.S. and 40 Equity Shares were transferred to Kafeel Ahmed	Cash	10	285.50	0.00	[●]
January 18, 2021	(700)	690 Equity Shares were transferred to Shashi Kumar Tatikonda and 10 Equity Shares were transferred to Ashish V.B. Goudar	Cash	10	285	0.00	[●]
January 18, 2021	(290)	290 Equity Shares were transferred to Nilesh Sangoi	Cash	10	284	0.00	[●]
January 18, 2021	(10)	10 Equity Shares were transferred to Neelima Panghal	Cash	10	283.50	0.00	[●]

Date of allotment/ transfer/ date on which Equity Shares were made fully paid-up	Number of Equity Shares	Nature of transaction	Nature of consideration	Face Value per Equity Share (₹)	Offer Price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer Equity share capital (%)	Percentage of the post-Offer capital (%)
January 18, 2021	(340)	200 Equity Shares were transferred to Jigar Modi and 140 Equity Shares were transferred to Amit Trangri	Cash	10	283	0.00	[●]
January 18, 2021	(8,780)	7,070 Equity Shares were transferred to Nanavati Sameer and 1,710 Equity Shares were transferred to Jyoti Ajay Pancholi	Cash	10	282	0.00	[●]
January 18, 2021	(3,930)	2,600 Equity Shares were transferred to Parinda Sameer Nanavati and 1,330 Equity Shares were transferred to Geeta R. Chhabria	Cash	10	281	0.00	[●]
January 18, 2021	(248,690)	248,690 Equity Shares were transferred to True North Fund V LLP	Cash	10	280.50	0.11	[●]
January 18, 2021	(1,850)	1,090 Equity Shares were transferred to Preeti M. Chawla and 760 Equity Shares were transferred to Mahender R Chawla HUF	Cash	10	280	0.00	[●]
January 19, 2021	(120)	120 Equity Shares were transferred to V. Subash	Cash	10	288	0.00	[●]
January 19, 2021	(460)	460 Equity Shares were transferred to Pallavi S	Cash	10	286.50	0.00	[●]
January 19, 2021	(470)	430 Equity Shares were transferred to Vineetha Rani, 30 Equity Shares were transferred to Sukhjinder Singh Saini and 10 Equity Shares transferred to Rajeev Yadav	Cash	10	286	0.00	[●]
January 19, 2021	(40)	40 Equity Shares were transferred to Vidya KH.	Cash	10	285.50	0.00	[●]
January 19, 2021	(10)	10 Equity Shares were transferred to Parimal Mahendrabhai Raval	Cash	10	285	0.00	[●]
January 19, 2021	(180)	180 Equity Shares were transferred to Surya Narayan Patro	Cash	10	284	0.00	[●]
January 19, 2021	(740)	710 Equity Shares were transferred to Amar Y.G. Simha and 30 Equity Shares were transferred to Shweta H. Shah	Cash	10	283.50	0.00	[●]
January 19, 2021	(580)	530 Equity Shares were transferred to Pratiksha Yogesh Nanavati, 30 Equity Shares were transferred to Vivek Sharma and 20 Equity Shares were transferred to Suresh N.	Cash	10	283	0.00	[●]
January 19, 2021	(370)	370 Equity Shares were transferred to Devika Praveen	Cash	10	282.50	0.00	[●]
January 19, 2021	(15,560)	15,520 Equity Shares were transferred to H.S. Khola (jointly with Saroj Khola) and 40 Equity Shares were transferred to Raghavendra Rao T.S.	Cash	10	281.50	0.01	[●]
January 19, 2021	(3,220)	3,220 Equity Shares were transferred to Vurakaranam Chandar Rao	Cash	10	281	0.00	[●]

Date of allotment/ transfer/ date on which Equity Shares were made fully paid-up	Number of Equity Shares	Nature of transaction	Nature of consideration	Face Value per Equity Share (₹)	Offer Price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer Equity share capital (%)	Percentage of the post-Offer capital (%)
January 19, 2021	(45,870)	45,480 Equity Shares were transferred to Kotak Mahindra Life Insurance Company Limited and 390 Equity Shares were transferred to Ashish Chhabra (jointly with Payal Jain)	Cash	10	280	0.02	[●]
January 20, 2021	(330)	330 Equity Shares were transferred to Sriram Raju	Cash	10	285.50	0.00	[●]
January 20, 2021	(26,390)	26,130 Equity Shares were transferred to Kalavathi Gunnamreddy and 260 Equity Shares were transferred to Mayur Dashrathbhai Amin	Cash	10	281	0.01	[●]
January 20, 2021	(143,290)	143,290 Equity Shares were transferred to Indium IV Mauritius Holdings Limited	Cash	10	280.50	0.06	[●]
January 20, 2021	(16,320)	16,320 Equity Shares were transferred to Silver Leaf Oak (Mauritius) Limited	Cash	10	280.20	0.01	[●]
January 20, 2021	(210)	210 Equity Shares were transferred to Yogesh Markandrai Nanavati	Cash	10	280	0.00	[●]
January 21, 2021	(9,660)	9,660 Equity Shares were transferred to TATA Capital Financial Services Limited	Cash	10	280	0.00	[●]
January 21, 2021	(105,190)	105,190 Equity Shares were transferred to Omega TC Holdings Pte Ltd	Cash	10	280.50	0.05	[●]
January 22, 2021	(200)	200 Equity Shares were transferred to Mani Murugan	Cash	10	285.50	0.00	[●]
January 22, 2021	(200)	100 Equity Shares each were transferred to Krupali Ajay Shah and Trivedi Beena Nimish	Cash	10	281	0.00	[●]
January 22, 2021	(61,430)	61,430 Equity Shares were transferred to LeapFrog Rural Inclusion (India) Ltd	Cash	10	280.40	0.03	[●]
February 3, 2021	(250)	180 Equity Shares were transferred to Sunanda Praveen Bakshi, 40 Equity Shares were transferred to Arti Upadhayay and 30 Equity Shares were transferred to Paul Jose	Cash	10	286.50	0.00	[●]
February 3, 2021	(200)	170 Equity Shares were transferred to Karuthapandian V. and 30 Equity Shares were transferred to Sovon Lal Mukherjee	Cash	10	286	0.00	[●]
February 3, 2021	(660)	640 Equity Shares were transferred to Dhanya Anapuzha and 10 Equity Shares each were transferred to Sunil Vijayraj Bothra and Mani Sumathi	Cash	10	285.50	0.00	[●]
February 3, 2021	(170)	170 Equity Shares were transferred to Sooriya Biju	Cash	10	285	0.00	[●]
February 3, 2021	(120)	110 Equity Shares were transferred to Vijay Kashyap and 10 Equity Shares were transferred to Aylam Rajendran Santhosh	Cash	10	283.50	0.00	[●]
February 3, 2021	(100)	100 Equity Shares were transferred to Shobhan Rohitkumar Modi	Cash	10	282	0.00	[●]

Date of allotment/ transfer/ date on which Equity Shares were made fully paid-up	Number of Equity Shares	Nature of transaction	Nature of consideration	Face Value per Equity Share (₹)	Offer Price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer Equity share capital (%)	Percentage of the post-Offer capital (%)
February 3, 2021	(2,140)	2,140 Equity Shares were transferred to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa)	Cash	10	281.60	0.00	[●]
February 3, 2021	(1,400)	1,400 Equity Shares were transferred to Deepabh Jain	Cash	10	281.50	0.00	[●]
February 3, 2021	(1,840)	1,740 Equity Shares were transferred to Paresh Bhaskar Shah and 100 Equity Shares each were transferred to Desai Nimisha Anjan	Cash	10	281	0.00	[●]
February 3, 2021	(600)	600 Equity Shares were transferred to Manoj Bhalla	Cash	10	280.75	0.00	[●]
February 3, 2021	(10,100)	10,070 Equity Shares were transferred to Dasarathareddy Gunnamreddy, 20 Equity Shares were transferred to Sunakshi Agarwal and 10 Equity Shares were transferred to Ajit Singh	Cash	10	280.50	0.00	[●]
February 3, 2021	(10)	10 Equity Shares were transferred to Sube Kumumpallil Phillip	Cash	10	280	0.00	[●]
February 5, 2021	(14,130)	14,130 Equity Shares were transferred to Prakash Sundaram	Cash	10	281	0.01	[●]
February 8, 2021	(40)	40 Equity Shares were transferred to Surya Kumari Kalivarapu	Cash	10	288	0.00	[●]
February 8, 2021	(90)	90 Equity Shares were transferred to Manjula Vijayraghavan	Cash	10	286	0.00	[●]
February 12, 2021	(6,000)	5,000 Equity Shares were transferred to Keyur Doshi and 1,000 Equity Shares were transferred to Yogesh Nanavati	Cash	10	282	0.00	[●]
February 12, 2021	(7,000)	7,000 Equity Shares were transferred to Dasarathareddy Gunnamreddy	Cash	10	281	0.00	[●]
February 12, 2021	(23,000)	23,000 Equity Shares were transferred to Saroj Khola (jointly with H S Khola)	Cash	10	280.50	0.01	[●]
February 18, 2021	(1,000)	1,000 Equity Shares were transferred to Soham Shukla	Cash	10	284	0.00	[●]
February 25, 2021	(2,500)	2,500 Equity Shares were transferred to S Shivapriya and Prakash Sundaram (representing Omaze Investments)	Cash	10	281	0.00	[●]
March 1, 2021	(30,440)	30,440 Equity Shares were transferred to Acts Mahilla Mutually Aided Co Op Thrift Society Limited	Cash	10	280	0.01	[●]
March 12, 2021	(21,000)	21,000 Equity Shares were transferred to Bharti AXA Life Insurance Company Limited	Cash	10	281	0.01	[●]
May 4, 2021	115,659,712	Bonus issue of two Equity Shares as bonus share for every one existing Equity Share	NA	10	NA	52.39	[●]

Date of allotment/ transfer/ date on which Equity Shares were made fully paid-up	Number of Equity Shares	Nature of transaction	Nature of consideration	Face Value per Equity Share (₹)	Offer Price/ Transfer price per Equity Share (₹)	Percentage of the pre-Offer Equity share capital (%)	Percentage of the post-Offer capital (%)
Total	**173,489,568**					**78.58**	[●]

All the Equity Shares held by our Promoter were fully paid-up on the respective dates of acquisition of such Equity Shares.

(b) **Details of Promoter's contribution and lock-in**

(i) Pursuant to Regulations 14 and 16 of the SEBI ICDR Regulations, an aggregate of 20% of the fully diluted post-Offer Equity Share capital of our Bank held by the Promoter (assuming full conversion of vested options, if any, under ESOP 2018-4-FSFB ("**ESOP 2018**"), shall be locked in for a period of eighteen months as minimum Promoter's contribution from the date of Allotment and the shareholding of the Promoter in excess of 20% of the fully diluted post-Offer Equity Share capital shall be locked in for a period of six months from the date of Allotment.

(ii) Details of the Equity Shares to be locked-in for eighteen months from the date of Allotment as minimum Promoter's contribution are set forth in the table below:

Name of Promoter	Number of Equity Shares locked-in	Date of allotment of Equity Shares and when made fully paid-up*	Nature of transaction	Face Value per Equity Share (₹)	Offer/ Acquisition price per Equity Share (₹)	Percentage of the pre-Offer paid-up capital (%)	Percentage of the post-Offer paid-up capital (%)	Date up to which Equity Shares are subject to lock-in
Fincare Business Services Limited	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]

* *All Equity Shares allotted to our Promoter were fully paid-up at the time of allotment.*

(iii) 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.

(iv) In this connection, please note that:

a. The Equity Shares offered for Promoter's contribution do not include (i) Equity Shares acquired in the three immediately preceding years for consideration other than cash and revaluation of assets or capitalisation of intangible assets was involved in such transaction, or (ii) Equity Shares resulting from bonus issue by utilization of revaluation reserves or unrealised profits of our Bank or bonus shares issued against Equity Shares, which are otherwise ineligible for computation of minimum Promoter's contribution.

b. The minimum Promoter's contribution does not include any Equity Shares acquired during the immediately preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Offer.

c. Our Bank has not been formed by the conversion of one or more partnership firms or a limited liability partnership firm.

d. As on the date of this Draft Red Herring Prospectus, 3,891,787 Equity Shares ("**Pledged Shares**") held by our Promoter are pledged with TATA Capital Financial Services Limited. The pledge on the Pledged Shares will be released in its entirety, prior to the filing of the RHP with the RoC, and in any event, no later than 5 (five) days prior to filing of the RHP with the RoC. It is clarified that the Pledged Shares do not form part of the Promoter's contribution.

e. All the Equity Shares held by our Promoter are in dematerialised form.

(c) **Other lock-in requirements:**

(i) In addition to the 20% of the fully diluted post-Offer shareholding of our Bank held by our Promoter locked in for eighteen months as specified above, the entire pre-Offer Equity Share capital of our Bank will be locked-in for a period of six months from the date of Allotment, including any unsubscribed portion of the Offer for Sale, except for the Equity Shares which are successfully transferred as a part of the Offer for Sale by the Selling Shareholders, and any other categories of shareholding exempted under Regulation 17 of SEBI ICDR Regulations. In terms of Regulation 17(c) of the SEBI ICDR Regulations, all Equity Shares held by True North Fund V LLP that do not form part of the Offered Shares shall be exempt from the aforementioned lock-in requirement since it is a Category II AIF.

(ii) Our Promoter has agreed not to sell, transfer, charge, 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 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) 50% of the Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in for a period of 90 days from the date of Allotment and the remaining Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in for a period of 30 days from the date of Allotment.

6. **Shareholding Pattern of our Bank**

The table below presents the equity shareholding pattern of our Bank as on the date of this Draft Red Herring Prospectus.

Category (I)	Category of shareholder (II)	Number of shareholders (III)	Number of fully paid-up Equity Shares held (IV)	Number of partly paid-up Equity Shares held (V)	Number of shares underlying Depository Receipts (VI)	Total number of shares held (VII) =(IV)+(V)+ (VI)	Shareholding as a % of total number of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)*			Number of shares underlying outstanding convertible securities (including warrants) (X)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI)= (VII)+(X) As a % of (A+B+C2)	Number of locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of Equity Shares held in dematerialized form (XIV)
								Number of Voting Rights		Total as a % of (A+B+C)			Number (a)	As a % of total Shares held (b)	Number (a)	As a % of total Shares held (b)	
								Class: Equity Shares	Total								
(A)	**Promoters and Promoter Group**	1	173,489,568	-	-	173,489,568	78.58	173,489,568	173,489,568	78.58	-	-	-	-	3,891,787	1.76	173,489,568
(B)	**Public**	179	47,290,152	-	-	47,290,152	21.42	47,290,152	47,290,152	21.42	-	-	-	-	387,390	0.18	47,290,152
(C)	**Non-Promoters - Non-Public**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C1)	**Shares underlying DRs**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C2)	**Shares held by Employee Trusts**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	180	220,779,720	-	-	220,779,720	100.00	220,779,720	220,779,720	100.00	-	-	-	-	4,279,177	1.94	220,779,720

* *Voting rights of all Shareholders will be exercised in accordance with applicable law*

7. **Details of equity shareholding of the major Shareholders of our Bank**

(i) The Shareholders holding 1% or more of the paid-up Equity Share capital of our Bank and the number of Equity Shares held by them as on the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	173,489,568	78.22
2.	Amethyst Inclusion Pte Ltd	8,650,434	3.90
3.	Vistra ITCL I Ltd Business Excellence Trust III In	7,374,297	3.32
4.	Wagner Limited	5,480,130	2.47
5.	True North Fund V LLP	5,159,355	2.33
6.	Indium IV (Mauritius) Holdings Limited	5,004,870	2.26
7.	Omega TC Holdings Pte Ltd.	2,601,570	1.17
	Total	**207,760,224**	**93.67**

**Based on the beneficiary position statement dated August 5, 2022 and assuming exercise of all vested options*

(ii) The Shareholders who held 1% or more of the paid-up Equity Share capital of our Bank and the number of Equity Shares held by them 10 days prior to the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	173,489,568	78.22
2.	Amethyst Inclusion Pte Ltd	8,650,434	3.90
3.	Vistra ITCL I Ltd Business Excellence Trust III In	7,374,297	3.32
4.	Wagner Limited	5,480,130	2.47
5.	True North Fund V LLP	5,159,355	2.33
6.	Indium IV Mauritius Holdings Limited	5,004,870	2.26
7.	Omega TC Holdings Pte Ltd.	2,601,570	1.17
	Total	**207,760,224**	**93.67**

**Based on the beneficiary position statement dated July 29, 2022 and assuming exercise of all vested options*

(iii) The Shareholders who held 1% or more of the paid-up Equity Share capital of our Bank and the number of equity shares held by them one year prior to the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	173,489,568	78.52
2.	Amethyst Inclusion Pte Ltd	8,650,434	3.92
3.	Vistra ITCL I Ltd Business Excellence Trust III In	7,374,297	3.34
4.	Wagner Limited	5,480,130	2.48
5.	True North Fund V LLP	5,159,355	2.34
6.	Indium IV Mauritius Holdings Limited	5,004,870	2.27
7.	Omega TC Holdings Pte Ltd.	2,601,570	1.18
	Total	**207,760,224**	**94.03**

**Based on the beneficiary position statement dated August 6, 2021 and assuming exercise of all vested options*

(iv) The Shareholders who held 1% or more of the paid-up Equity Share capital of our Bank and the number of equity shares held by them two years prior to the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre-Offer equity share capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	58,998,716	92.73
2.	True North Fund V LLP	2,556,407	4.02
3.	Indium IV (Mauritius) Holdings Limited	1,665,296	2.62

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre-Offer equity share capital (%) on a fully diluted basis
	Total	**63,220,419**	**99.36**

**Based on the beneficiary position statement dated August 7, 2020 and assuming exercise of all vested options*

8. **Details of Equity Shares held by our Directors, Key Managerial Personnel and directors of our Promoter and members of our Promoter Group**

(i) Except as disclosed below our Directors and Key Managerial Personnel do not hold Equity Shares and employee stock options in our Bank:

Sr. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
Directors					
1.	Sameer Yogesh Nanavati	162,213	0.07	Nil	[●]
2.	Rajeev Yadav	336	Negligible	781,038*	[●]
Total (A)		**162,549**	**0.07**	**781,038***	**[●]**
KMPs					
Sr. No.	**Name**	**No. of Equity Shares**	**Percentage of the pre-Offer Equity Share Capital (%)**	**Number of employee stock options outstanding***	**Percentage of the post-Offer of Equity Share Capital (%)**
1.	Keyur Doshi	245,946	0.11	132,300	[●]
2.	Pankaj Gulati	131,976	0.06	89,000	[●]
3.	Mahender Chawla	86,730	0.04	73,400	[●]
4.	Soham Shukla	71,823	0.03	132,300	[●]
5.	Deepabh Jain	43,860	0.02	80,700	[●]
6.	Rakesh Das	26,850	0.01	36,000	[●]
7.	Nilesh Sangoi	15,270	0.01	128,000	[●]
8.	Devika Praveen	14,910	0.01	25,300	[●]
9.	Subash V	4,017	Negligible	10,440	[●]
10.	Rajeev Yadav	336	Negligible	781,038**	[●]
11.	Ashish Mishra	Nil	Nil	98,800	[●]
12.	Shefaly Kothari	Nil	Nil	13,230	[●]
Total (B)		**641,718**	**0.29**	**1,600,508**	**[●]**

** The Nomination and Remuneration Committee and the Board in their meeting dated May 30, 2021 and May 31, 2021, respectively, adjusted the number of employee stock options granted under ESOP 2018 in light of the bonus issue of Equity Shares dated May 4, 2021.*
*** Pursuant to approval from the RBI vide letter dated February 10, 2021, the Bank has made a grant of 48,188 employee stock options pertaining to Financial Year 2018 and 75,296 employee stock options pertaining to Financial Year 2019 to Rajeev Yadav, the MD & CEO. This has been accounted in the Restated Financial Statements for Financial Year 2021. Subsequently, our Nomination and Remuneration Committee and our Board in their meetings dated May 30, 2021 and May 31, 2021, respectively, adjusted number of employee stock option granted under ESOP 2018 in light of the bonus issue of Equity Shares dated May 4, 2021. Accordingly, an adjustment to the number of employee stock options from 123,484 to 370,452 employee stock options, at an exercise price of ₹88.33 per employee stock option for 144,564 employee stock options pertaining to Fiscal 2018 and ₹97 per employee stock option for 225,888 employee stock options pertaining to Fiscal 2019, under the ESOP Scheme 2018. Further, in accordance with approval from the RBI dated August 20, 2021 and July 28, 2022, our Bank has made a grant of 196,298 employee stock options at an exercise price of ₹ 93.33 pertaining to Financial Year 2020 and 214,288 stock options at an exercise price of ₹ 106.91 pertaining to Financial year 2021, respectively, to Rajeev Yadav, our MD & CEO*

(ii) Except as disclosed below, our Promoter, the directors of our Promoter and the members of the Promoter Group do not hold Equity Shares or employee stock options in our Bank:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Percentage of the post-Offer Equity Share Capital (%)
Promoter				
1.	Fincare Business Services Limited	173,489,568	78.58	[●]
Director of our Promoter				
2.	Dasarathareddy Gunnamreddy	714,981	0.32	[●]
Total		**174,204,549**	**78.90**	**[●]**

9. Except as set out below, none of the BRLMs or their respective associates (as defined under the SEBI Merchant Bankers Regulations) hold any Equity Shares in our Bank as on the date of this Draft Red Herring Prospectus:

Ashok Murlidhar Wadhwa, one of the directors of Ambit Private Limited i.e., one of the BRLMs, holds 103,260 Equity Shares of the Bank, jointly with his wife Reena Wadhwa, as of the date of this DRHP.

10. There are no partly paid-up Equity Shares as on the date of this Draft Red Herring Prospectus and all Equity Shares were fully paid-up as on the date of allotment, except as disclosed in *"- Notes to Capital Structure – 1. Share Capital History of our Bank – (a) Equity Shares capital*" on page 73.

11. **ESOP 2018**

Our Bank, pursuant to the resolution passed by our Board on March 29, 2019 and the resolution passed by our Shareholders on May 10, 2019, adopted ESOP 2018 to create, offer, issue and allot in one or more tranches, stock options which are convertible into Equity Shares. ESOP 2018 was further amended by the Board pursuant to the resolution passed at its meeting held on April 28, 2021 and by the Shareholders pursuant to special resolution passed at the general meeting of our Bank held on May 1, 2021. ESOP 2018 was further amended by the Board pursuant to the resolution passed at its meeting held on September 27, 2021 and by the Shareholder pursuant to special resolution passed at the general meeting of our Bank held on November 8, 2021. The purpose of ESOP 2018 is to reward the employees of our Bank for their performance and to motivate and incentivize them to contribute to the growth of our Bank. The aggregate number of Equity Shares issued under ESOP 2018, upon exercise, shall not exceed 5,000,000 Equity Shares at such price and on such terms and conditions as may be fixed or determined by the Board.

ESOP 2018 is in compliance with the SEBI SBEB Regulations. As on July 31, 2022, 2,585,388 options have been granted by our Bank under ESOP 2018. The details of ESOP 2018, are as follows:

<table>
<tr><th>Particulars</th><th>April 1, 2022 to July 31, 2022</th><th>Financial Year 2022</th><th>Financial Year 2021</th><th>Financial Year 2020</th></tr>
<tr><td>Total options outstanding at the beginning of the period</td><td>2,585,388</td><td>370,452 (Note 1)</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Options granted</td><td>Nil</td><td>2,348,326</td><td>123,484</td><td>Nil</td></tr>
<tr><td>Vesting period</td><td colspan="3">The outstanding granted options have the following vesting period:

The options are granted with a vesting schedule of 1/3rd of grant at the end of 12-24-36 months each from the date of the grant.</td><td>Nil</td></tr>
<tr><td>Exercise Price (in ₹)</td><td>NA</td><td>Weighted average exercise of ₹108.14</td><td>Weighted average exercise of ₹280.85</td><td>Nil</td></tr>
<tr><td>Options vested and not exercised</td><td>1,018,243</td><td>309,278 (Note 1)</td><td>40,750</td><td>Nil</td></tr>
<tr><td>Options exercised</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>The total number of Equity Shares arising as a result of exercise of options</td><td>1,018,243</td><td>309,278 (Note 1)</td><td>40,750</td><td>Nil</td></tr>
<tr><td>Options forfeited/lapsed</td><td>83,700</td><td>133,390</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Variation of terms of options</td><td colspan="4">There is no variation in the terms of the options.</td></tr>
<tr><td>Money realized by exercise of options</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Total number of options in force</td><td>2,501,688</td><td>2,585,388</td><td>123,484</td><td>Nil</td></tr>
<tr><td>Employee-wise detail of options granted to:</td><td colspan="4"></td></tr>
<tr><td>i. Key managerial personnel</td><td colspan="4">
<table>
<tr><th>Sl. No.</th><th>Name</th><th>No. of options granted</th><th>Financial Year</th></tr>
<tr><td>1</td><td>Rajeev Yadav</td><td>370,452 (Note 1)</td><td>2021</td></tr>
<tr><td>2</td><td>Rajeev Yadav</td><td>462,046</td><td>2022</td></tr>
<tr><td>3</td><td>Soham Shukla</td><td>132,300</td><td>2022</td></tr>
<tr><td>4</td><td>Keyur Doshi</td><td>132,300</td><td>2022</td></tr>
<tr><td>5</td><td>Nilesh Sangoi</td><td>128,000</td><td>2022</td></tr>
<tr><td>6</td><td>Ashish Misra</td><td>98,800</td><td>2022</td></tr>
<tr><td>7</td><td>Pankaj Gulati</td><td>89,000</td><td>2022</td></tr>
<tr><td>8</td><td>Deepabh Jain</td><td>80,700</td><td>2022</td></tr>
<tr><td>9</td><td>Mahender Chawla</td><td>73,400</td><td>2022</td></tr>
<tr><td>10</td><td>Rakesh Das</td><td>36,000</td><td>2022</td></tr>
<tr><td>11</td><td>Devika Praveen</td><td>25,300</td><td>2022</td></tr>
<tr><td>12</td><td>Shefaly Kothari</td><td>13,230</td><td>2022</td></tr>
<tr><td>13</td><td>Subash V</td><td>10,440</td><td>2022</td></tr>
<tr><td colspan="2">Total</td><td>1,612,108</td><td>16,51,968</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 colspan="4">Nil</td></tr>
<tr><td>iii. Identified employees who were 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 colspan="4">Nil</td></tr>
</table>

<table>
<tr><th>Particulars</th><th>April 1, 2022 to July 31, 2022</th><th>Financial Year 2022</th><th>Financial Year 2021</th><th>Financial Year 2020</th></tr>
<tr><td>Fully diluted earnings per Equity Share – (face value of ₹10 per Equity Share) pursuant to issue of Equity Shares on exercise of options calculated in accordance with the applicable accounting standard for ‘Earnings per Share’</td><td colspan="4"><table>
<tr><th colspan="3">Diluted EPS as per the Restated Financial Statements</th></tr>
<tr><th>Financial Year 2022</th><th>Financial Year 2021</th><th>Financial Year 2020</th></tr>
<tr><td>0.38</td><td>5.55</td><td>7.03</td></tr>
</table></td></tr>
<tr><td>Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options and its impact on profits and on the Earnings per Equity Share – (face value ₹10 per Equity Share)</td><td colspan="4">The Bank has calculated the employee compensation cost using Fair Value method.</td></tr>
<tr><td>Description of the pricing formula method and significant assumptions used during the year to estimate the fair values of options, including 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 colspan="4"><table>
<tr><th>Particulars</th><th>Financial Year 2022</th><th>Financial Year 2021</th><th>Financial Year 2020</th></tr>
<tr><td>Expected volatility (%)</td><td>43.38% - 43.49%</td><td>33.50% - 36.40%</td><td>Nil</td></tr>
<tr><td>Life of the options granted (Vesting and exercise period)</td><td></td><td></td><td></td></tr>
<tr><td>At the grant date</td><td>3.50 years - 5.50 years</td><td>3.50 years - 5.50 years</td><td>Nil</td></tr>
<tr><td>Risk–free interest rate (%)</td><td>5.22% - 6.07%</td><td>6.48% - 7.19%</td><td>Nil</td></tr>
<tr><td>Expected Dividend rate</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table></td></tr>
<tr><td>Impact on profit and Earnings per Equity Share – (face value ₹10 per Equity Share) of the last three years if the accounting policies prescribed in the SEBI SBEB Regulations had been followed in respect of options granted in the last three years</td><td colspan="4">The Bank has complied with the accounting standard issued by the Institute of Chartered Accountants of India which is in line with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.</td></tr>
<tr><td>Intention of the KMPs 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 Offer</td><td colspan="4">There is no intention of any of the key managerial personnel and whole-time directors to sell their Equity Shares within three months after the date of listing pursuant to the Offer.</td></tr>
<tr><td>Intention to sell Equity Shares arising out of an employee stock option scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of an employee stock option scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)</td><td colspan="4">N.A. There are no options granted for more than the percentage of the issued capital to any of the directors, senior managerial personnel and employees.</td></tr>
</table>

Note 1: Options after giving effect of the bonus issue.

Note 2: Pursuant to approval from the RBI vide letter dated February 10, 2021, the Bank has made a grant of 48,188 employee stock options pertaining to Financial Year 2018 and 75,296 employee stock options pertaining to Financial Year 2019 to Rajeev Yadav, the MD & CEO. This has been accounted in the Restated Financial Statements for Financial Year 2021. Subsequently, our Nomination and Remuneration Committee and our Board in their meetings dated May 30, 2021 and May 31, 2021, respectively, adjusted number of employee stock option granted under ESOP 2018 in light of the bonus issue of Equity Shares dated May 4, 2021. Accordingly, an adjustment to the number of employee stock options from 123,484 to 370,452 employee stock options, at an exercise price of ₹88.33 per employee stock option for 144,564 employee stock options pertaining to Fiscal 2018 and ₹97 per employee stock option for 225,888 employee stock options pertaining to Fiscal 2019, under the ESOP Scheme 2018. Further, in accordance with approval from the RBI dated August 20, 2021 and July 28, 2022, our Bank has made a grant of 196,298 employee stock options at an exercise price of ₹ 93.33 pertaining to Financial Year 2020 and 214,288 stock options at an exercise price of ₹ 106.91 pertaining to Financial year 2021, respectively, to Rajeev Yadav, our MD & CEO.

12. Except as disclosed in “– *5. History of the Equity Share capital held by our Promoter*” on page 81, none of the members of our Promoter Group, directors of our Promoter, our Directors or their relatives have purchased or sold any securities of our Bank during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus.

13. As of the date of the filing of this Draft Red Herring Prospectus, the total number of our Shareholders is 180. The number of Shareholders is as per the statement of beneficiary position as on August 5, 2022.

14. Our Bank, our Directors and the BRLMs have not made any or entered into any buy-back arrangements for purchase of Equity Shares.

15. Except for Equity Shares that may be allotted pursuant to the conversion of employee stock options granted under ESOP 2018, the Equity Shares allotted pursuant to the Fresh Issue and the Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) allotted pursuant to the Pre-IPO Placement (if undertaken), there will be no further issue of Equity Shares whether by way of issue of bonus shares, rights issue, preferential issue or any other manner during the period commencing from the date of filing of this Draft Red Herring Prospectus until the listing of the Equity Shares on the Stock Exchanges pursuant to the Offer.

16. There have been no financing arrangements whereby the directors of our Promoter, our Promoter Group, our Directors, and 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 financing entity, during a period of six months preceding the date of filing of this Draft Red Herring Prospectus.

17. Our Bank presently does not intend or propose and is not under negotiations and considerations to alter its capital structure for a period of six months from the Bid/ Offer 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, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise. Provided, however, that the foregoing restrictions do not apply to any issuance of Equity Shares, pursuant to the exercise of employee stock options under ESOP 2018 and the Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) to be allotted pursuant to the Pre-IPO Placement (if undertaken).

18. Except employee stock options granted pursuant to ESOP 2018, there are no outstanding convertible securities or any warrant, option or right to convert a debenture, loan or other instrument which would entitle any person any option to receive Equity Shares, as on the date of this Draft Red Herring Prospectus.

OBJECTS OF THE OFFER

The Offer comprises of the Fresh Issue and the Offer for Sale.

Offer for Sale

The Offer includes an Offer for Sale of up to 17,000,000 Equity Shares by the Selling Shareholders aggregating up to ₹[●] million pursuant to the Offer.

The Selling Shareholders will be entitled to the proceeds from the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale.

Objects of the Offer

In terms of the RBI Final Approval and the SFB Licensing Guidelines, our Bank is 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. Our Bank proposes to utilize the Net proceeds from the Fresh Issue towards augmenting its Tier-1 capital base to meet our future capital requirements. Further, a portion of the proceeds from the Fresh Issue will be used towards meeting the expenses in relation to the Offer. Our Bank expects to receive the benefits of listing the Equity Shares on the Stock Exchanges. Our Bank received a letter dated June 29, 2022 from the RBI observing that the date of completion of the initial public offer by our Bank had passed and our Bank had failed to complete its listing. Our Bank responded to the RBI vide its letter dated July 11, 2022 informing the RBI that we had re-initiated the initial public offer process and are working towards completing the listing of our Equity Shares and meeting the licensing conditions. For further details, see "*Risk Factors - Our inability to comply with laws and regulations applicable to us may have an adverse effect on our business, results of operations, financial condition and cash flows. Further, regulation with respect to ownership and eligibility requirements of shareholders of equity securities of an SFB may impact our ability to raise capital and restrict investment in us.*" on page 29.

Net Proceeds

The details of the proceeds from the Fresh Issue are summarized in the following table:

Particulars	Estimated amount (₹ in million)[(2)]
Gross proceeds of the Fresh Issue[(1)]	Up to 6,250.00
(Less) Estimated Offer related expenses in relation to the Fresh Issue to be borne by Bank[(3)]	[●]
Net Proceeds	**[●]**

(1) *Includes the proceeds, if any, received pursuant to the Pre-IPO Placement. (if undertaken) Upon allotment of Equity Shares issued pursuant to the Pre-IPO Placement, we may utilise the proceeds from such Pre-IPO Placement towards the Objects of the Offer prior to completion of the Offer. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR.*

(2) *To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC.*

(3) *Other than (a) listing fees, audit fees of our Statutory Auditors in the ordinary course of business (other than to the extent attributable to the Offer) and expenses for any corporate advertisements, i.e. any corporate advertisements consistent with past practices of our Bank and not including expenses relating to marketing and advertisements undertaken in connection with the Offer, which shall be borne solely by our Bank, and (ii) fees and expenses for counsel to the Selling Shareholders, which shall be solely borne by the respective Selling Shareholders, our Bank and the Selling Shareholders shall share the costs and expenses (including all applicable taxes) directly attributable to the Offer and listing of the Equity Shares of our Bank based on the proportion of proceeds received in the Fresh Issue and the Offer for sale, respectively, in accordance with applicable law. All such Offer related expenses are to be proportionately borne by the Selling Shareholders in proportion of their respective components of the Offer for Sale, and shall be deducted from the proceeds from the Offer for Sale, and subsequently, the balance amount from the Offer for Sale will be paid to the Selling Shareholders. However, expenses relating to the Offer may be paid by our Bank on behalf of the Selling Shareholders in the first instance and the Selling Shareholders have agreed that, upon commencement of listing and trading of the Equity Shares on the Stock Exchanges pursuant to the Offer, they shall reimburse our Bank for any expenses in relation to the Offer, paid by our Bank on behalf of the Selling Shareholders. It is clarified that, in the event the Offer is postponed or withdrawn or abandoned for any reason or the Offer is not successfully completed, all expenses in relation to the Offer shall be borne by the Bank and the Selling Shareholders in accordance with applicable law and that each Selling Shareholder will pay its share of the Offer related expenses within 30 (thirty) days of the Bank sending over a request for reimbursement of such Offer related expenses, failing which the Bank may take appropriate actions under applicable law. Notwithstanding anything contained hereinabove, it is clarified that the Investor Selling Shareholders shall not be required to bear any costs/ expenses except to the extent required under applicable law.*

Requirements of funds and utilisation 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. 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.

As our Bank continues to grow our loan portfolio and asset base, it will require additional capital in order to continue to meet applicable capital adequacy ratios with respect to its business. The Bank's CRAR as of March 31, 2022 was 22.32%, of which

Tier 1 was 19.48%. In the coming quarters, our Bank plans to significantly grow its loan advances which would require Tier 1 capital to comply with the applicable capital adequacy regulations. With the primary capital raise planned through the Offer, the management of our Bank believes that our Bank would have adequate capital without any further need of fresh capital in the short to medium term.

Offer Expenses

The total expenses of the Offer are estimated to be approximately ₹[●] million.

The Offer related expenses primarily include fees payable to the BRLMs and legal counsel, fees payable to the Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' 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.

Other than (a) listing fees, audit fees of our Statutory Auditors in the ordinary course of business (other than to the extent attributable to the Offer) and expenses for any corporate advertisements, i.e. any corporate advertisements consistent with past practices of our Bank and not including expenses relating to marketing and advertisements undertaken in connection with the Offer, which shall be borne solely by our Bank, and (ii) fees and expenses for counsel to the Selling Shareholders, which shall be solely borne by the respective Selling Shareholders, our Bank and the Selling Shareholders shall share the costs and expenses (including all applicable taxes) directly attributable to the Offer and listing of the Equity Shares of our Bank based on the proportion of proceeds received in the Fresh Issue and the Offer for sale, respectively, in accordance with applicable law. All such Offer related expenses are to be proportionately borne by the Selling Shareholders in proportion of their respective components of the Offer for Sale, and shall be deducted from the proceeds from the Offer for Sale, and subsequently, the balance amount from the Offer for Sale will be paid to the Selling Shareholders. However, expenses relating to the Offer may be paid by our Bank on behalf of the Selling Shareholders in the first instance and the Selling Shareholders have agreed that, upon commencement of listing and trading of the Equity Shares on the Stock Exchanges pursuant to the Offer, they shall reimburse our Bank for any expenses in relation to the Offer, paid by our Bank on behalf of the Selling Shareholders. It is clarified that, in the event the Offer is postponed or withdrawn or abandoned for any reason or the Offer is not successfully completed, all expenses in relation to the Offer shall be borne by the Bank and the Selling Shareholders in accordance with applicable law and that each Selling Shareholder will pay its share of the Offer related expenses within 30 (thirty) days of the Bank sending over a request for reimbursement of such Offer related expenses, failing which the Bank may take appropriate actions under applicable law. Notwithstanding anything contained hereinabove, it is clarified that the Investor Selling Shareholders shall not be required to bear any costs/ expenses except to the extent required under applicable law.

The estimated Offer related expenses are as under:

Activity	**Estimated expenses(1) (₹ in million)**	**As a % of the total estimated Offer expenses(1)**	**As a % of the total Offer size(1)**
BRLMs fees and commissions (including underwriting commission, brokerage and selling commission)	[●]	[●]	[●]
Commission/processing fee for SCSBs and Bankers to the Offer and fee payable to the Sponsor Bank for Bids made by UPI Bidders using UPI (2)	[●]	[●]	[●]
Brokerage and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs(3)(4)	[●]	[●]	[●]
Fees payable to the Registrar to the Offer	[●]	[●]	[●]
Fees payable to other advisors, the Statutory Auditors, the Independent Chartered Accountant, CRISIL and the advertising agency appointed for the Offer	[●]	[●]	[●]
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 counsels	[●]	[●]	[●]
- Miscellaneous	[●]	[●]	[●]
Total estimated Offer expenses	[●]	[●]	[●]

(1) *Amounts will be finalised on determination of Offer Price. Offer expenses include applicable taxes, where applicable. Offer expenses are estimates and are subject to change*

(2) *Selling commission payable to the SCSBs on the portion for Retail Individual Bidders, Eligbile 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)*
*Portion for Eligible Employees**	[●]*% of the Amount Allotted (plus applicable taxes)*

* *Amount Allotted is the product of the number of Equity Shares Allotted and the Offer 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 and the Selling Shareholders 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 SCSBs for blocking, 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)*
*Portion for Eligible Employees**	*[●]% of the Amount Allotted (plus applicable taxes)*

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

(4) *Selling commission on the portion for Retail Individual Bidders and Non-Institutional Bidders which are procured by members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs 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)*
*Portion for Eligible Employees**	*[●]% of the Amount Allotted (plus applicable taxes)*

**Amount Allotted is the product of the number of Equity Shares Allotted and the Offer 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 SCSBs, the Selling Commission will be payable to the SCSBs and not the Syndicate / Sub-Syndicate Member.

Bidding Charges payable to members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the portion for Non-Institutional Bidders which are procured by them and submitted to SCSBs for blocking and UPI Bidders (using the UPI Mechanism), 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) *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*

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 Offer 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 Fresh Issue and existing identifiable accruals as required under the SEBI ICDR Regulations.

Interim use of Net Proceeds

Our Bank, in accordance with the policies established by the Board from time to time, will have the flexibility to deploy the Net Proceeds. Pending utilization for the purposes described above, our Bank will deposit the Net Proceeds only with scheduled commercial banks included in the second schedule of the RBI Act as may be approved by our Board.

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 Offer 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 Offer. 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, our Bank shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds. The Audit Committee shall make recommendations to our Board for further action, if appropriate.

On an annual basis, our Bank shall prepare a statement of funds utilized for purposes other than those stated in the Red Herring Prospectus and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilized. Such disclosure shall be made only until such time that all the Net Proceeds have been utilized in full. 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 Fresh Issue from the objects of the Fresh Issue as stated above; and (ii) details of category wise variations in the actual utilization of the Net Proceeds from the objects of the Offer as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results and explanation for such 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 and applicable rules, our Bank shall not vary the objects of the Offer without our Bank being authorised to do so by the Shareholders by way of a special resolution through postal ballot. In addition, the notice issued to the 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 Gujarati, being the regional language of Gujarat, where the Registered Office is situated in accordance with the Companies Act and applicable rules. Our Promoter or controlling shareholders will be required to provide an exit opportunity to such Shareholders who do not agree to the proposal to vary the objects, at such price, and in such manner, in accordance with our Articles of Association 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, except in the normal course of business and in compliance with applicable law.

Our Bank has not entered into and is not planning to enter into any arrangement/ agreements with the Promoter, Directors and Key Managerial Personnel in relation to the utilisation of the Net Proceeds. Further there is no existing or anticipated interest of such individuals and entities in the objects of the Offer as set out above.

BASIS FOR OFFER PRICE

The Offer Price 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 Offer Price is [●] times the Floor Price and [●] times the Cap Price.

Qualitative Factors

Some of the qualitative factors and our strengths which form the basis for computing the Offer Price are:

a. Customer-centric approach driven by digital banking and automation;

b. Strong commitment to financial inclusion with extensive rural franchise and expanding urban presence;

c. Multi-channel, low cost distribution network with diversified geographic presence;

d. Fast-growing stable deposit base with a growing CASA franchise;

e. Stable and experienced professional leadership team;

f. Robust risk management policies, leading to healthy asset quality; and

g. Strong track record of financial and operational performance

For details, see "*Our Business – Competitive Strengths*" on page 154.

Quantitative Factors

Some of the information presented below relating to our Bank is based on the Restated Financial Statements. For details, see "*Financial Statements*" on page 258.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

A. Basic and Diluted Earnings Per Share ("EPS") as adjusted for change in capital:

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2020	7.03	7.03	1
March 31, 2021	5.55	5.55	2
March 31, 2022	0.38	0.38	3
Weighted Average	3.21	3.21	

$$\text{Basic earnings per share (₹)} = \frac{\text{Restated net profit available to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$$

$$\text{Diluted earnings per share (₹)} = \frac{\text{Restated net profit available to equity shareholders}}{\text{Weighted average number of diluted equity shares outstanding during the year/period}}$$

NOTES:

(1) Basic and diluted earnings per Equity Share are computed in accordance with Accounting Standard 20 'Earnings per Share'.

(2) The above statement should be read with significant accounting policies and notes on Restated Financial Statements as appearing in the Financial Statements.

(3) Weighted average is aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. {(EPS x Weight) for each year} / {Total of weights}

B. Price/Earning ("P/E") ratio in relation to the in relation to 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 year ended March 31, 2022	[●]	[●]
Based on diluted EPS for year ended March 31, 2022	[●]	[●]

C. Industry Peer Group P/E ratio

Based on the peer group information (excluding our Bank) given below in this section, the highest P/E ratio is 364.29, the lowest P/E ratio is 18.48 and the average P/E ratio is 100.26.

Particulars	Industry P/E	Name of the company	Face value of the equity shares (₹)
Highest	364.29	Bandhan Bank Limited	10.00
Lowest	18.48	Equitas Small Finance Bank Limited	10.00
Average	100.26	-	-

Note: The industry high and low have been considered from the industry peer set provided later in this section. 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 "– Comparison with listed industry peers" on page 102

D. Industry Peer Group Price/Book ("P/B") ratio

Based on the peer group information (excluding our Bank) given below in this section, the highest P/B ratio is 5.11, the lowest P/B ratio is 0.70 and the average P/B ratio is 2.30.

Particulars	Industry Peer P/B	Name of the company	Face value of the equity shares (₹)
Highest	5.11	AU Small Finance Bank Limited	10.00
Lowest	0.70	Suryoday Small Finance Bank Limited	10.00
Average	2.30	-	-

Notes: The industry high and low have been considered from the industry peer set provided later in this section. The industry composite has been calculated as the arithmetic average P/B of the industry peer provided in this section.

E. Return on net worth ("RoNW")

Derived from Restated Financial Statements:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2020	16.61	1
March 31, 2021	11.89	2
March 31, 2022	0.80	3
Weighted Average	7.13	

$$\text{Return on net worth (\%)} = \frac{\text{Restated profit after tax, attributable to equity shareholders}}{\text{Net worth as restated at the end of year/period}}$$

(1) *Weighted average is aggregate of year-wise weighted RoNW divided by the aggregate of weights i.e. {(RoNW x Weight) for each year} / {Total of weights}*

F. Net Asset Value ("NAV") per Equity Share

As at	(in ₹)
March 31, 2022	50.22
After Offer	
Offer Price	[●]

Note: Offer Price per Equity Share will be determined on conclusion of the Book Building Process

Net asset value per equity share represents restated net worth at the end of the year/period divided by total number of equity shares outstanding at the end of year/period

G. Comparison with Listed Industry Peers

The following peer group has been determined on the basis of companies listed on Indian stock exchanges, whose business profile is comparable to our businesses:

Name of the company	Total Income (₹ in million)	Face Value per Equity Share (₹)	P/E	EPS (Basic) (₹)	RoNW (%)	NAV (₹)
Fincare Small Finance Bank Limited*	16,476.48	10	[●]	[●]	0.80	50.22
Listed Peers						
Equitas Small Finance Bank Limited	39,972.26	10	18.48	1.31	2.43	2.40
Ujjivan Small Finance Bank Limited	31,260.80	10	NM**	1.41	(2.40)	(2.40)
Credit Access Grameen Limited	27,501.30	10	43.63	3.93	23.31	23.22
Spandana Sphoorty Financial Limited	14,800.35	10	40.76	0.98	10.75	10.72
Bandhan Bank Limited	1,66,939.43	10	364.29	2.63	0.78	0.78
AU Small Finance Bank Limited***	69,154.25	10	34.14	5.11	18.03	17.85
Suryoday Small Finance Bank Limited	10,353.80	10	NM**	0.70	(8.76)	(8.76)

**Financial information for Fincare Small Finance Bank Limited is derived from the Restated Financial Statements for the year ended March 31,*

2022
***Not Meaningful*
****AU Small Finance Bank Limited announced the Bonus Issue on April 26, 2022 in the ratio 1:1. The shares has been quoting ex-bonus from June 9, 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 (August 3, 2022, - BSE) / Diluted EPS for year ended March 31, 2022*
3. *P/B ratio is calculated as closing share price (August 3, 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 respective companies 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 and Spandana Sphoorty Financial Limited were prepared as per Ind AS and Fincare 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.*

The trading price of the Equity Shares could decline due to the factors mentioned in the "*Risk Factors*" on page 21 and you may lose all or part of your investment.

H. The Offer price is [●] times of the face value of the Equity Shares

The Offer 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 above mentioned information along with "*Risk Factors*", "*Our Business*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 21, 154, 315 and 258, respectively, to have a more informed view.

STATEMENT OF SPECIAL TAX BENEFITS

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

The Board of Directors

Fincare Small Finance Bank Limited

5th Floor, Bren Mercury

Kaikondanahalli, Sarjapur Main Road

Bengaluru, 560035, India

Dear Sirs,

Statement of Special Tax Benefits available to Fincare Small Finance Bank Limited (the "Bank") and its shareholders under the Indian tax laws

1. We hereby confirm that the enclosed Annexure, prepared by Fincare Small Finance Bank Limited ('the Bank'), provides the statement of special tax benefits available to the Bank and to the shareholders of the Bank under the Income-tax Act, 1961 ('the Act') as amended by Finance Act, 2022 read with Income Tax Rules, circulars, notifications) as applicable for the Financial Year 2022-23 relevant to the assessment year 2023-24, the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("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 relevant to the Assessment Year 2023-24 presently in force in India. The Act, the GST Act, Customs Act and Tariff Act, as defined above, are collectively referred to as the "Relevant Acts". Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Relevant Acts. Hence, the ability of the Bank and / or its shareholders to derive the tax benefits is dependent upon them fulfilling such conditions which, based on business imperatives the Bank faces in the future, the Bank or its shareholders may or may not choose to fulfil.

2. The benefits discussed in the enclosed statement are not exhaustive and the preparation of the contents stated is the responsibility of the Bank's management. We are informed that this 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. In view of the individual nature of the tax consequences and 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 issue.

3. We do not express any opinion or provide any assurance as to whether:

   i) the Bank or its shareholders will continue to obtain these benefits in future;
   ii) the conditions prescribed for availing the benefits have been / would be met with; and
   iii) the revenue authorities/courts will concur with the views expressed herein.

4. The contents of the enclosed statement are based on information, explanations and representations obtained from the Bank and on the basis of their understanding of the business activities and operations of the Bank.

5. The Statement is intended solely for your information and for inclusion in the Draft Red Herring Prospectus in connection with the proposed offering in India and is not to be used, referred to or distributed for any other purpose

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration number: 101049W/E300004

per Sarvesh Warty
Partner
Membership No.: 121411
Place of Signature: Mumbai
Date: August 6, 2022

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FINCARE SAMLL FINANCE BANK LIMITED (THE "BANK") AND ITS SHAREHOLDERS

UNDER THE INCOME-TAX ACT, 1961 (hereinafter referred to as the 'Act')

Special tax benefits available to the Bank under the Act

- The Bank is a Scheduled Commercial Bank and, as per the provisions of **Section 36(1)(viia)** of the Act, the Bank could claim a deduction of:

  (i) provision made for bad and doubtful debts in its books of accounts to the extent of eight and one-half per cent of its total income (computed before making any deduction under this section and Chapter VI-A); and

  (ii) an amount not exceeding ten per cent of the aggregate average advances made by the rural branches of such bank computed in the prescribed manner.

  The Bank at its option, is allowed to claim deduction in respect of any provision created for any assets classified by the Reserve Bank of India ("RBI") as doubtful assets or loss assets in accordance with the guidelines issued by it in this behalf, for an amount not exceeding five per cent of the amount of such assets shown in the books of account of the bank on the last day of the previous year,

  Bank can claim deduction to the extent of (i) and (ii) mentioned above and total of its Bad and Doubtful assets (least of these two).

- As per **first proviso to section 36(1)(vii)** of the Act, where the Bank has claimed deduction under section 36(1)(viia) of the Act, then subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the Act would be reduced to the extent of deduction already claimed under section 36(1)(viia) of the Act.

  It must be noted that as per **CBDT instruction 17-2008** dated 26 November 2008 amount of deduction claimed by assessee in respect of bad debts under section 36(1)(vii) of the Act is required to be reduced by opening balance of provision for bad and doubtful debts created under section 36(1)(viia) of the Act.

- As per **Section 43D(a)** of the Act, interest income in relation to certain categories of bad or doubtful debts, shall be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier. This provision is an exception to the accrual system of accounting which is regularly followed by such assessees for computation of total income. The Bank being a Scheduled Commercial Bank as per the provisions of **Section 36(1)(viia)** of the Act can claim benefit of this section by virtue of explanation (d) to Section 43D of the Act.

  Rule 6EA of the Income tax Rules, 1962 specifies certain categories of bad and doubtful debts as covered under Section 43D(a) of the Act, the relevant extracts of which are as follows:

  "(e)Debts recoverability whereof has become doubtful on account of shortfalls in value of security, difficulty in enforcing and realising the securities, or inability or unwillingness of the borrower to repay the banks dues, partly or wholly, and such debts have not been included in preceding clauses (a) to (d).]"

1. **Lower corporate tax rate under Section 115BAA of the Act**

   Section 115BAA of the Act has been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 (assessment year) granting an option to domestic companies to compute corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail the following deductions/exemptions:

   i. Deduction under the provisions of section 10AA (deduction for units in Special Economic Zone);

   ii. Deduction under clause (iia) of sub-section (1) of section 32 (Additional depreciation);

   iii. Deduction under section 32AD or section 33AB or section 33ABA (Investment allowance in backward areas, Investment deposit account, site restoration fund);

   iv. Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or sub-section (2AB) of section 35 (Expenditure on scientific research);

   v. Deduction under section 35AD or section 35CCC (Deduction for specified business, agricultural extension project);

   vi. Deduction under section 35CCD (Expenditure on skill development)

   vii. Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA or Section 80M;

   viii. No set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred from clause i to ix above; and

ix. No set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A, if such loss or depreciation is attributable to any of the deductions referred from clause i to ix above.

In case a company opts for section 115BAA of the Act, provisions of Minimum Alternate Tax ["MAT"] under section 115JB of the Act would not be applicable and MAT credit of the earlier year(s) will not be available for set-off as clarified by the Central Board of Direct Taxes, through its circular no. 29/2019 dated 2 October 2019. The option needs to be exercised on or before the due date of filing the tax return. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year.

The Bank has represented to us that they have opted to apply section 115BAA of the Act

As Prescribed in sub section 5 of Sec 115BAA of the Act Bank has filed Form 10 1-C with the department by declaring its option to avail the concessional tax rate by due date of filing return of income under Section 139(1) of the Act .

2. Deductions from Gross Total Income - Section 80 JJAA of the Act - Deduction in respect of employment of new Employee

Subject to fulfilment of prescribed conditions, the Bank is entitled to claim deduction, under the provisions of **Section 80JJAA** of the Act, of an amount equal to thirty per cent of additional employee cost (relating to specified category of employees) incurred in the course of business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided In this regard, we understand that the Company has satisfied the following essential conditions to claim deduction under section 80JJAA of the Act and the audit team has verified the accuracy of the same:

- There should be an increase in the total number of employees employed by the Company (compared to the total number of employees as on the last day of the preceding year);
- Payment to employees should be made by account payee cheque/draft/ECS;
- Deduction is available only in respect of cost incurred on any employee whose total emoluments are less than or equal to INR 25,000 per month;
- Employees for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 shall not be considered as an 'additional employee';
- Employees should participate in the recognized provident fund;
- The employee should have served a minimum number of 240 days in the financial year;
- Deduction shall be restricted to 30% of additional employee cost incurred in the relevant financial year for a period of three assessment years including the assessment year relevant to the previous year in which such employment is provided.

3. Special tax benefits available to the shareholders under the Act

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

Notes:-

1. This Annexure sets out only the special tax benefits available to the Bank and the shareholders under the current Income Tax Act, 1961 i.e., the Act as amended by the Finance Act, 2022 applicable for financial year 2022-23 relevant to the Assessment year 2023-24, presently in force in India.

2. These special tax benefits are dependent on the Bank fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Bank to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Bank may or may not choose to fulfil.

3. The special tax benefits discussed in the Statement are not exhaustive, but just indicative. Further, the special tax benefits discussed in this statement are only intended to provide general information to the investors and hence, is neither designed nor intended to be a substitute for professional tax advice, which the investors may wish to take before making any investments. In view of the individual nature of the tax consequences accompanied with 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 issue.

4. The Statement is prepared based on information available with the Management of the Bank and there is no assurance that:

i. the Bank or its shareholders will continue to obtain these benefits in future;

ii. the conditions prescribed for availing the benefits have been/ would be met with; and

iii. the revenue authorities/courts will concur with the view expressed herein.

5. The above views are based on the existing provisions of law and our interpretation of the law, which are subject to change from time to time and are not binding on the incometax department or on its officials / authorities or on any other Regulator.

6. The Statement has been prepared on the basis that the shares of the Bank will be listed on a recognized stock exchange in India and the Bank will be issuing shares.

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FINCARE SAMLL FINANCE BANK LIMITED (THE "BANK") AND ITS SHAREHOLDERS

Central Goods and Services Tax Act, 2017 (hereinafter referred to as the 'Law')

There is no special Tax benefit available to Bank as per the Law though the Bank is allowed to claim only 50% of GST input tax paid to the input goods and service provider for the procurement of goods and services

Only Procedural benefit available for the Bank as per GST Act 2017 in terms of exemption from issuing E Invoice (electronic invoice with QR Code) as prescribed in the Notification 13/2020

Further there is no Special Tax Benefit available for Share holders of the Bank for Indirect taxes.

Notes:

1. This Annexure sets out only the special tax benefits available to the Bank and the shareholders under the current Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 i.e., the Act as amended by the Finance Act, 2022 applicable for Financial year 2022-23, presently in force in India.

2. These special tax benefits are dependent on the Bank fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Bank to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Bank may or may not choose to fulfil.

3. The special tax benefits discussed in the Statement are not exhaustive, but just indicative. Further, the special tax benefits discussed in this statement are only intended to provide general information to the investors and hence, is neither designed nor intended to be a substitute for professional tax advice, which the investors may wish to take before making any investments. In view of the individual nature of the tax consequences accompanied with 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 issue.

4. The Statement is prepared based on information available with the Management of the Bank and there is no assurance that:

   i. the Bank or its shareholders will continue to obtain these benefits in future;

   ii. the conditions prescribed for availing the benefits have been/ would be met with; and

   iii. the revenue authorities/courts will concur with the view expressed herein.

5. The above views are based on the existing provisions of law and our interpretation of the law, which are subject to change from time to time and are not binding on the income tax department or on its officials / authorities or on any other Regulator.

6. The Statement has been prepared on the basis that the shares of the Bank will be listed on a recognized stock exchange in India and the Bank will be issuing shares.

SECTION IV: ABOUT OUR BANK

INDUSTRY OVERVIEW

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of small finance banks and various retail loan products" dated August 2022 (the "**CRISIL Report**") prepared and released by CRISIL Limited and exclusively commissioned by and paid for by us pursuant to appointment effective from July 2021 in connection with the Offer. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at www.fincarebank.com/investors-relations 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.*

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. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents of the CRISIL Report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction. Also see, "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data" on page 17 and "Risk Factors - We have commissioned and paid for the CRISIL Report from CRISIL Limited exclusively in connection with the Offer, which has been used for industry related data in this Draft Red Herring Prospectus" on page 21.

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.

Merchandise trade grew 26% year on year in value terms in the year 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, CRISIL expects 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 (Fiscal 2020).

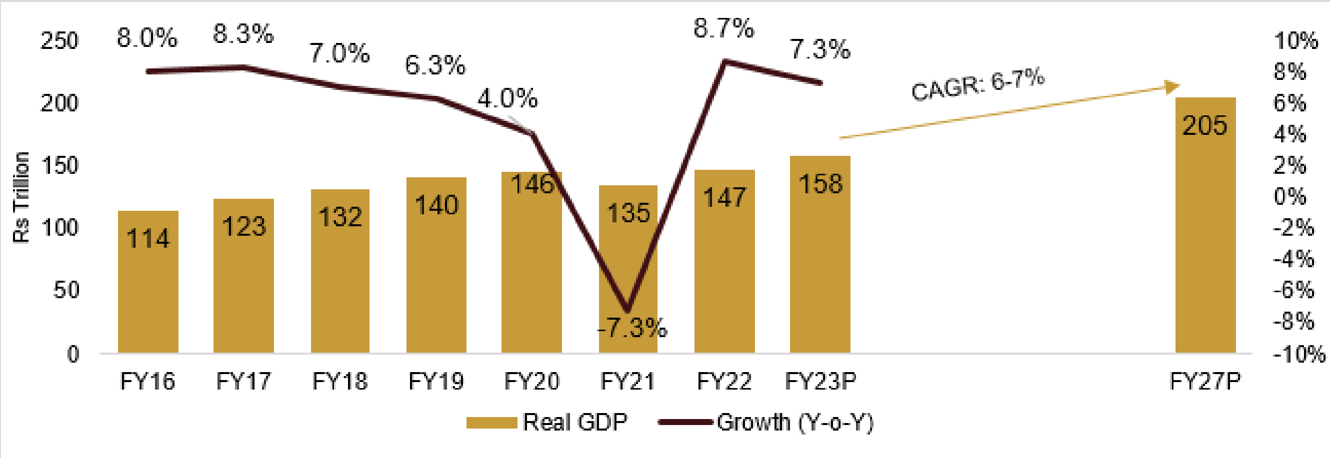
In the near-term, while risks due to the COVID-19 pandemic seem to be waning, high inflation, exacerbated by supply chain challenges as a result of the Russia-Ukraine war, and consequent tightening of interest rates by Central banks globally pose risks to economic growth globally and in India. Global growth prospects have changed markedly since last year owing to geopolitical issues. In 2021, global growth rebounded with a robust growth of 6.1% from (3.1%) the previous year, but it is expected to slow in the year 2022 to 3.2%, impact of which is expected to be witnessed in Indian economy as well. Further, their exist a downside risk arising from high inflation and the Ukraine war, which could push the world economy to the brink of recession, if unchecked.

Russia - Ukraine war slowed global recovery; but India expected to remain one of the fastest growing economy

According to 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.

CRISIL Research expects growth outlook for Fiscal 2023 to 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 as per CRISIL Research. The IMF too estimates India's GDP to grow by 7.4% in the 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 the year 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	FY22	FY23P	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 RBI and the Federal Reserve System (The Fed) along with surging crude oil price is expected to cause a surge in G-Sec yields.
CAD (Current account balance)/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.
Rs/$ (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: Reserve Bank of India ("**RBI**"), National Statistics Office ("**NSO**"), CRISIL Research*

Positive government regulations to aid economic growth

CRISIL Research 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.

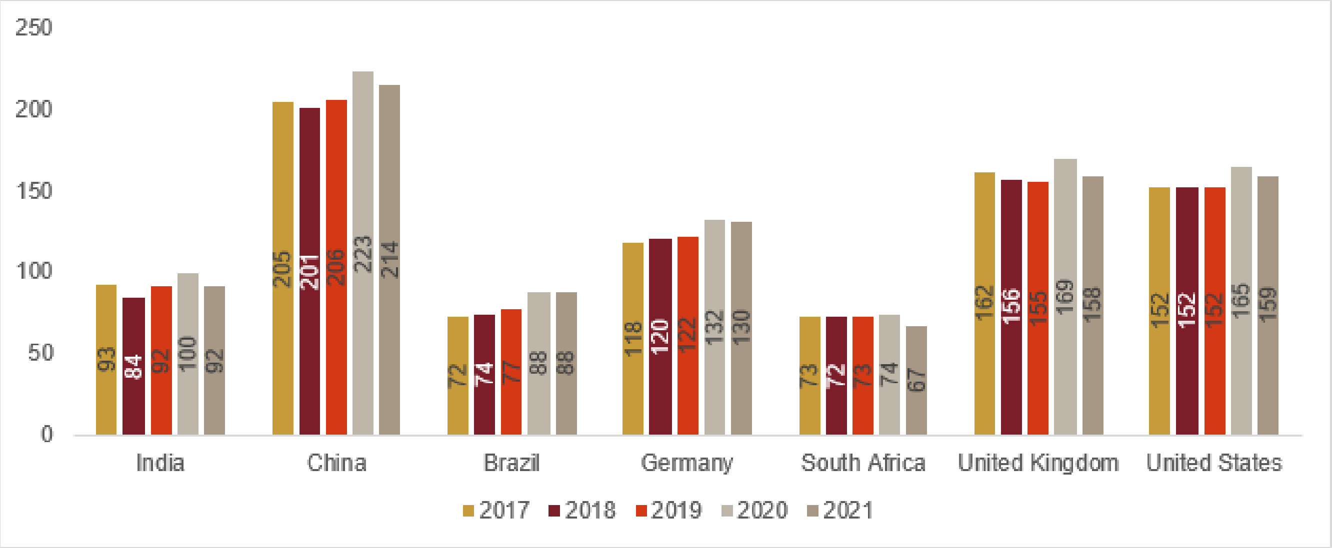
FINANCIAL INCLUSION

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.

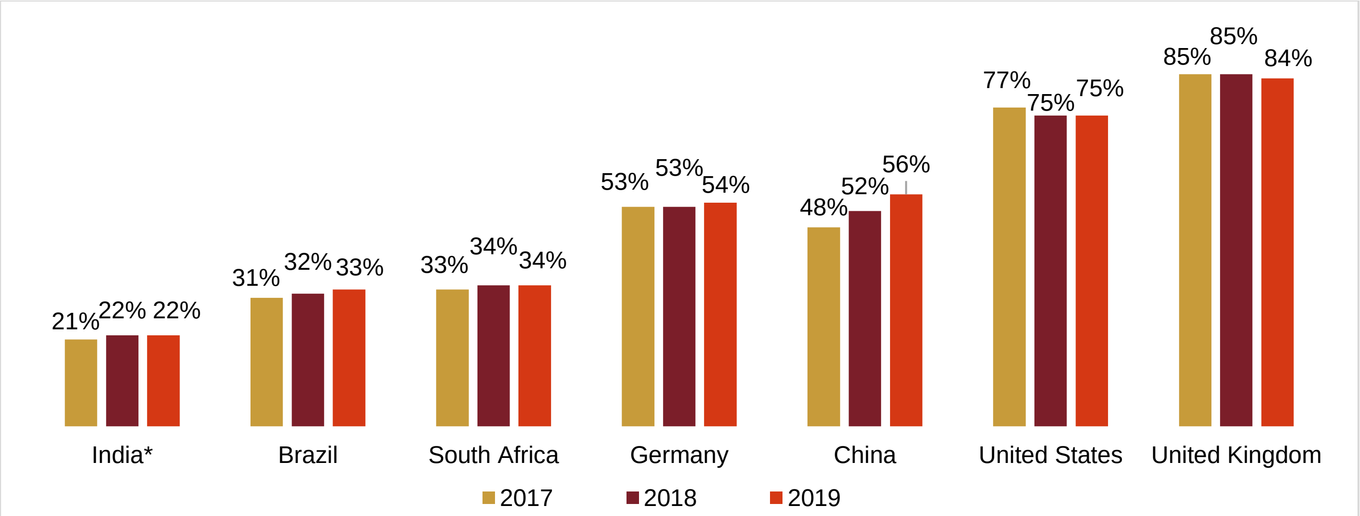
In these times of crisis, financial inclusion becomes more imperative than ever for vulnerable households and businesses to navigate the crises and recover after the pandemic. In terms of the credit to GDP ratio, India has a low credit penetration compared with other developing countries, such as China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

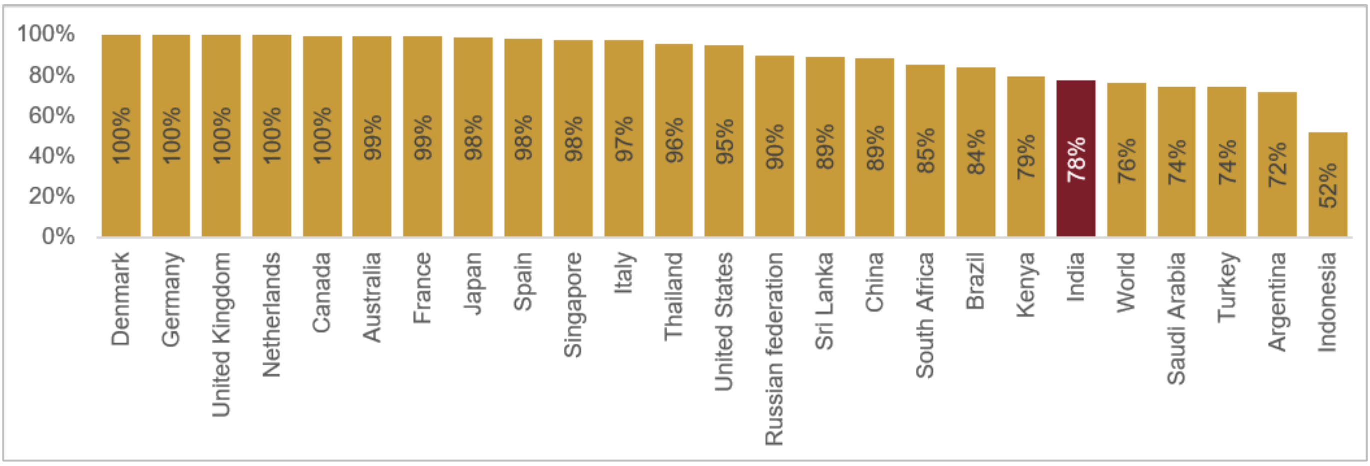
Household Credit to GDP ratio (2017 to 2019)



*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

India's focus on financial inclusion is increasing; however, a large section of the population is still unbanked

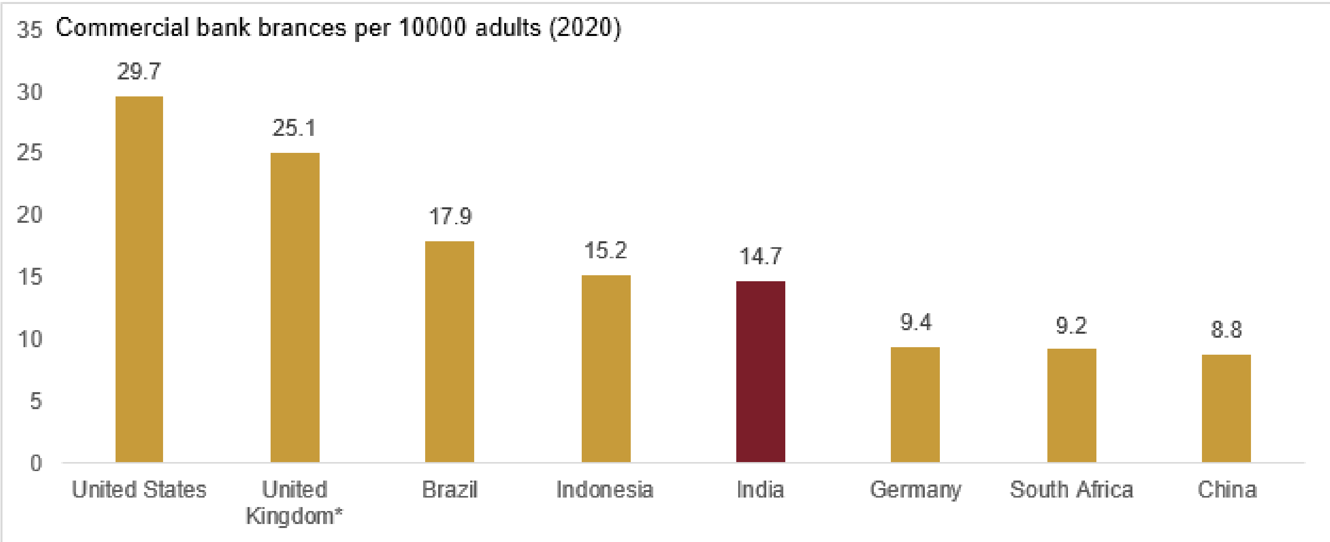
Adult population with a bank account (%): India vis-à-vis other countries



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

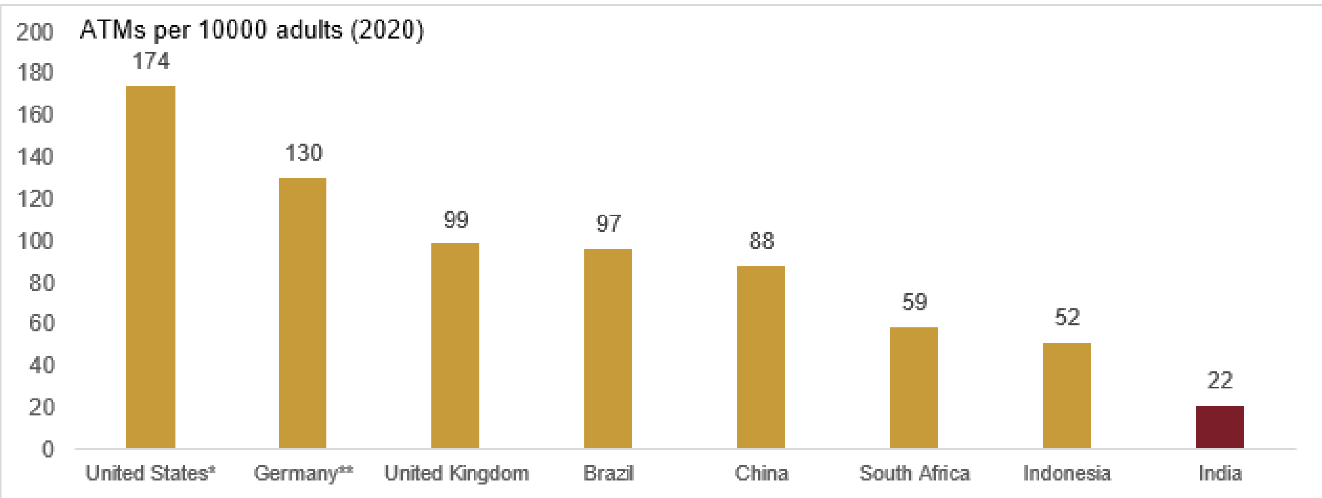
India has lower commercial bank branches and ATM penetration compared to other countries, indicating huge room for financial inclusion and banking services penetration. As of the year 2020, India has 14.7 branches and 22 ATMs for 100,000 adults according to World Bank data which is relatively lower than other developing and developed countries.

Commercial bank branch penetration across the world



Note: (*) – UK data is as of 2013 calendar year
Source: World Bank, RBI, CRISIL Research

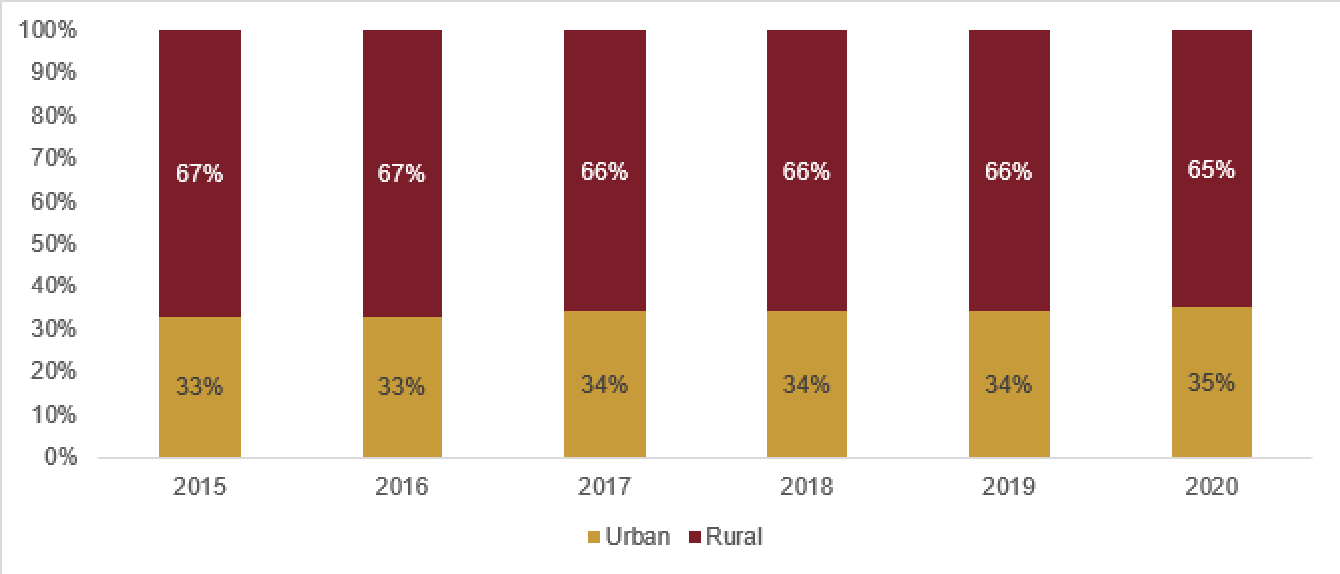
ATM penetration across the world



Note: (*) – US data is as of the year 2009, (**) - Germany data as of the year 2019
Source: World Bank, RBI, CRISIL Research

The low levels of adults with bank accounts in comparison with various countries can be further explained by the large number of rural households in the country, which account for nearly two-thirds of the total households in the country. The shift in households towards urban regions is taking place albeit at a very slow pace.

Two-thirds of total households are in rural India



Source: World Bank; Census; CRISIL Research estimates

Although the majority of Indian households are located in the rural region, the banking infrastructure in these regions is relatively inferior and, thus, there is a gap in the supply and demand of financial services in the backward regions of the country, which is a pocket of opportunity for the financial services sector.

To tackle financial exclusion, the Indian government introduced the 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.

State wise share of rural population (as per Census 2011)

States	Total population (in thousands)	Rural population (% of total population)	States	Total population (in thousands)	Rural population (% of total population)
Uttar Pradesh	199,812	78%	Chhattisgarh	25,545	77%
Maharashtra	112,374	55%	Haryana	25,351	65%
Bihar	104,099	89%	Delhi	16,788	2%
West Bengal	91,276	68%	Jammu and Kashmir	12,541	73%
Andhra Pradesh	84,581	67%	Uttarakhand	10,086	70%
Madhya Pradesh	72,627	72%	Himachal Pradesh	6,865	90%
Tamil Nadu	72,147	52%	Tripura	3,674	74%
Rajasthan	68,548	75%	Meghalaya	2,967	80%
Karnataka	61,095	61%	Manipur	2,856	61%
Gujarat	60,440	57%	Nagaland	1,979	71%
Odisha	41,974	83%	Goa	1,459	38%
Kerala	33,406	52%	Arunachal Pradesh	1,384	77%
Jharkhand	32,988	76%	Mizoram	1,097	48%
Assam	31,206	86%	Chandigarh	1,055	3%
Punjab	27,743	63%	Sikkim	611	75%

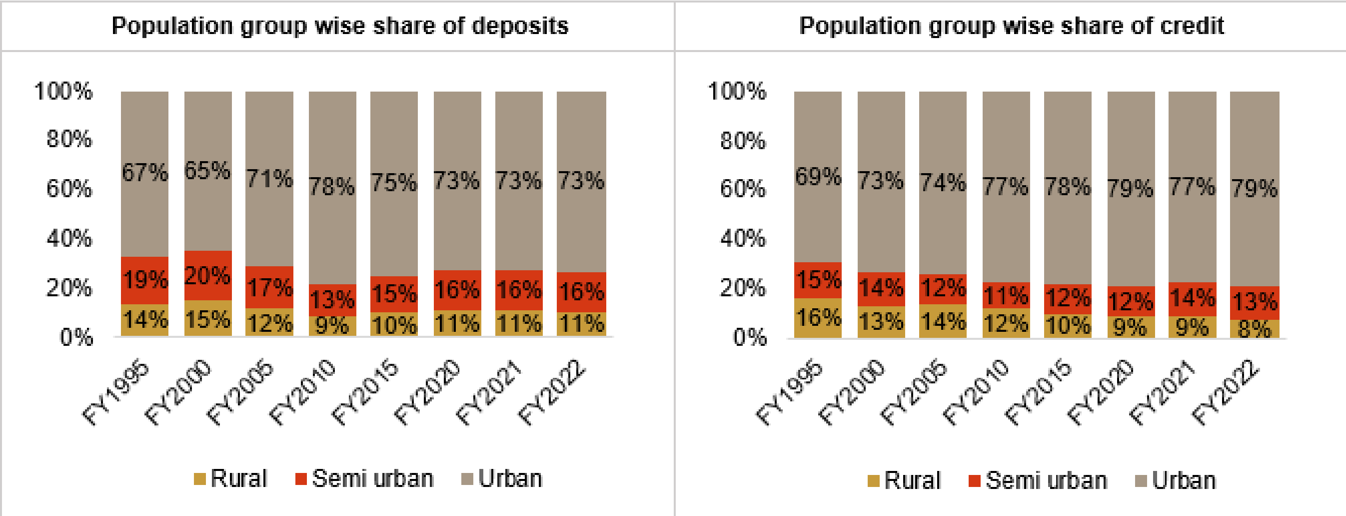
Source: Census 2011, CRISIL Research

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

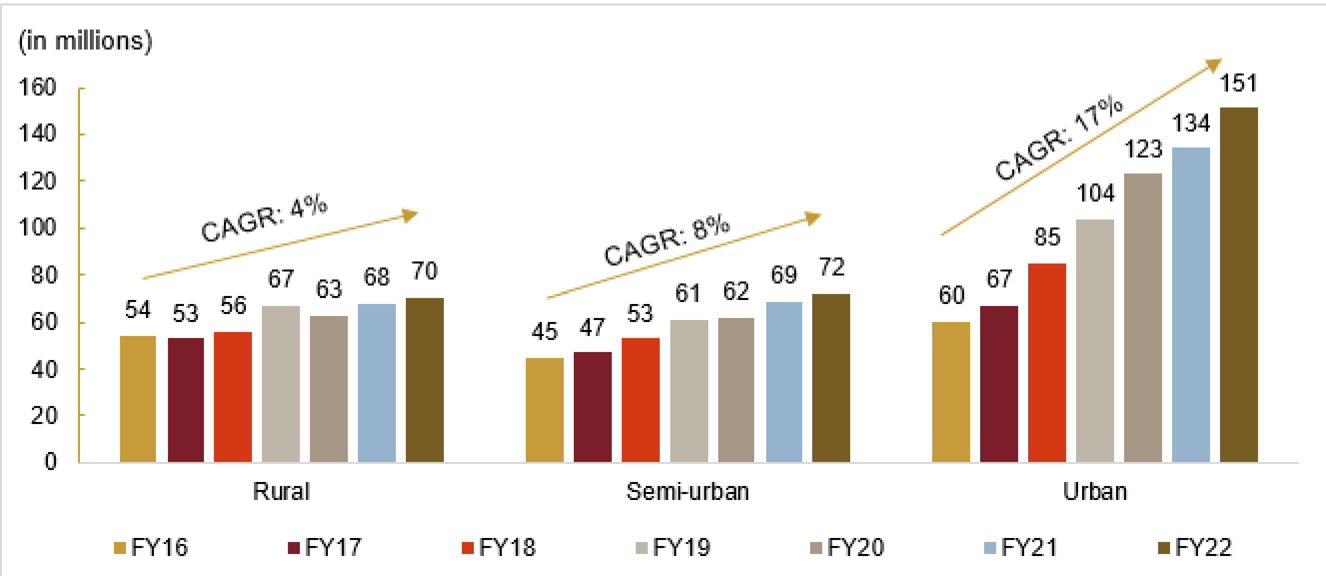


Source: CSO; RBI

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

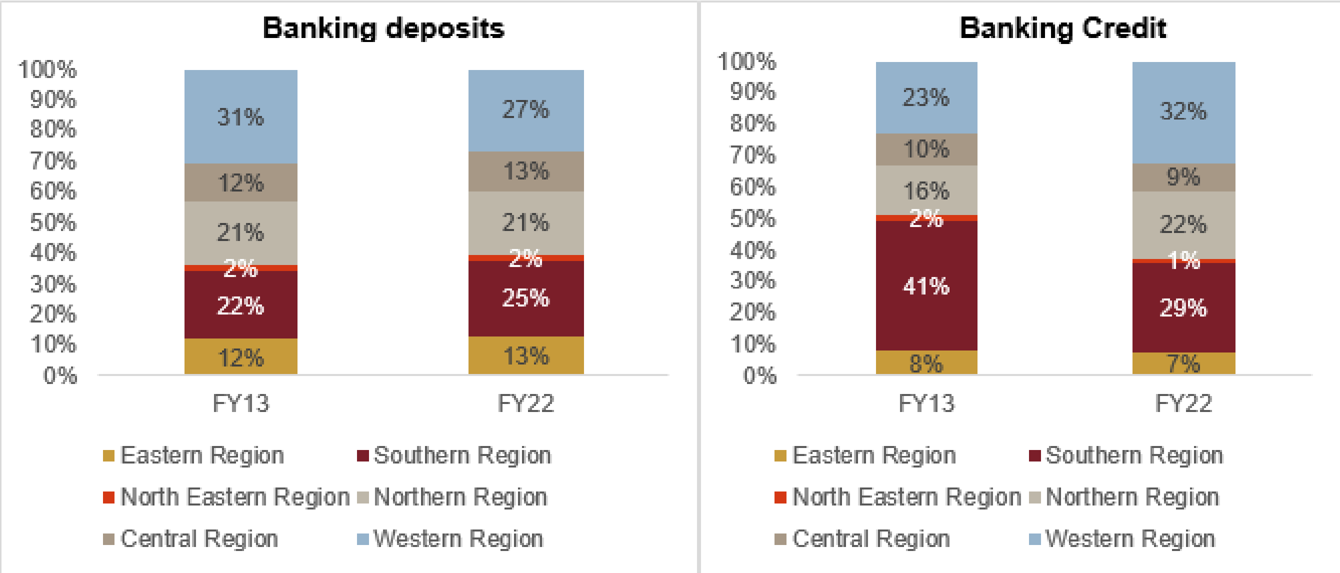


Note: Urban includes data for Urban and Metropolitan areas; amounts are as of the end of the fiscal year indicated. Data represents only bank credit accounts
Source: RBI; CRISIL Research

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. Deposit penetration in the southern region has increased over the past eight fiscal years by 3%.

Region-wise share of banking credit and total deposits

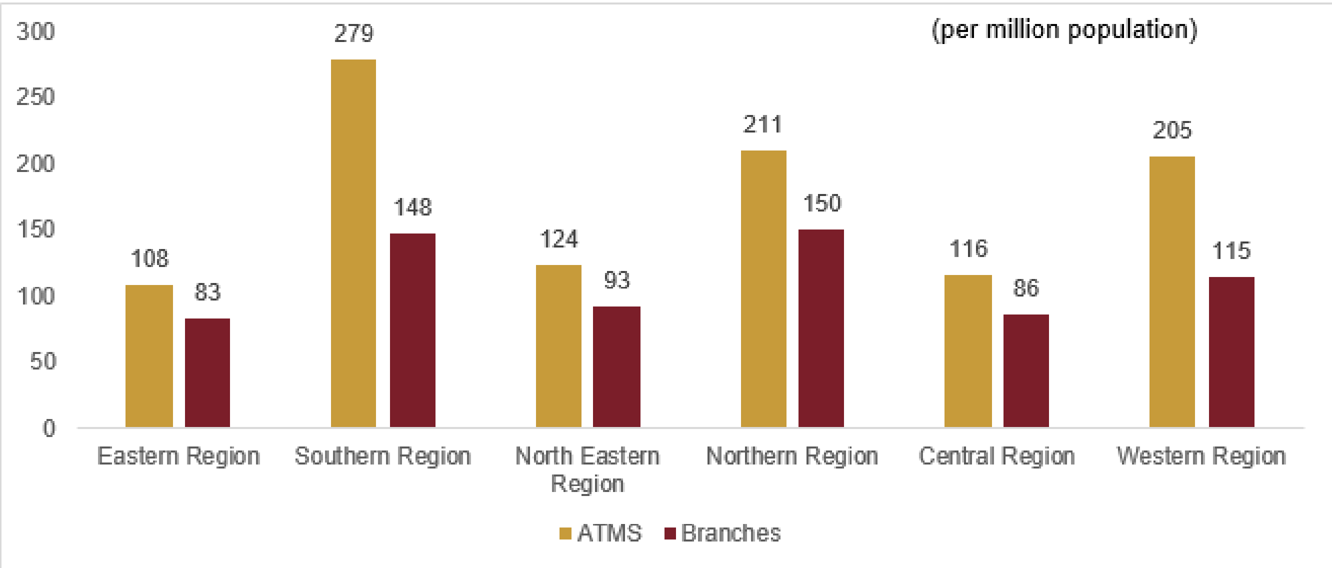


Note: The percentages are as of the end of the fiscal year indicated.
Source: RBI; CRISIL Research

Branch network and infrastructure has been weak in regions with lower credit and deposit share

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.

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



Note: 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%

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
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 Fiscal 2016-2021.

State-wise GDP and GDP growth (Fiscal 2021)

States	Real GDP ₹ 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

States	Real GDP ₹ 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)
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
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

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, a local area banks and an NBFC as well as one urban co-operating 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.
Comparison of different business models

	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 > 50% of total loans
Prudential norms			
Capital adequacy framework	• Minimum Tier-I capital: 7%	• Minimum Tier-I capital: 7.5%(Tier-II capital cannot be more than 100% of Tier-I capital)	• Tier-I capital > Tier-II capital

	Scheduled commercial banks	SFBs	MFIs
	• Minimum capital adequacy ratio: 9%	• Minimum capital adequacy ratio: 15%	• 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 • Deposit ramp-up will take time	• 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

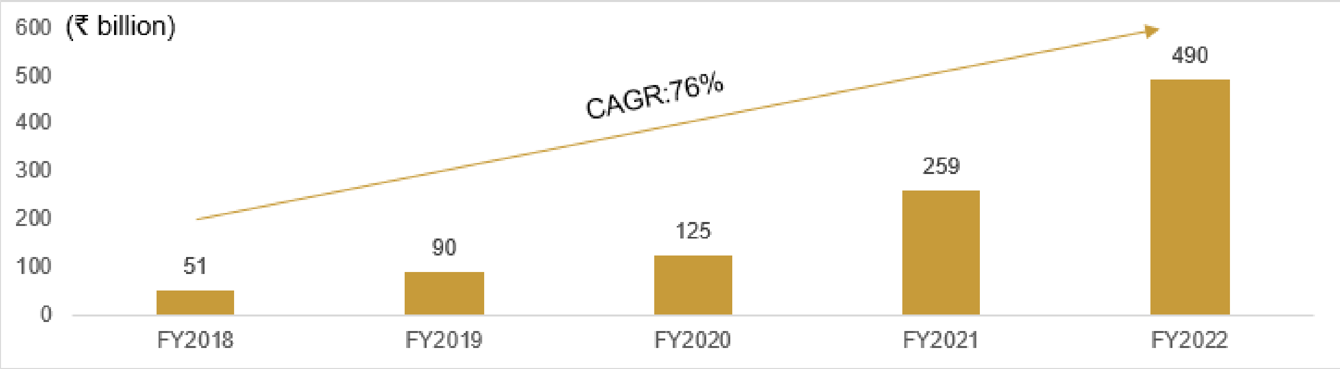
Growth drivers for small finance banks

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. The CASA deposits for SFBs have grown at 76% CAGR form Fiscal 2018 to Fiscal 2022.This will give them an advantage over NBFCs and help expand their asset book.



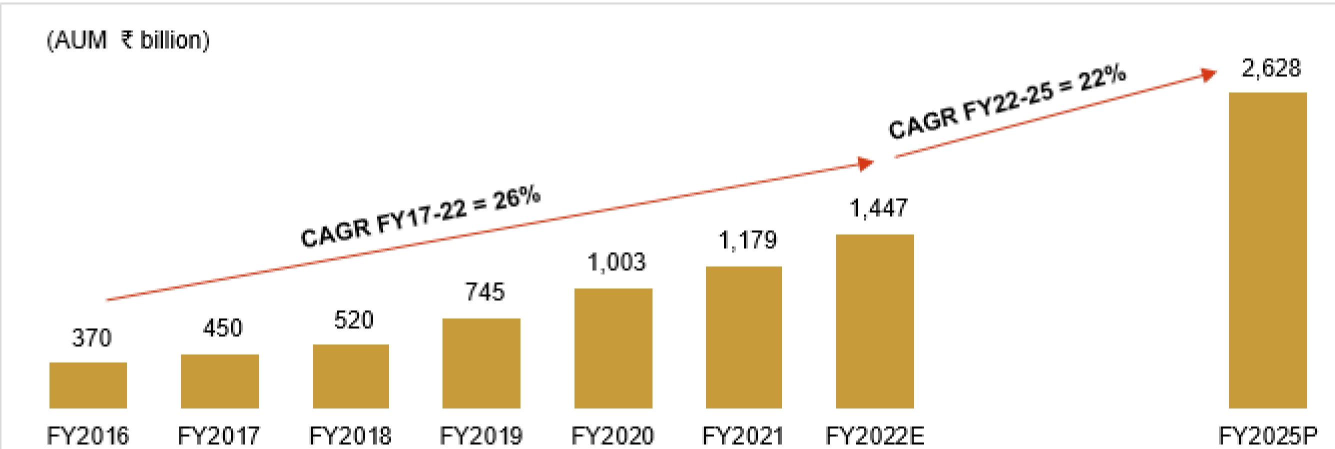
Source: RBI, CRISIL Research

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**")



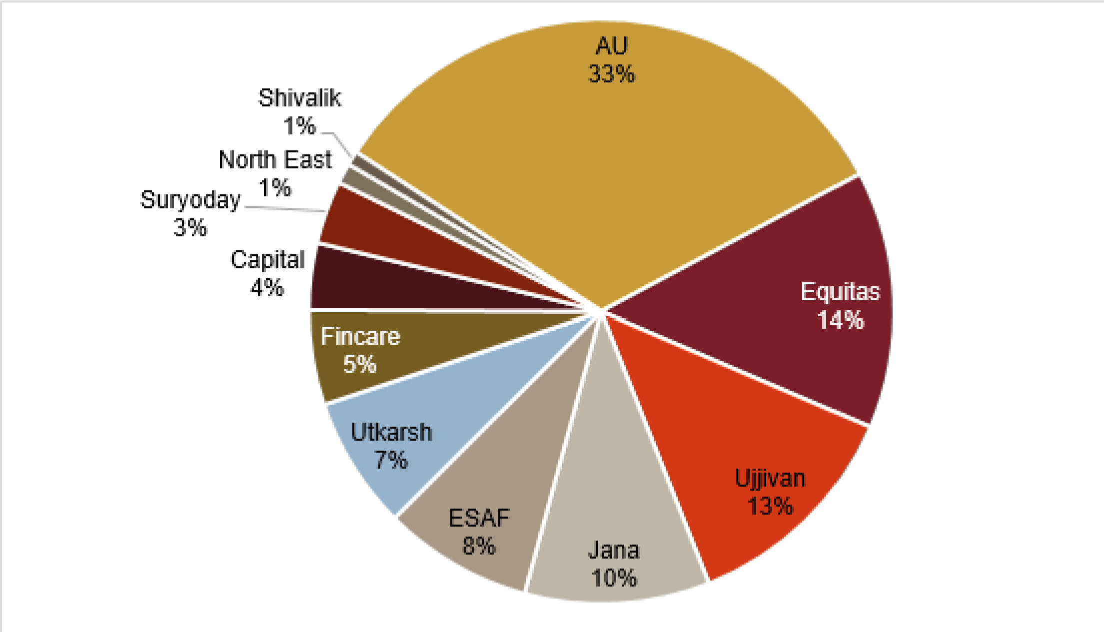
Note: E: Estimated; P: Projected; Advances considered for other players; The amounts are as of the end of the Fiscal indicated; Data includes data for 11 SFB
Source: Company reports, CRISIL Research

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 as SFBs turned cautious and selective in disbursals due to the pandemic in Fiscal 2022. 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 as of Fiscal 2020. 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;

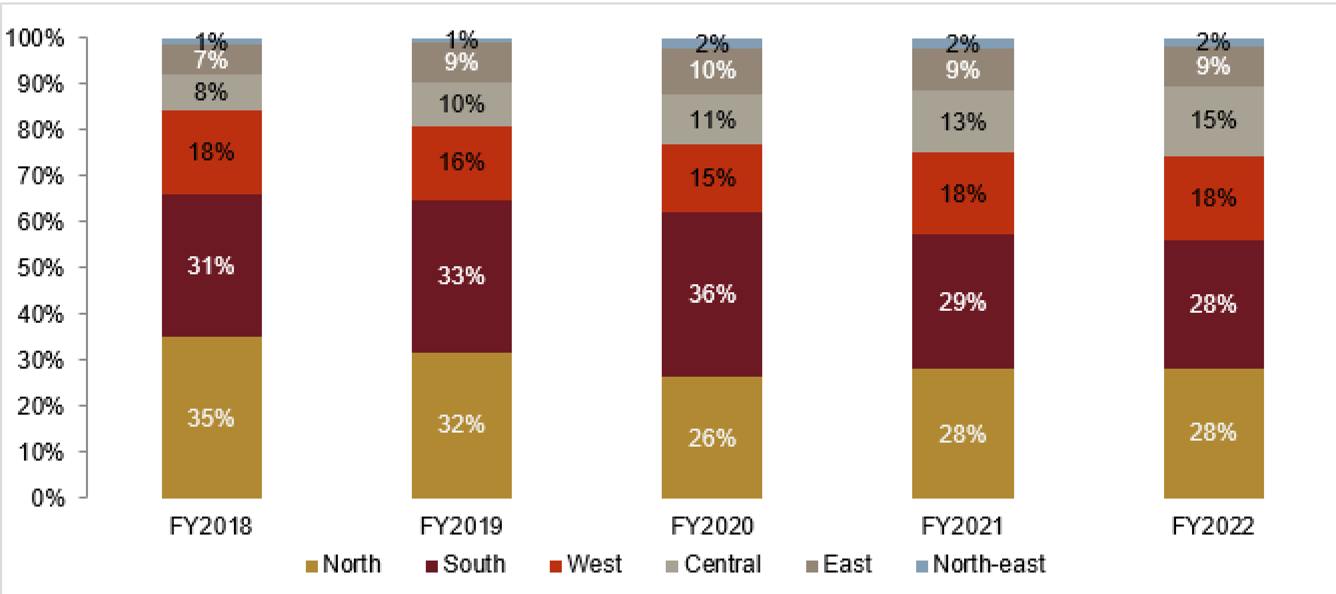
- *Access to low-cost funds & huge cross sell opportunity*– SFBs' cost of funds is low substantially as they are allowed to raise CASA deposits. This will also help them lend at more reasonable rates to its customers, hence enhancing their cross-sell opportunity in terms of asset products, insurance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

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



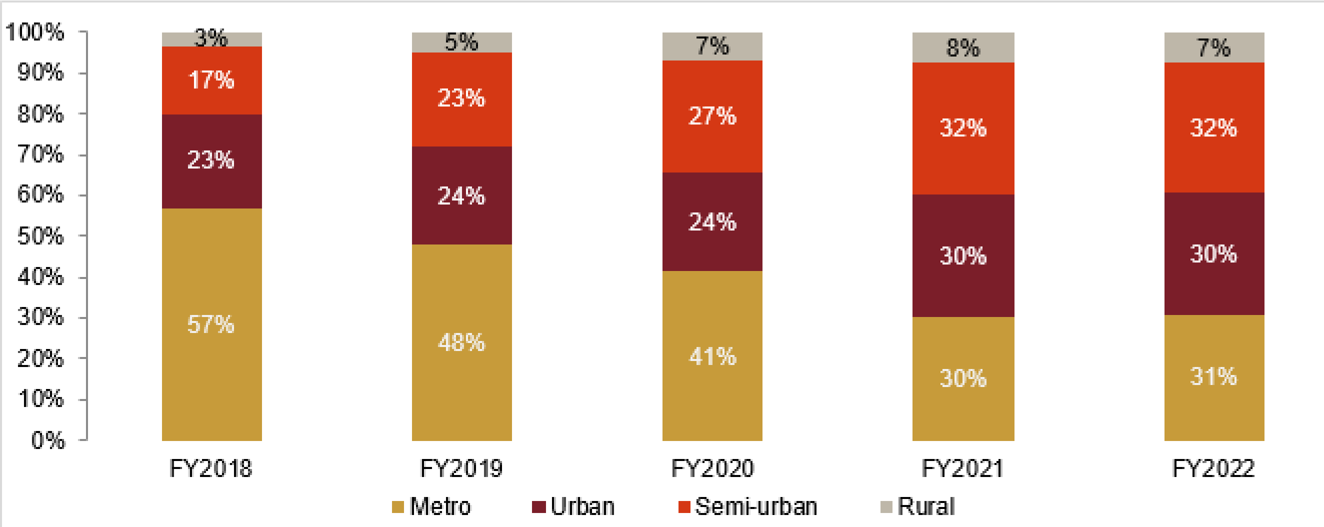
Note: AUM for Jana SFB, ESAF SFB, Utkarsh SFB, Capital SFB, North East SFB and Shivalik SFB are based on advances; Data includes data for 11 SFB
Source: Company reports; CRISIL Research

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 <0.1 million, Urban: 0.1 million <=Population <1 million, Metropolitan: Population 1 million and above

Source: RBI, CRISIL Research

State wise Rajasthan contributes to the largest share of loan portfolio for SFBs at 16%, followed by Tamil Nadu and Maharashtra as at end of Fiscal 2022. Also Karnataka state has seen the highest growth in the loan portfolio for SFBs from Fiscal 2019 to Fiscal 2022 with CAGR of 109%.

For NBFC-MFIs Bihar contributes to the largest share of gross loan portfolio among the states with share of 12% followed by Tamil Nadu and Karnataka as at end of Fiscal 2022. Tamill Nadu have seen the highest growth in the loan portfolio over the period Fiscal 2019 to Fiscal 2022 with the CAGR of 29%.

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

Top 10 States	Share as at end of FY22	FY19-22 CAGR growth
Rajasthan	16%	23%
Tamil Nadu	16%	20%
Maharashtra	11%	38%
Madhya Pradesh	9%	53%
Gujarat	7%	45%
Karnataka	6%	109%
Punjab	5%	28%
Uttar Pradesh	5%	53%
Kerala	4%	8%
Bihar	4%	28%

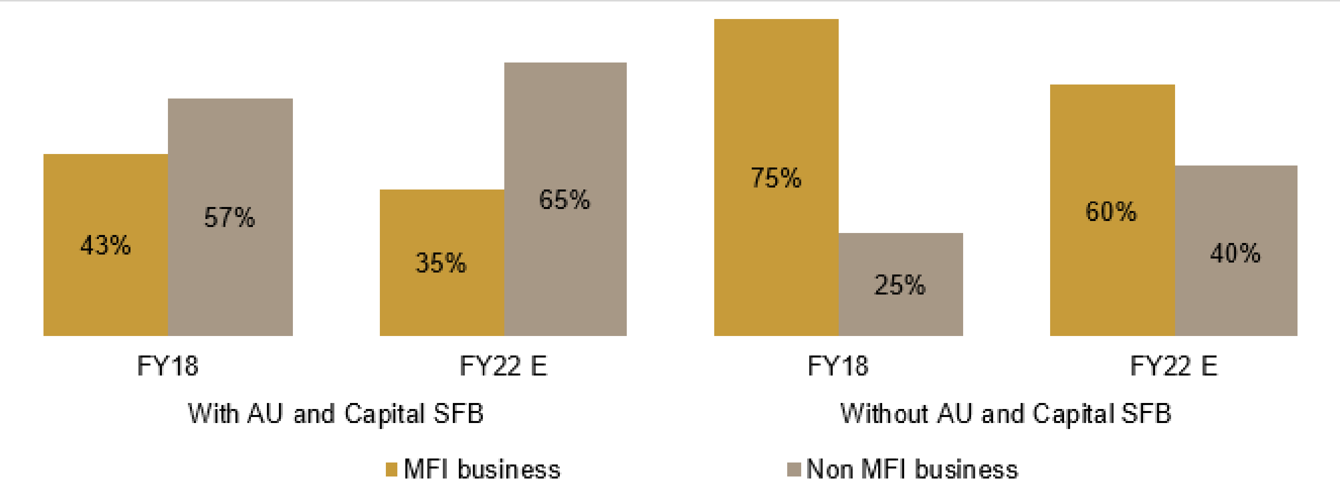
Source: RBI, CRISIL Research

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% to 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



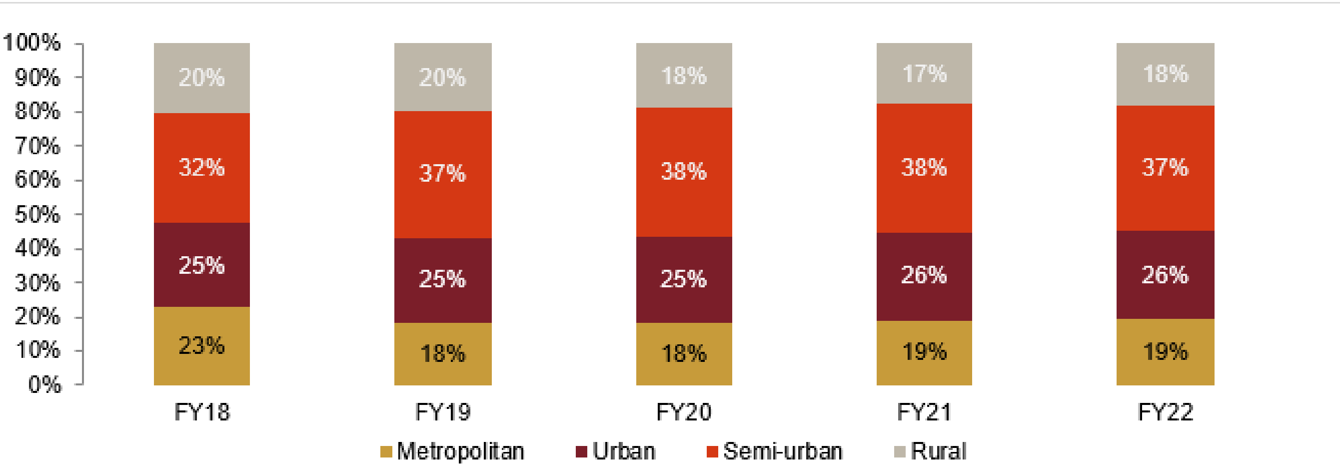
Notes: E: Estimated, 1) Capital and AU SFB are excluded as they mostly deal with non-MFI business, 2) Portfolio mix data for Capital SFB and ESAF SFB is as of March 2021, 3) Data includes data for 10 SFB
Source: Company reports, CRISIL Research

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 <0.1 million, Urban: 0.1 million <=Population <1 million, Metropolitan: Population 1 million and above
Source: RBI, CRISIL Research

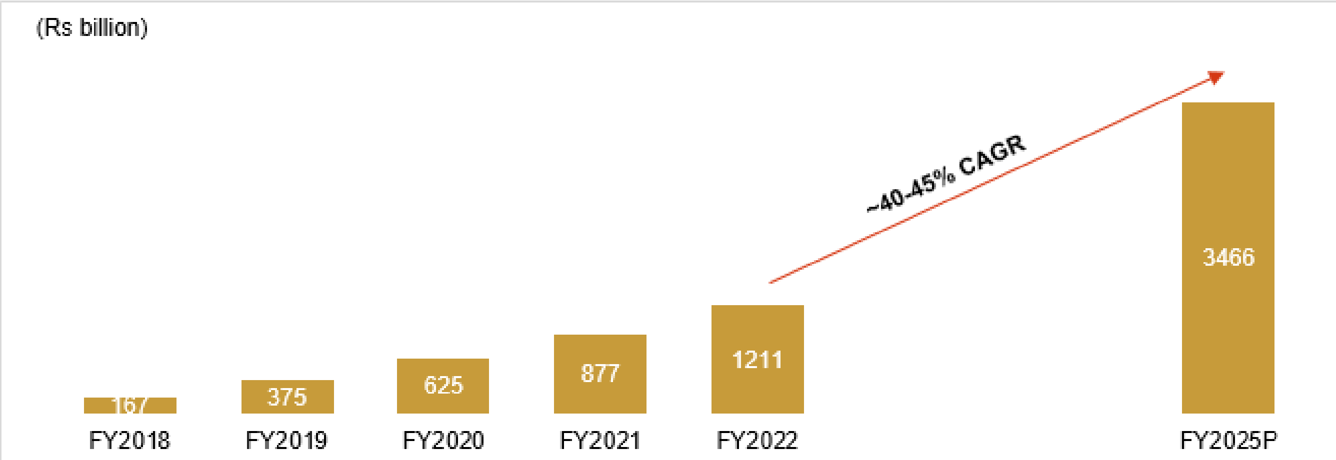
SFB deposits to grow faster than private and public-sector banks

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.

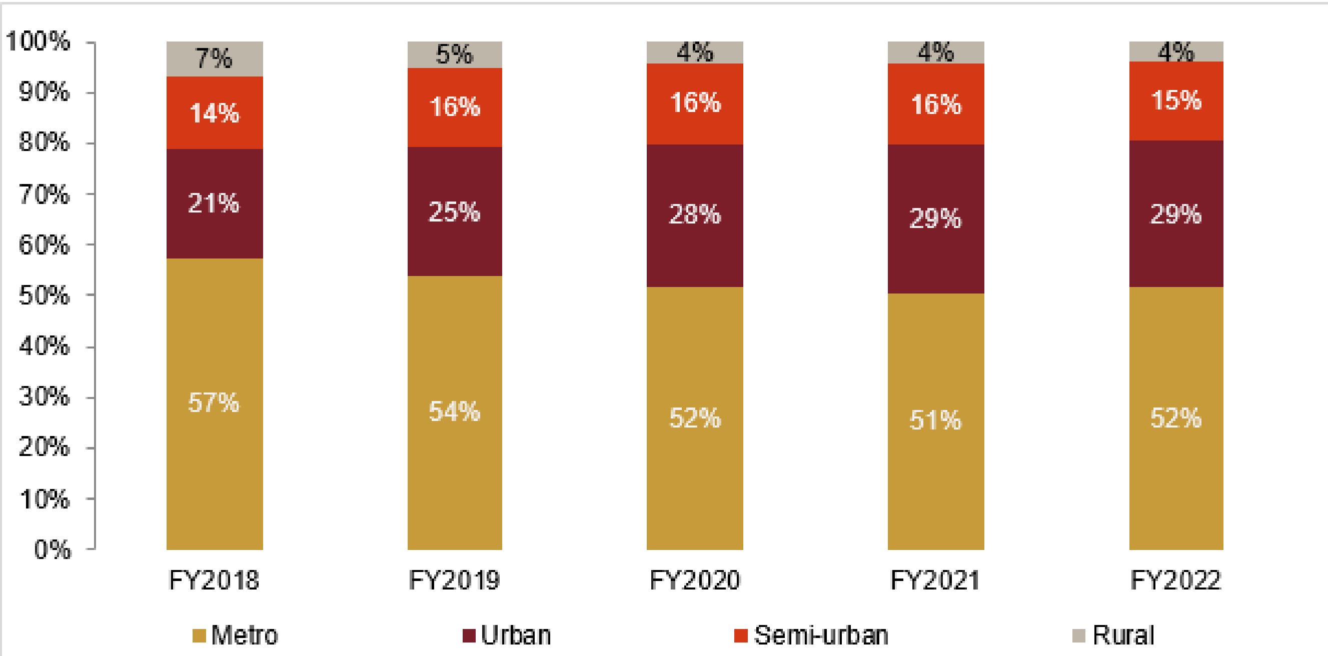
Deposit growth for SFBs continued to grow at a strong pace of 38% in Fiscal 2022. Going forward, CRISIL Research expects SFBs' deposit to grow 40-45% CAGR over Fiscals 2022-2025 as players focus on popularising convenient banking habits to cover the last mile and widen financial inclusion by deepening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

SFB deposits to grow robustly



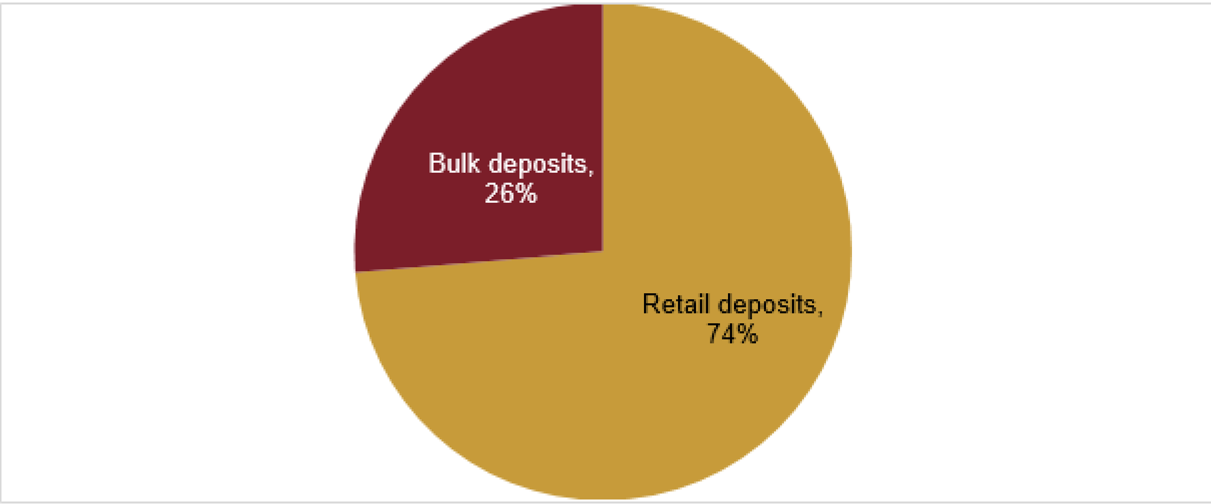
Note: Amounts are as at the end of fiscal year indicated; P: Projected
Source: Company reports, CRISIL Research

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



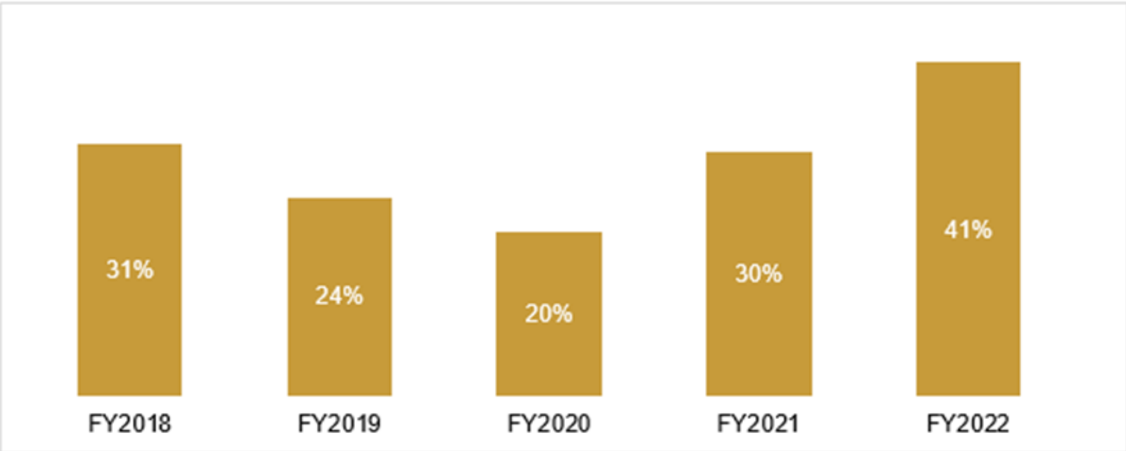
Note: Rural: Population less than 10,000, Semi urban: 10,000 <=Population <0.1 million, Urban: 0.1 million <=Population <1 million, Metropolitan: Population 1 million and above
Source: RBI, CRISIL Research

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 Utkarsh SFB, 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

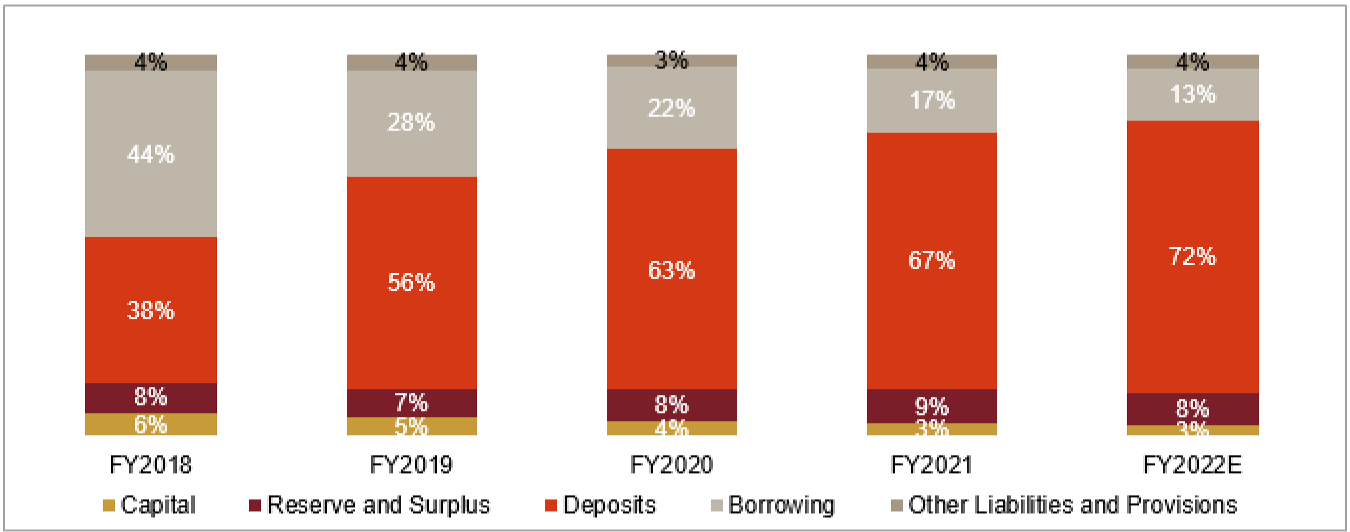
Over the next couple of years, CRISIL Research expects SFBs to focus on gradually building their banking business and complying with tougher regulatory norms. In addition, transformation into SFBs will provide access to stable and granular public deposits over the long run, which will bring down their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

NBFC vs SFBs - liquidity, and ALM

For SFBs, the asset-liability mismatch deteriorated from March 2021 especially in short term buckets of in one-two months, two-three months, three six months and six months to a year owing to rapid growth in deposit base. However, in the long-term buckets, SFBs are placed much more comfortably as compared to NBFCs, which can be attributed to strong growth in advance of the SFBs due to portfolio diversification towards non-MFI asset classes.

Asset-Liability mismatch as percentage of liabilities

		1 to 30 Days	Over 1 Month to 2 Months**	Over 2 Months to 3 Months	Over 3 Months to 6 Months	Over 6 Months to Year	Over One Year to 3 Year	Over 3 to 5 Year	Over 5 Years
Mar-19	NBFCs	52%	8%	3%	26%	6%	-2%	15%	9%
	SFBs	27%	6%	-22%	-2%	-10%	-12%	45%	259%
Mar-20	NBFCs	44%	9%	1%	19%	13%	0%	10%	11%
	SFBs	-32%	-85%	-16%	-18%	-8%	2%	125%	320%
Mar-21	NBFCs	37%	27%	16%	29%	9%	-6%	37%	12%
	SFBs	30%	-30%	-5%	-21%	-21%	-21%	124%	441%
Mar-22	NBFCs*	76%	21%	22%	15%	16%	-8%	32%	1%
	SFBs#	44%	-32%	-29%	-41%	-13%	-21%	608%	204%

Note: (*)- Data as of September 2021, (#)-For March 2022, Data for AU SFB, ESAF SFB, Fincare SFB, Suryoday SFB and Ujjivan SFB is not available (**)- Data for North-East SFB for 31 days to 3 months is considered in 1 month to 2 month bracket for March-22, March-21 and March-20 as per the disclosure by company
Asset liability mismatch as % of liabilities calculated as = ((Advances + Investments) - (Deposits + Borrowings)) / (Deposits +Borrowings)
Source: RBI, 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 the waning impact of the COVID-19 and increasing interest income coupled with reduction in opex and credit cost as a result of improved collection efficiency, 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

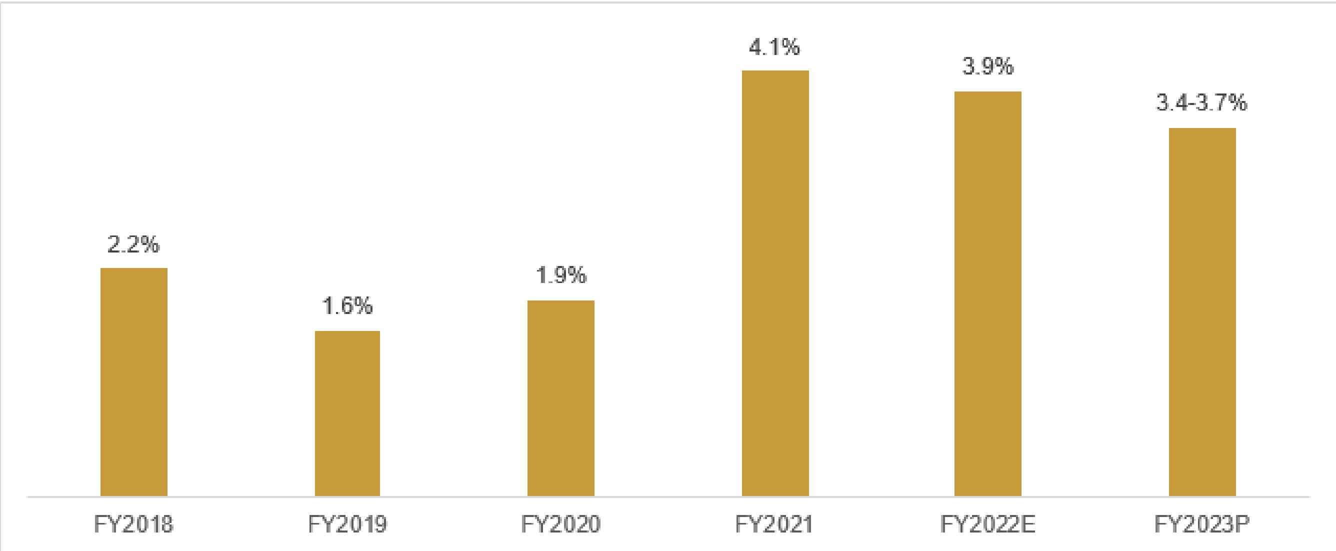
RoA tree (SFB)	FY19	FY20	FY21	FY22	FY23P
Interest income	14.1%	14.5%	12.9%	11.8%	12.4%
Interest expense	6.6%	6.7%	6.0%	5.0%	5.3%
Net interest income	7.5%	7.8%	6.9%	6.8%	7.1%
Opex	6.1%	5.8%	4.9%	5.3%	5.2%
Other income	2.0%	1.7%	2.1%	1.6%	1.6%
Credit cost	0.9%	1.3%	2.2%	2.0%	1.7%
RoA	1.65%	1.91%	1.48%	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 to marginally improve after pandemic related stress

GNPA of SFBs improved to 1.6% as of Fiscal 2019 from 2.2% as of Fiscal 2018 which was majorly impacted by demonetization and residual asset quality issues. 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% to 3.7%, however, it will vary depending on 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, P-Projected
Source: Company reports, CRISIL Research

Peer Benchmarking

In this section, we have compared Fincare SFB with all its peers in India based on the latest available data as of Fiscal 2022. We have also looked at large listed microfinance players since many SFBs were present in this space before switching to SFB. This section also analyses the performance of private banks. Fincare SFB recorded 3rd highest AUM growth of 28.8% among the SFBs from Fiscal 2019 to Fiscal 2022 Fincare SFB recorded a 3-year CAGR of 28.8% in AUM between Fiscal 2019 to Fiscal 2022. ESAF SFB recorded fastest growth in AUM from Fiscal 2019 and Fiscal 2022 at 36.8% followed by Utkarsh SFB (31.6%).

Fincare SFB has the highest banking outlets amongst all SFBs along with AU SFB as of Fiscal 2022. **Fincare SFB has 919 banking outlets across 18 states as of Fiscal 2022 which is the highest amongst its peer group along with AU SFB (919 branches across 18 states).** Fincare SFB has the 2nd highest deposit CAGR among SFBs between Fiscal 2019 to Fiscal 2022. **Fincare recorded second highest deposit CAGR of 46.7% among the SFBs between Fiscal 2019 to Fiscal 2022. Jana SFB recorded highest deposit growth (47.7%) among the SFBs during the same period.**

SFBs and other players as of the end of Fiscal 2022

Players	AUM (Rs billion)	AUM growth (FY19-FY22)	Deposit (In Rs. billion)	Deposit growth (FY19-FY22)	Credit to deposit ratio	Disbursement (in Rs. Billion)	Disbursement growth (FY19-FY22)
SFBs							
AU SFB	478	25.4%	526	39.4%	88%	254	16.5%
Equitas SFB	206	20.7%	190	28.1%	102%	105	7.1%
Ujjivan SFB	182	18.0%	183	35.3%	89%	141	8.3%
Jana SFB	130*	27.9%	135	47.7%	96%	62#	NA
ESAF SFB	116*	36.8%	128	43.7%	91%	NA	NA
Utkarsh SFB	106	31.6%	101	38.5%	102%	59#	14.1%$
Fincare SFB	75	28.8%	65	46.7%	109%	71	28.5%
Suryoday SFB	51	19.0%	39	34.2%	123%	35	7.3%
Microfinance							
Credit Access	137	24.2%	NM	NM	NM	128	16.0%
Spandana	66	14.6%	NM	NM	NM	34	(12.1%)
Universal banks							
Bandhan Bank	993	30.4%	963	30.6%	98%	317	(17.3%)

(*)- Advances as of Fiscal 2022 is considered instead of AUM, #- As of Fiscal 2021, $- CAGR of Fiscal 2019-2021 NA - Not available, NM – Not meaningful.*
Source: Company reports, CRISIL Research

SFBs and other players as of the end of Fiscal 2022

Players	Banking outlets	Presence in states and UTs	Number of Employees	Employee growth (FY19-FY22)	Balance sheet size (in Rs. Billion)	Balance sheet size growth (FY19-FY22)
SFBs						
AU SFB	919	18	27,817	30.1%	691	31.7%
Equitas SFB	869	18	17,607	6.3%	270	19.6%
Ujjivan SFB	575	24	16,895	4.6%	236	19.8%
Jana SFB	585*	22*	16,212*	(1.6%)**	202	28.8%
ESAF SFB	553*	18*	3803*	32.4%**	177	35.9%
Utkarsh SFB	686	22	12,617	26.2%	151	34.2%
Fincare SFB	919	18	11,733	28.7%	109	37.8%
Suryoday SFB	565	14	5,252	10.1%	82	29.6%
Microfinance						
Credit Access	1,164	14	11,951	14.0%	148	26.2%
Spandana	1049	10	8,763	9.6%	68	11.4%
Universal banks						
Bandhan Bank	5,639	34	60,211	23.0%	1,389	35.0%

Notes: (*)-Values as of Fiscal 2021, (**)- CAGR of Fiscal 2019 to Fiscal 2021, A - not available
Source: Company reports, CRISIL Research

Fincare SFB has the 3rd highest proportion of retail deposit in total deposits as of Fiscal 2022

As of Fiscal 2022, Fincare SFB has the third highest proportion of retail deposits of 82.2% in total deposits after ESAF SFB (97.7%) and Equitas SFB (89.4%). This reflects the greater granularity in the deposits base for Fincare SFB.

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

FY22	Proportion of deposit to total loan book (%)	Proportion of deposit in total borrowing (%)	Proportion of Retail deposits in total deposits (%)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)	Share of top-20 accounts in deposits
SFBs							
AU SFB	114.1%	89.8%	66.0%	37.0%	30.9%	32.1%	23.4%*
Equitas SFB	97.8%	87.9%	89.4%	52.0%	37.4%	10.6%	13.8%
Ujjivan SFB	112.2%	91.2%	58.1%	28.5%	29.6%	42.0%	NA
Jana SFB	104.1%	75.0%	NA	NA	NA	NA	13.2%
ESAF SFB	110.1%	81.3%	97.7%*	19.4%*	78.3%*	2.7%*	9.0%*
Utkarsh SFB	98.5%	79.7%	59.6%	22.4%	37.3%	40.4%	28.7%
Fincare SFB	91.7%	68.7%	82.2%	36.3%	45.9%	17.8%	17.8%
Suryoday SFB	81.0%	60.1%	78.1%	20.2%	57.9%	21.9%	NA
Universal banks							
Bandhan Bank	102.5%	82.9%	77.3%	41.6%	35.7%	22.7%	19.0%*

*Notes: 1) NA - Not available; 2) Retail deposits includes CASA and retail term deposits. Bulk deposits include institutional deposits. Retail deposits include deposits less than ₹ 20 million; 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

Operating efficiency of SFB's is relatively higher than microfinance players for most of the parameters. The use of paperless Aadhaar based on-boarding has helped banks to improve their operating efficiency as compared to NBFCs who are not allowed to use Aadhaar based enrolment. In Fiscal 2022, Fincare SFB's deposit per employee at ₹ 6 million and business per employee at ₹ 11 million is in-line with Suryoday, Utkarsh and Jana SFB. AU SFB leads its peers with leading business per employee and business per branch as of Fiscal 2022. Fincare SFB had the lowest operating expense per banking outlet of ₹ 7 million. It is followed by Suryoday SFB (₹ 7.3 million) and Utkarsh SFB (₹ 10.7 million).

Operational efficiency of SFBs as of the end of Fiscal 2022

Players	Advances per employee (in million)	Deposit per employee (in million)	Business per employee (in million)	Advances per branch (in million)	Deposit per branch (in million)	Business per branch (in million)	AUM per customer (Rs)**	Opex per banking outlet (in million)
SFBs								
AU SFB	17	19	35	502	572	1074	170,825	26.3
Equitas SFB	11	11	22	223	218	441	NA	19.6
Ujjivan SFB	10	11	20	284	318	602	28,028	26.0
Jana SFB*	7	8	15	198	212	410	NA	19.5#
ESAF SFB*	21	24	45	148	163	310	17,987	15.6#
Utkarsh SFB	8	8	16	149	147	296	35,435	10.7
Fincare SFB	6	6	11	77	70	147	13400	7.0
Suryoday SFB	9	7	16	84	68	152	26,372	7.3
Microfinance								
Credit Access	10	NM	10	105	NM	105	46,995	4.6
Spandana	6	NM	6	49	NM	49	28,613	3.2
Universal Banks								
Bandhan Bank	16	16	32	167	171	337	35,732	6.2

*Note: # Banking outlets for Fiscal 2021 considered for calculation,(*)-Data as of Fiscal 2021 **Customer includes both loan customers as well as deposit customers, NA-Not Available, NM-Not meaningful*
Source: Company reports, CRISIL Research

Financial growth metrics of SFBs as of the end of Fiscal 2022

Growth (FY19-FY22)	Total income	Total net income	Other income	NII	PPOP	PAT
SFBs						
AU SFB	27%	33%	17%	40%	97%	44%
Equitas SFB	18%	22%	24%	21%	13%	10%
Ujjivan SFB	15%	17%	15%	17%	39%	(228%)
Jana SFB	31%	46%	40%	47%	(171%)	(114%)
ESAF SFB	23%	26%	24%	26%	33%	(15%)
Utkarsh SFB	29%	31%	46%	29%	24%	(13%)
Fincare SFB	35%	34%	43%	33%	42%	(56%)
Suryoday SFB	20%	19%	12%	20%	6%	(202%)
Microfinance						
Credit Access	23%	22%	112%	18%	15%	6%
Spandana	13%	12%	(7%)	13%	9%	(27%)
Universal Banks						
Bandhan Bank	29%	28%	38%	25%	25%	(60%)

Note: (*)CAGR of Fiscal 2019-2021, Total net income=NII +Other income
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 the end of Fiscal 2022)

Product mix	MFI	Vehicle loans	Mortgage loans	MSME	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%
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, *- Retail loans, Source: Company reports, CRISIL Research*

Digital transaction growth

Digital transaction (in '000)	Mobile banking					Internet banking				
	FY18	FY20	FY21	FY22	CAGR (FY18-20)	FY18	FY20	FY21	FY22	CAGR (FY18-20)
SFBs										
AU SFB	30	200	370	NA	158%	NA	NA	NA	NA	NA
Equitas SFB	NA	NA	2085	NA	NA	NA	NA	434	NA	NA
Utkarsh SFB	7	7	NA	NA	1%	14	210	NA	NA	291%
Fincare SFB*	NA	NA	NA	1677	NA	NA	NA	NA	21	NA
Suryoday SFB	8	102	NA	NA	252%	18	338	NA	NA	335%

Note: (*)- NA-Not Available, Source: Company reports, CRISIL Research

Profitability

Fincare SFB has the highest NIMs amongst all SFBs. As of Fiscal 2022, Fincare has the highest NIMs of 9.3% followed by Ujjivan SFB (8.1%), Equitas SFB (7.9%) and Suryoday SFB (7.9%). Spandana Sphoorty had the highest NIMs of 12.1% amongst all player groups as at the end of Fiscal 2022. Fincare SFB has the 3rd lowest cost to income ratio amongst SFB in Fiscal 2022. Amongst SFBs, AU SFB had the lowest cost to income ratio of 57.1%, followed by Utkarsh with 59.1% and Fincare SFB with 60.0% as of end of Fiscal 2022. Ujjivan SFB has the highest cost to income among SFBs at 71.7%.

Profitability of players in Fiscal 2022

(Rs million)	Yield on advances (%)	Cost of borrowing** (%)	NIMs (%)	Non-interest income (%)	Cost to income (%)	Opex (%)	Credit cost (%)	ROE (%)	ROA (%)
SFBs									
AU SFB	12.1%	5.3%	5.4%	1.6%	57.1%	4.0%	0.6%	16.6%	1.9%
Equitas SFB	17.3%	6.8%	7.9%	2.1%	66.1%	6.6%	1.9%	7.4%	1.1%
Ujjivan SFB	16.7%	5.7%	8.1%	1.4%	71.7%	6.8%	5.2%	(14.0%)	(1.9%)
Jana SFB	22.2%*	7.6%	7.1%	1.6%	66.5%	5.8%	2.9%	0.5%	0.0%
ESAF SFB	19.6%*	6.0%	7.6%	1.4%	63.7%	5.7%	2.8%	4.0%	0.4%
Utkarsh SFB	17.9%	6.9%	7.8%	1.4%	59.1%	5.4%	3.0%	4.2%	0.5%
Fincare SFB	21.5%	7.1%	9.3%	2.1%	60.0%	6.9%	4.5%	0.8%	0.1%
Suryoday SFB	18.7%	6.3%	7.9%	1.3%	60.9%	5.6%	5.3%	(6.0%)	(1.3%)
Microfinance									
Credit Access	19.2%	8.2%	9.7%	1.4%	35.4%	3.9%	3.3%	10.1%	2.8%
Spandana	21.5%	11.9%	12.1%	0.5%	38.6%	4.8%	6.3%	2.4%	0.9%
Universal banks									
Bandhan Bank	13.9%	4.9%	6.9%	2.2%	30.5%	2.8%	6.2%	0.7%	0.1%

*Note: * Total interest income is considered for calculation; # Data as of Fiscal 2021; ** Cost of borrowing is calculated on total borrowings, i.e. sum of borrowing and deposits;*
Source: Company reports, CRISIL Research

Fincare has the 2nd highest average RoE and RoA amongst SFBs from Fiscal 2019 to Fiscal 2022. AU SFB has the highest average RoE and RoA from Fiscal 2019 to Fiscal 2022 amongst SFBs at 17.7% and 1.9% respectively. Fincare had the second highest average ROE (12.8%) and average ROA (1.8%) form Fiscal 2019 to Fiscal 2022

Profitability of players (Average Fiscal 2019 to Fiscal 2022)

	Average FY2019-FY2022	
	RoE (%)	RoA (%)
SFBs		
AU SFB	17.7%	1.9%
Equitas SFB	9.9%	1.4%
Ujjivan SFB	3.0%	0.5%
Jana SFB	(41.3%)	(4.9%)
ESAF SFB	11.6%	1.3%
Utkarsh SFB	12.6%	1.4%
Fincare SFB	12.8%	1.8%
Suryoday SFB	4.6%	1.1%
Microfinance		
Credit Access	10.3%	3.0%
Spandana	10.4%	4.1%
Universal Banks		
Bandhan Bank	14.0%	2.5%

Note: NA – Not available
Source: Company reports, CRISIL Research

Fincare has superior return ratio as compared to its peers during the initial 2 years of operation

Players	1st full year of operation	Branch network growth		AUM growth		RoE (%)			Deposit growth	
		2nd year	3rd year	2nd year	3rd year	1st year	2nd year	3rd year	2nd year	3rd year
AU SFB	FY18	48%	16%	50%	27%	12.8%	14.0%	15.8%	145%	35%
Equitas SFB	FY18	0%	118%	50%	31%	1.6%	9.8%	9.8%	61%	14%
Ujjivan SFB	FY18	2%	21%	46%	28%	0.4%	11.5%	14.0%	96%	46%
Jana SFB	FY19	165%	NA	73%	NA	(177.0%)	3.5%	NA	130%	NA
ESAF SFB	FY18	253%	7%	44%	49%	7.9%	14.6%	19.2%	71%	63%
Utkarsh SFB	FY18	19%	5%	50%	43%	(15.3%)	15.8%	20.8%	73%	(12%)
Fincare SFB	FY19	25%	14%	51%	14%	20.3%	18.3%	11.8%	128%	14%
Suryoday SFB	FY18	58%	25%	71%	24%	1.9%	12.2%	11.4%	113%	79%

Note: NA: Not applicable, Source: Company reports, CRISIL Research

	CASA share			Credit to Deposit			Share of retail deposits		
Year of operation	1st year	2nd year	3rd year	1st year	2nd year	3rd year	1st year	2nd year	3rd year
AU SFB	32%	21%	16%	138%	129%	133%	47%	45%	49%
Equitas SFB	35%	28%	21%	194%	150%	130%	64%	58%	58%
Ujjivan SFB	4%	11%	14%	148%	103%	NA	27%	43%	49%
Jana SFB	-	7%	NA	125%	105%	93%	-	-	NA
ESAF SFB	10%	14%	14%	141%	123%	187%	96%	92%	95%
Utkarsh SFB	5%	10%	21%	135%	99%	NA	13%	31%	48%
Fincare SFB	11%	12%	24%	210%	170%	124%	56%	51%	91%
Suryoday SFB	10%	11%	12%	138%	129%	133%	39%	61%	66%

NA: Not applicable
Source: Company reports, CRISIL Research

AU SFB has the lowest GNPA and NNPA amongst SFBs at the end of Fiscal 2022. At the end of Fiscal 2022, AU SFB has the lowest GNPA amongst the SFBs at 2.0% followed by Equitas SFB (4.1%) and Jana SFB (5.7%). At end of Fiscal 2022, Fincare SFB had a GNPA of 7.8%. At the end of Fiscal 2022, AU SFB also has the lowest NNPA amongst the SFBs at 0.5% followed by Ujjivan SFB (0.6%) and Jana SFB (1.8%). Fincare SFB had a NNPA of 3.6%. Fincare SFB has the 2nd highest LCR at the end of Fiscal 2022. At the end of Fiscal 2022, Suroyday SFB had the highest LCR at 223.0%, followed by Fincare SFB (206.0%) and Utkarsh SFB (173.4%). Fincare SFB has 3rd highest Capital adequacy ratio ("CAR") amongst all SFBs as of Fiscal 2022 As of Fiscal 2022, Fincare SFB has the third highest CAR of 22.32% amongst all SFB after Suryoday SFB (37.9%) and Equitas SFB (25.2%).

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 advanced	GNPA (%)	NNPA (%)	Stressed book$	CRAR	Tier-1 ratio
SFBs										
AU SFB	75.0%	0.8%	125.0%	106%	2.5%	2.0%	0.5%	3.0%	21.0%	19.7%
Equitas SFB	58.6%	2.6%	134.0%	99%^	9.2%	4.1%	2.4%	11.6%	25.2%	24.5%
Ujjivan SFB	92.0%	6.9%	152.0%	100%	5.2%	7.1%	0.6%	5.8%	19.0%	28.0%
Jana SFB	32.2%^^	3.0%^	NA	NA	2.7%	5.7%	1.8%	6.6%	15.3%	11.8%
ESAF SFB	49.9%^^	4.1%^	132.4%*	NA	4.7%	7.8%	3.9%	8.6%	18.6%	16.2%
Utkarsh SFB	63.6%	4.3%	173.4%	100%	1.3%	6.1%	2.3%	3.6%	21.6%	18.1%
Fincare SFB	44.0%	6.2%	206.0%	97%	5.3%	7.8%	3.6%	8.9%	22.3%	19.5%
Suryoday SFB	49.2%^^	8.5%	223.0%*	116%	10.7%	11.8%	6.0%	16.7%	37.9%	34.4%
Microfinance										
Credit Access	69.9%^^	3.6%	NA	96%	1.8%	3.1%	0.9%	2.7%	26.5%	25.9%
Spandana	50.0%^^	6.5%	NA	94%	18.0%	5.7%	2.8%	24.0%	51.1%	39.7%^
Universal banks										
Bandhan Bank	74.3%^^	8.5%	NA	99%	5.2%	6.5%	1.7%	8.2%	20.1%	18.9%

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

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 2) Monthly Collection efficiency = {Current + Overdue collections (excluding prepayments)} / Scheduled billing assuming no moratorium, Source: CRISIL Research

SFBs have better management depth as compared to NBFC-MFIs, as its average team size is nineteen as compared to thirteen of NBFC-MFIs. Also, its average experience of twenty five is higher than twenty three for NBFC-MFI players. Fincare's average management experience is twenty five years which is at par with the industry average for SFBs.

Experience of leadership team (Fiscal 2022)

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	13	22
Satin Creditcare	12	23
Average	**13**	**23**

Source: Company reports, CRISIL Research

Geographical concentration of loan portfolio

Ujjivan SFB had the most geographically diversified portfolio among peers with the top state, top three states and top five states accounting for 16%, 42% and 60% respectively in Fiscal 2022.

State mix of AUM (Fiscal 2022)

AUM	Share of top state	Share of top 3 states	Share of top 5 states
SFBs			
AU SFB	41%	58%	68%
Equitas SFB*	54%	77%	85%
Ujjivan SFB	16%	42%	60%
Jana SFB**	20%	53%	66%
ESAF SFB*	56%	79%	85%
Utkarsh SFB	34%	70%	83%
Fincare SFB	22%	53%	74%
Suryoday SFB	34%	72%	87%

Note: NA – Not available, (*)-Data as of March 2021, (**)- Data as of September 2020
Source: Company reports, CRISIL Research

Geographical concentration of deposits

State mix of deposits (Fiscal 2022)

Deposits	Share of top state	Share of top 3 states	Share of top 5 states
SFBs			
AU SFB	30%	64%	80%
Equitas SFB*	25%	51%	66%
Jana SFB**	15%	39%	57%
ESAF SFB*	97%	90%	92%
Utkarsh SFB	17%	47%	66%
Fincare SFB	15%	41%	61%
Suryoday SFB	42%	74%	89%

Note: NA – Not available, (*)-Data as of March 2021, (**)- Data as of September 2020
Source: Company reports, CRISIL Research

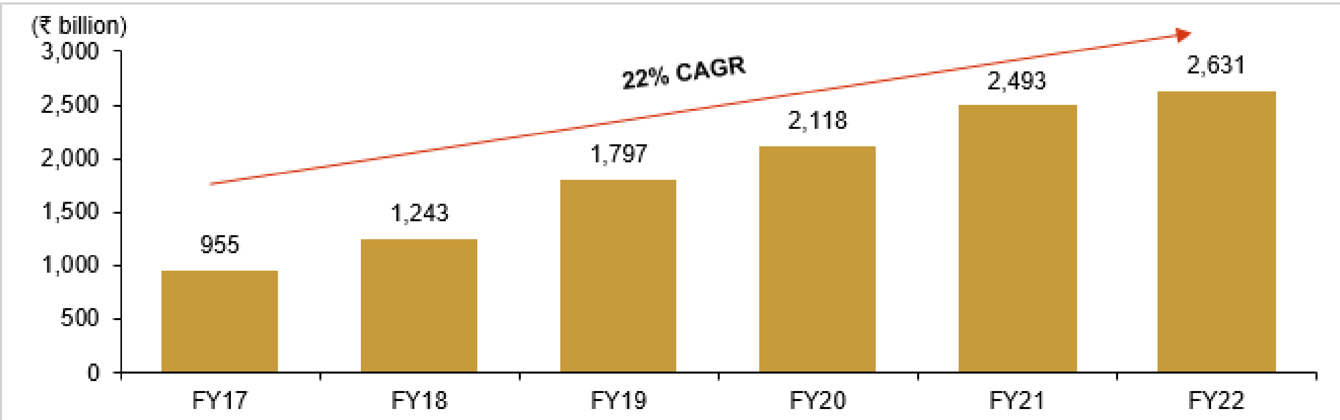
OVERALL MICROFINANCE INDUSTRY

Industry GLP surged at 22% 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 22% since Fiscal 2017 to reach approximately ₹ 2.6 trillion in Fiscal 2022 with NBFC MFIs growing at a faster pace 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-19levels 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 number of cases declined, and collections started improving. However, the key monitorable 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 22% CAGR between Fiscals 2017 and 2022



*Note: Data includes only 0 to 179 day's portfolio, 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*

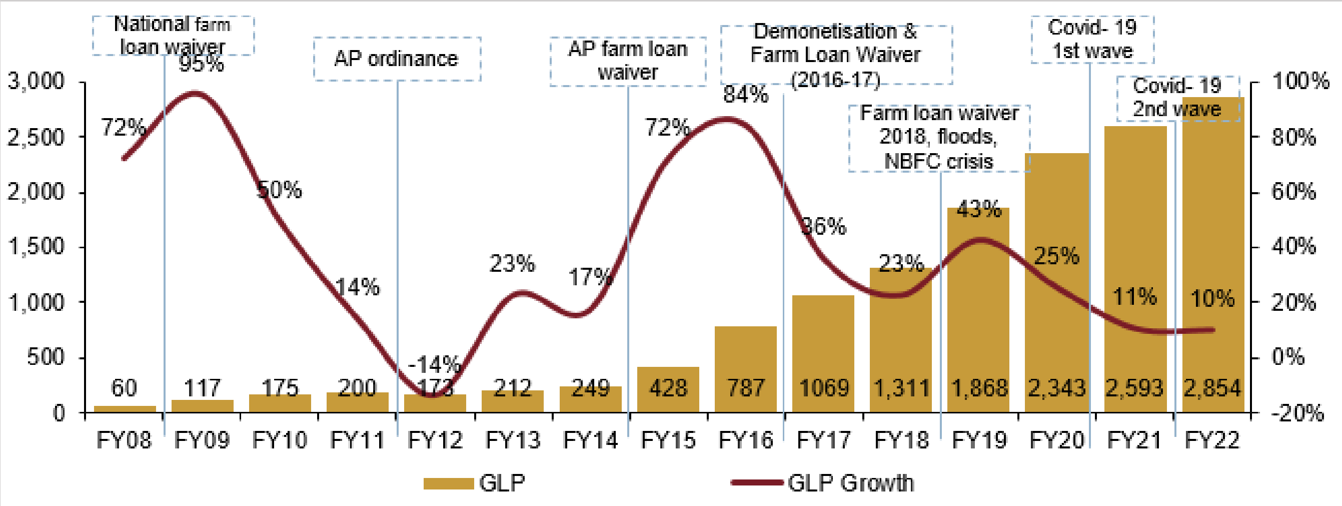
Source: Equifax, Company reports, Industry and CRISIL Research

Industry resilient despite major setbacks and changing landscape

The industry's growth has been regardless facing 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.

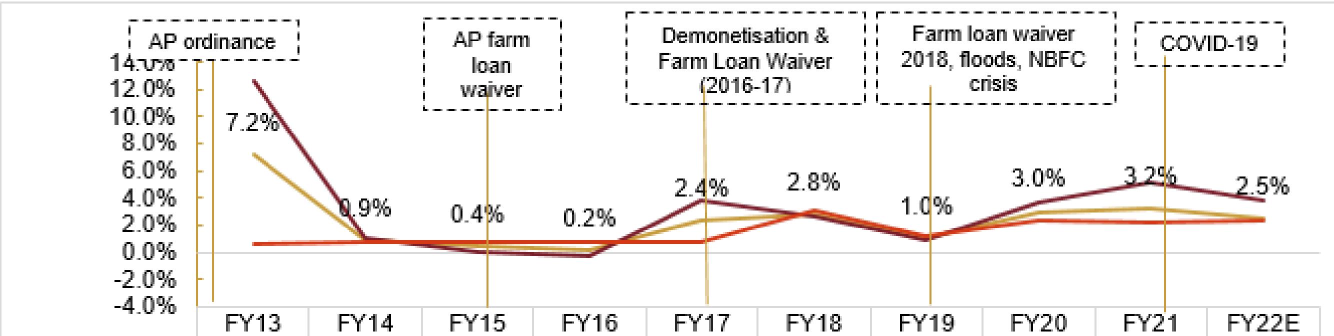
MFI industry has shown resilience over the past decade



Note: Data includes data for Banks lending through 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. Amidst the COVID-19 pandemic, MFIs have bolstered their capital position by raising fresh equity capital. The ability of these entities to raise capital, even in such uncertain time, can be attributed to the latent growth potential of the sector, ability of the industry to wade through periods of crisis by taking proactive steps, social impact of MFI lending and healthy profitability over business cycles. Furthermore, MFI lending is closely regulated by RBI and over the years, the regulator has come out various regulations to enable long-term sustainable growth in the sector and reduce systemic risks.

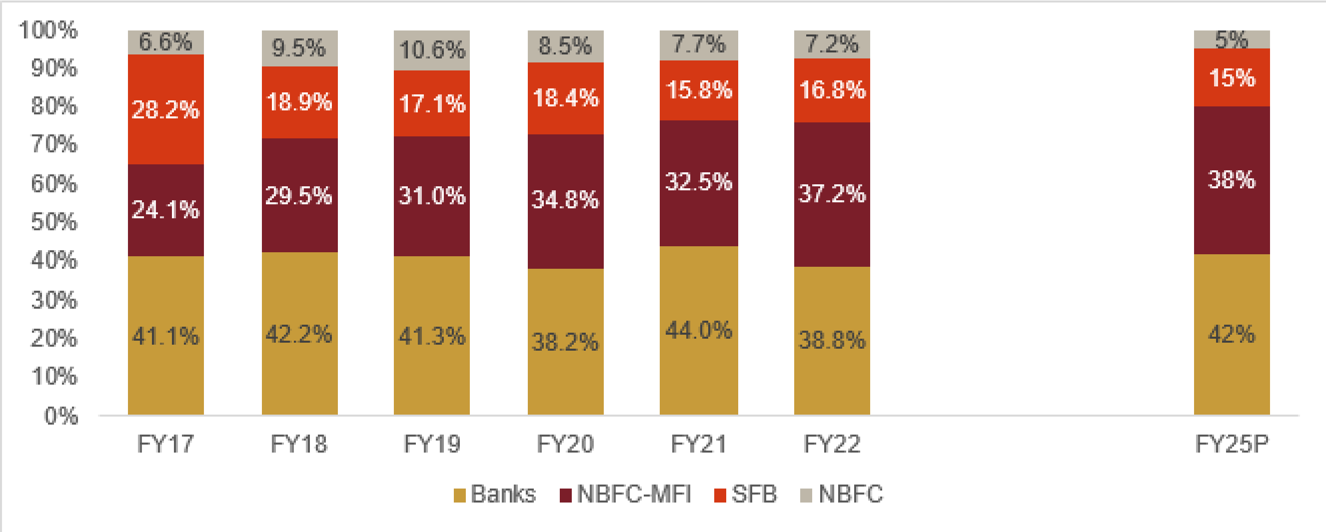
<u>Credit costs for microfinance industry across various events</u>



	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

SFBs share in overall MFI industry to reduce to approximately 15% by Fiscal 2025



Note: P = Projected; Data includes data for Banks lending through 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, NBFC-MFI data includes data for NBFC-MFIs and other MFIs, Source: Equifax, CRISIL Research

Demonetisation (2016)

On November 8, 2016, the Indian government announced the demonetisation of ₹ 500 and ₹ 1,000 notes. This shook the industry, as approximately 86% of the currency in value terms (₹ 500 and ₹ 1,000 notes) was removed from circulation while replacement of currency (with ₹ 100 and ₹ 2,000 notes) by the central bank was sluggish. As a consequence, GLP of the MFI industry, which grew at approximately 70% in the first half of Fiscal 2017, suddenly slumped to 22% by the end of the year. The collections were also severely hit, thereby adversely impacting asset quality as PAR>90 jumped to 5.9% as of March 2017 from 1.3% as of March 2016.

Farm loan waivers in Fiscals 2017 and 2018

Uttar Pradesh, Maharashtra, Karnataka and Punjab had announced farm loan waivers with varying coverage, which impacted collections initially. However, efforts by MFIs to educate borrowers about the applicability of the scheme have led to a gradual pick-up in loan collection. Even the government and industry associations helped players by making related announcements through media to educate borrowers.

State	Total registered farmers (million)	% of marginal & small farmers in total registered farmers (%)	Extent of loan waiver (₹ billion) *	Key features of loan waiver
Uttar Pradesh	23.3	92.5	363.59	Crop loans up to ₹ 0.1 million per farmer taken by small and marginal farmers until March 31, 2016 would be waived
Maharashtra	13.7	57.3	340.22	Farm loans of all indebted farmers, regardless of their land holdings, whose loan accounts went into default from April 1, 2009 to June 30, 2016, would be waived with a cap of ₹ 0.15 million per farmer. Farmers with loans over ₹ 0.15 million have been allowed to repay the loans in three instalments beyond June 30, 2017, with the government providing a one-time settlement by depositing the last instalment of ₹ 0.15 million in their accounts. A bonus of 25% of debt, capped at ₹ 25,000, to farmers who have regularly repaid their loans until July 31, 2017. A one-time settlement scheme for farmers, whose loans have been restructured – the government would contribute ₹ 0.15 million per account.
Karnataka	7.8	77.3	86.15	Crop loans of up to ₹ 50,000 per farmer, if borrowed from co-operative banks, would be waived off.
Punjab	1.1	34.1	100.00	Crop loans of up to ₹ 0.2 million per farmer would be waived off. The scheme wou[illegible]over farmers having up to 5 acre of land Overall, outstanding institutional crop loans of households, where a farmer has committed suicide, would be waived off.

*Note: The number of operational holdings assumed as a proxy for the number of registered farmers, *Reported by state governments in press statements, Source: National Sample Survey Office ("**NSSO**") situation assessment survey of agricultural households (2013), CRISIL Research*

It led to a slowdown in lending, and it was mostly due to lower repayments caused by disturbance in the repayment cycle in the mentioned states. However, the impact on NBFC-MFIs was lesser than on banks due to regular touch with the customer, which helped them maintain a healthy collection rate.

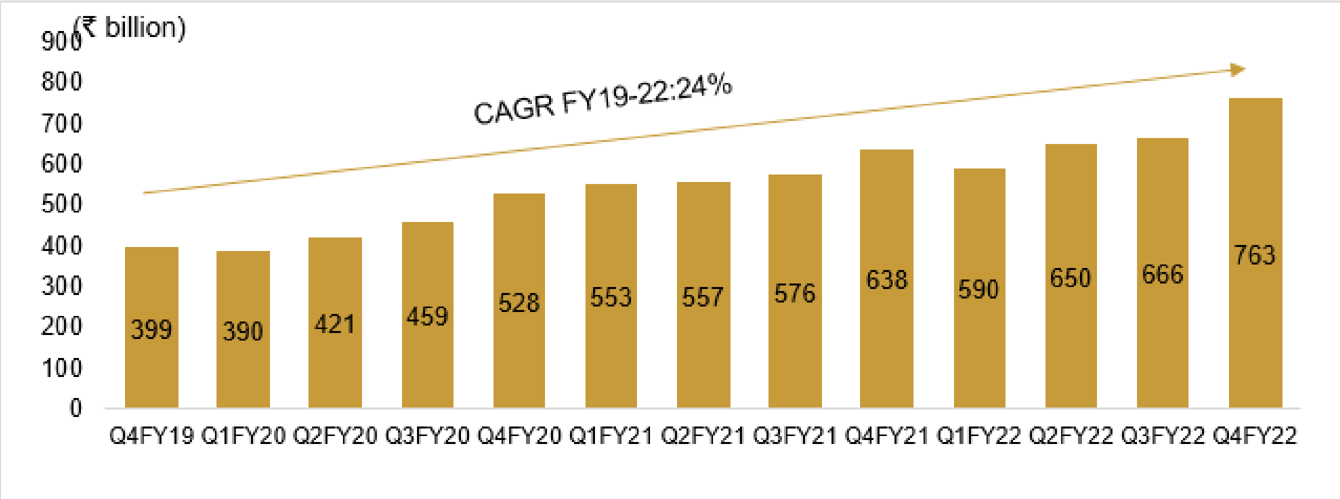
Impact of floods in Kerala and Odisha (2018 to 2020)

In 2018, southern India suffered severe floods. Kerala was one of the most affected; its microfinance industry was adversely impacted, and credit quality of most borrowers deteriorated due to loss of income-generating businesses. In May 2019 and May 2020, Odisha witnessed the worst cyclones, Cyclone Fani and Cyclone Amphan, in 20 years. These cyclones impacted the states of West Bengal and Odisha severely and resulted in a near-term spike in NBFC-MFIs and SFBs' PAR portfolio.

NBFC liquidity crisis

The liquidity crisis plaguing NBFCs in India had a minor ripple effect on micro-lenders. The lenders who relied on NBFCs for funding slowed down disbursement and started looking at different avenues to raise money. However, the impact of the crisis was not that profound as large NBFC-MFIs had a diversified funding mix and were able to leverage this to their advantage as industry witnessed NBFC-MFIs' outstanding borrowings to grow at 24% CAGR from March 2019 to March 2022.

Funding trend of NBFC-MFIs (outstanding borrowing as at end of March 2022)



Note: Data includes only NBFC-MFIs, Source: MFIN, 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-19level 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 ₹ 500 crore 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 ₹ 1.25 lakh 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

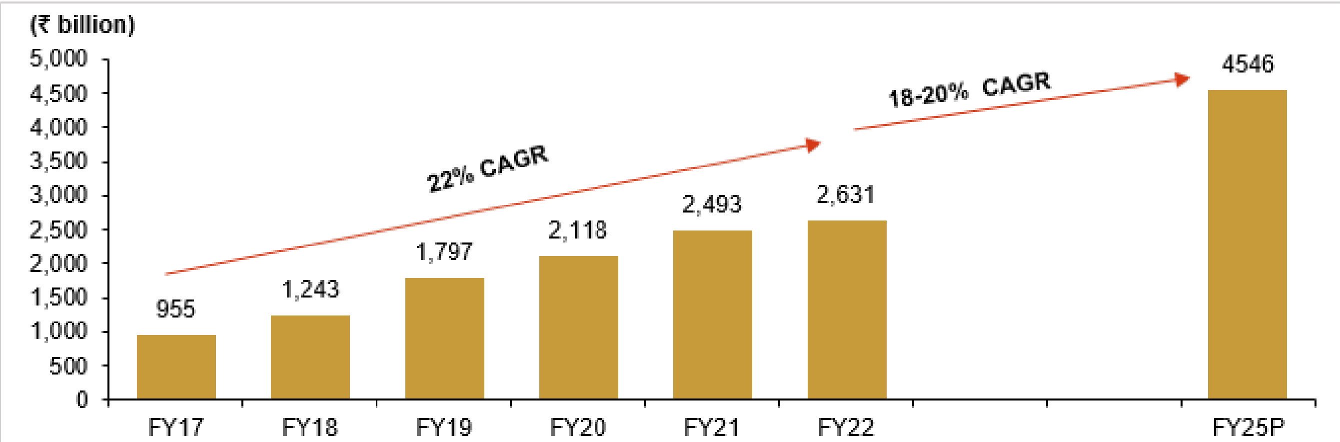
Although India's household credit penetration on MFI loan has increased it is still on the lower side as only few states have higher penetration. There is huge untapped market available for MFI players. As at the end of March 2022, the microfinance industry had grown at a CAGR of 22% since Fiscal 2017. In Fiscal 2022, the industry grew by 9.8% on year to reach ₹ 2.6 trillion as of March 2022.

CRISIL Research expects the MFI loan portfolio to clock 18% to 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 microfinance 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% to 20% CAGR over Fiscal 2022 to Fiscal 2025



Note: Data includes data for Banks lending through 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, P: Projected

Source: Equifax, Company reports, Industry and CRISIL Research

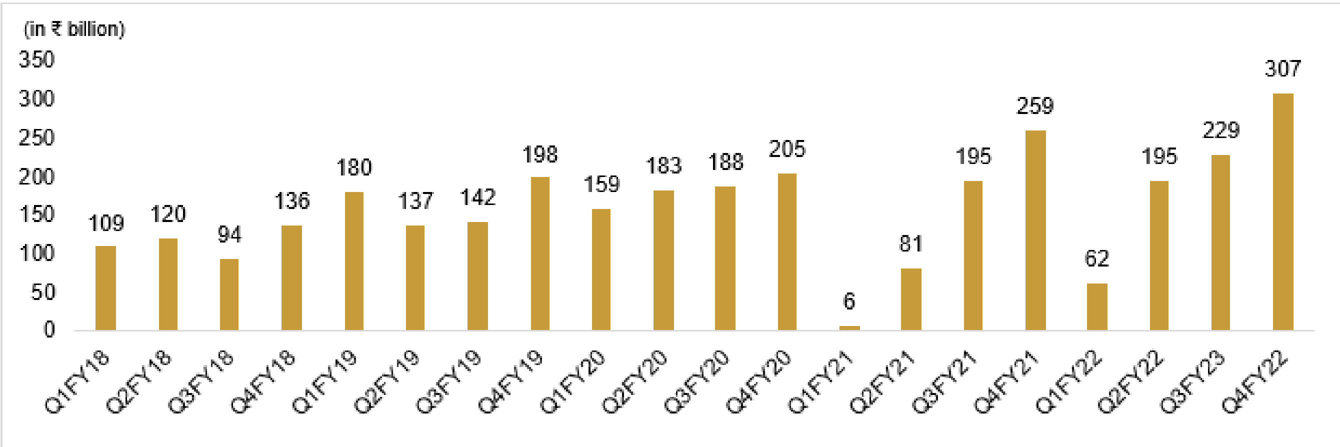
Growth in the MFI business is expected to come from increasing presence in newer states, expanding the client base, and gradual increasing of the ticket size.

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 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 2022 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% to 99% in the fourth quarter of Fiscal 2022.

Disbursements gaining traction after COVID-19 impact

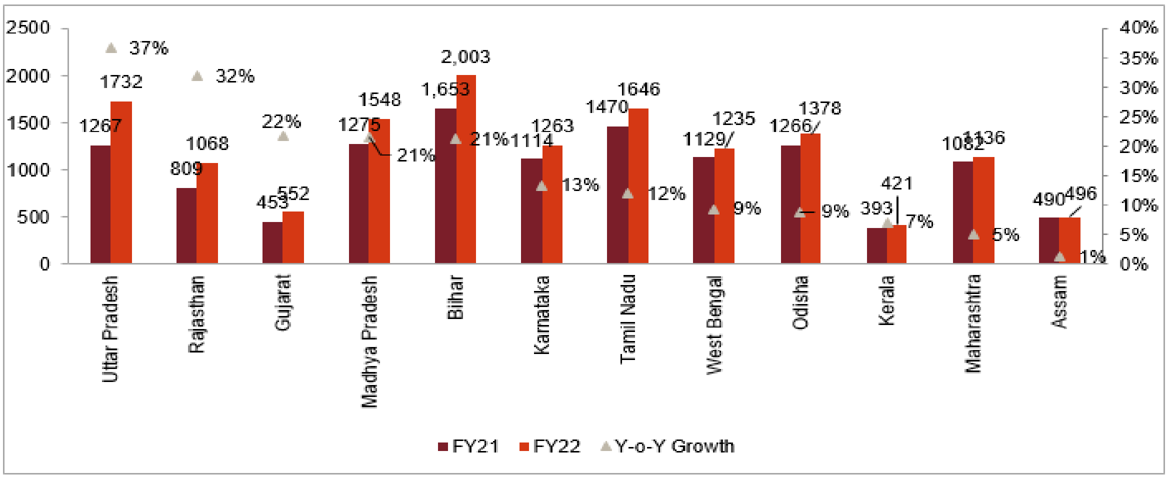


Note: E: Estimated, Data includes data for NBFC-MFI
Source: MFIN, CRISIL Research

Players tapping newer states and districts to widen client base

CRISIL Research has seen a significant jump in the number of MFIs operating in Uttar Pradesh, Rajasthan, Gujarat and Madhya Pradesh over Fiscal 2022. The total number of branches in these states have seen significant growth in recent years, leading to a jump in GLP for these states. The availability of borrower credit related data from credit information companies also ensured that MFIs have access to more data on borrowers, helping them make informed lending decisions.

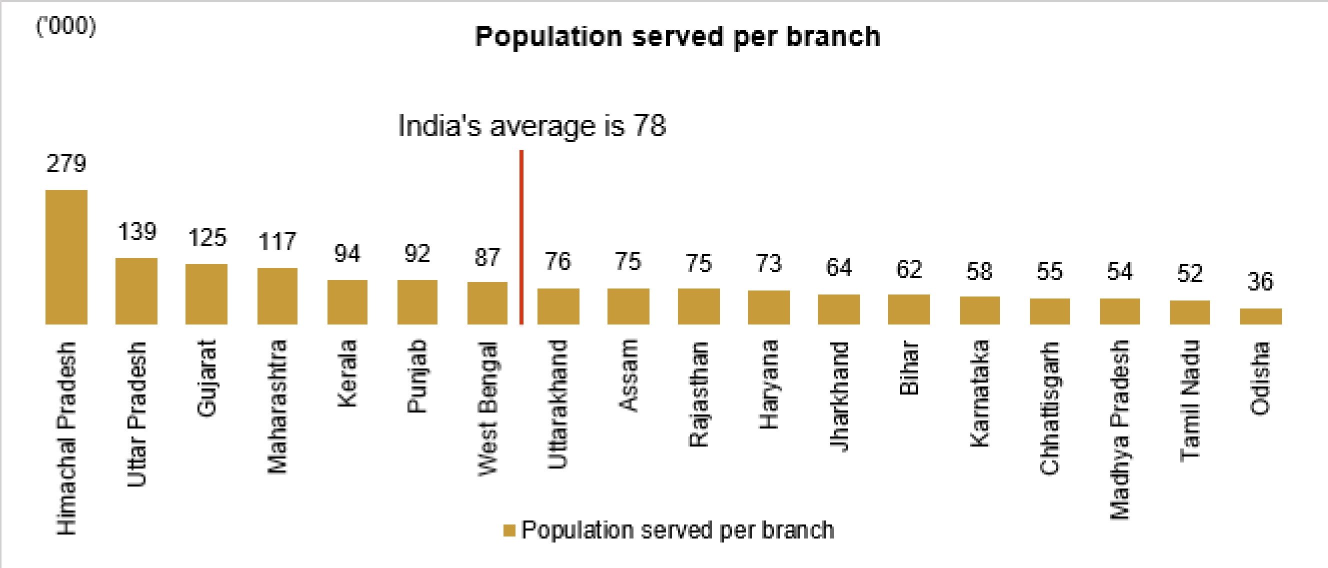
Total branches of MFIs in each state or union territory



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

In the last few years, many MFIs have opened branches in untapped districts, thus increasing their penetration. Some of the highly populated states like Uttar Pradesh, Maharashtra and West Bengal are highly penetrated as these states have at least one branch for 85,000 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. Madhya Pradesh, Bihar and Tamil Nadu 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.

Population served per branch in each state/UT



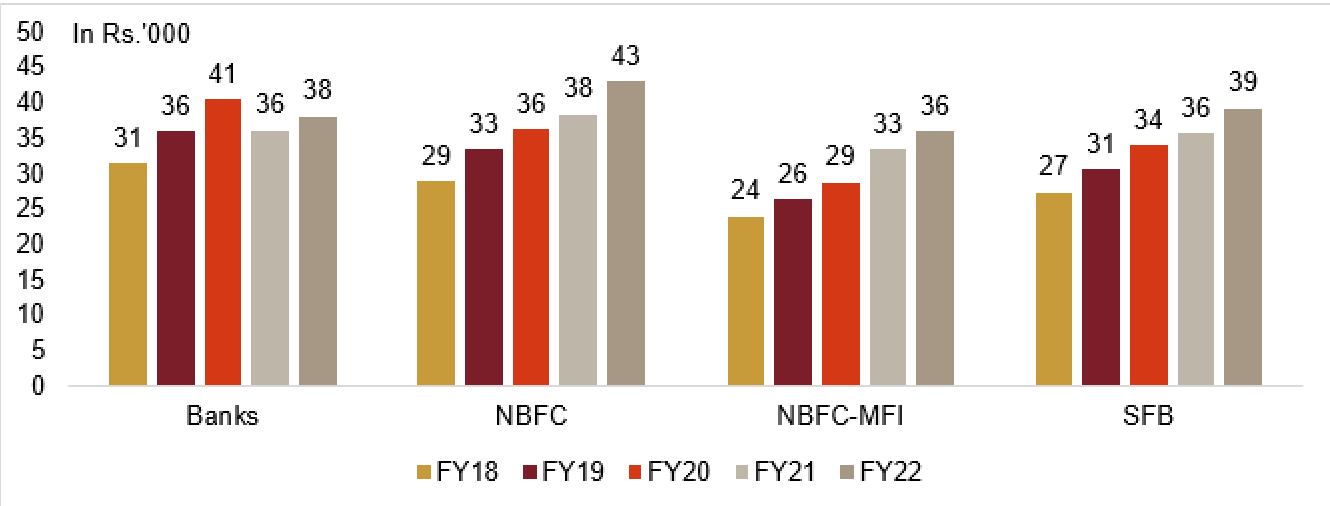
Note: Data includes only NBFC-MFI players and those states where five or more MFIs are operating

Source: MFIN, CRISIL Research

Average ticket size to expand, but at slower pace

The average ticket size for MFI players have grown at approximately 8% CAGR from ₹ 27,976 to ₹ 37,810 between Fiscal 2018 and Fiscal 2022. Going forward, the average ticket size for MFI industry is expected to clock approximately 2-2.5% CAGR from Fiscal 2022 to Fiscal 2025 reaching approximately ₹ 40,500. The average ticket size of the MFI loans of SFB has risen by approximately 9% over Fiscals 2018 to 2022 to ₹ 39,201 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 SFB is better compared to NBFC MFI and Banks



Note: Average ticket size on the basis of disbursement, NBFC-MFI included other MFIs

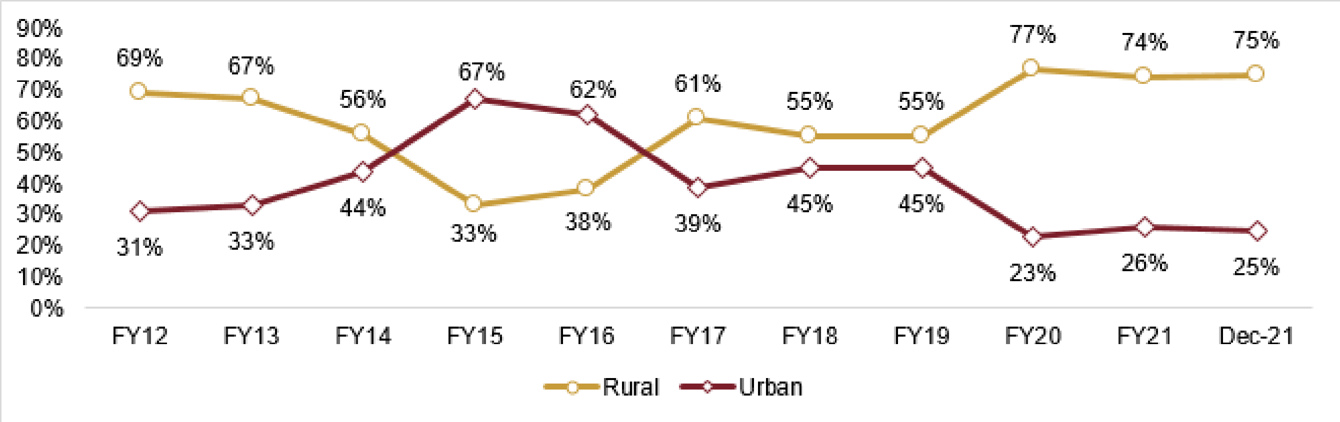
Source: Equifax, CRISIL Research

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 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 to 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 focussed 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, 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. For instance, monthly roll back rates for 1-30 dpd and 31-90 dpd buckets increased in March 2022 after declining between December 2021 and February 2022. For 91-180 dpd bucket, the monthly roll back rates increased in Jan 2022, but declined in Feb 2022 and again increased in March 2022.

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 who use technology will have an edge in reducing their operational cost and optimising their 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.

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.

On the flip side, the increase in annual household income threshold could increase the maximum permissible indebtedness limit of borrowers from the old level of ₹ 1,25,000. While the limit on the loan repayment obligation would act as a safeguard against excessive leveraging, the increased permissible debt limit and possibility of divergences in household income assessment criteria across lenders still pose risks. Proper data infrastructure would be required to analyze and estimate household incomes, especially in rural areas.

Subsequent to RBI's revised regulations for MFI loans, effective April 1, 2022, some MFIs have increased interest rates for borrowers by 150-200 bps, especially those who are credit untested.

CRISIL Research expects the rates to slowly settle down as MFIs begin to adapt to the new regime and put in place processes for household income, leverage and risk capture, given the new guidelines. Competitive forces would prevent a substantial spurt in rates for MFI customers, especially those with a good repayment track record and credit behaviour.

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 lesser than ₹ 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	Annual household income: 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	Limit on Maximum Loan Repayment Obligation of a household towards all loans: 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)*

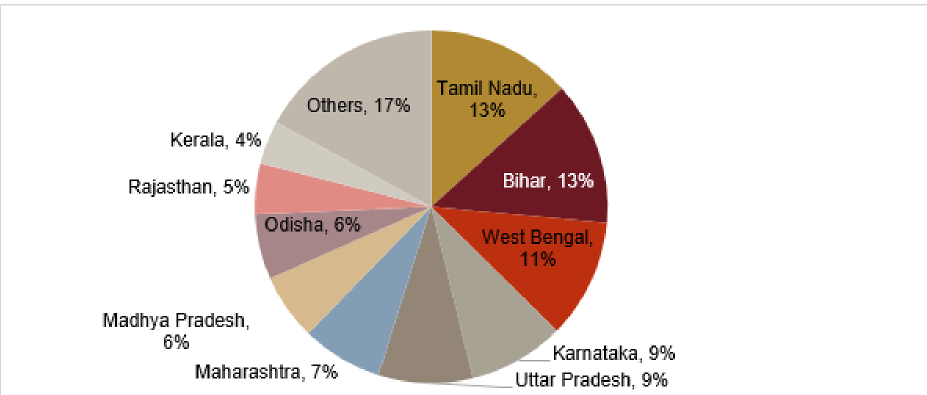
Source: RBI, CRISIL Research

State-wise Analysis

Top 10 states contribute about 83% of MFI loans

Over 80% of the gross loan portfolio is concentrated in the top 10 states with Tamil Nadu (13%), Bihar (13%), and West Bengal (11%) recording the highest shares as of March 2022. Within top 10 states, Tamil Nadu witnessed fastest disbursement growth of 35% from Fiscal 2018 to Fiscal 2022 followed by Gujarat (24%) and Karnataka (21%).

State-wise distribution of MFI loans portfolio outstanding (Fiscal 2022)



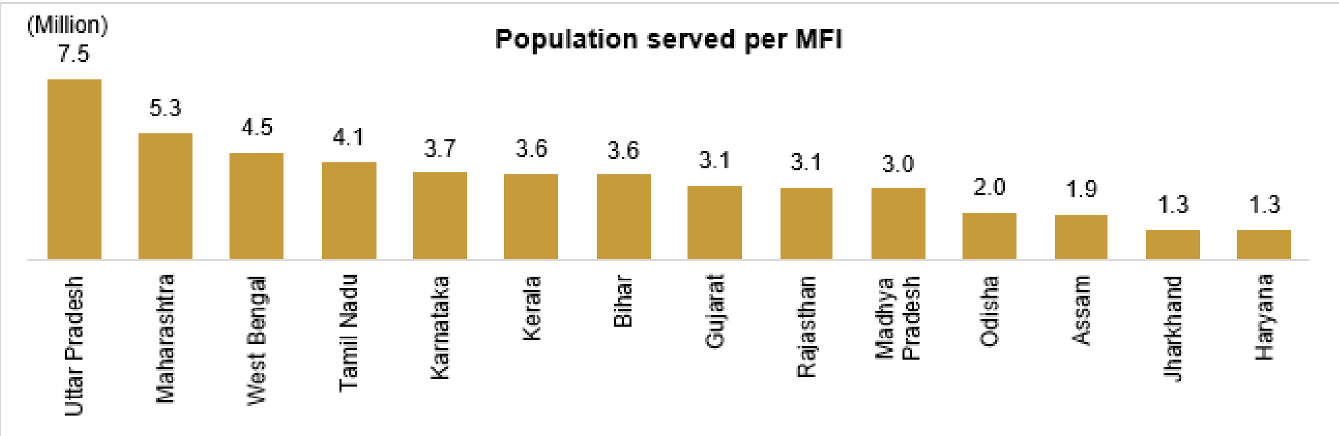
Source: Equifax, CRISIL Research

State-wise distribution of MFI loans disbursement

₹ billion	FY18	FY19	FY20	FY21	FY22	FY18 to 22 CAGR growth
Tamil Nadu	29	54	77	61	96	35%
Gujarat	9	14	16	12	21	24%
Karnataka	43	102	20	76	91	21%
Rajasthan	20	41	30	26	42	20%
Bihar	56	100	95	61	105	17%
Punjab	10	20	22	13	18	16%
Uttar Pradesh	45	68	60	38	74	13%
Madhya Pradesh	39	51	62	49	59	11%
Jharkhand	18	26	12	17	24	7%
West Bengal	38	83	63	32	48	6%
Maharashtra	56	76	72	46	65	4%
Uttarakhand	6	3	4	8	6	1%
Odisha	68	89	65	42	67	0%
Kerala	24	28	86	13	21	-4%
Chhattisgarh	26	19	21	15	17	-10%
Assam	10	28	24	7	5	-16%
Haryana	50	14	1	10	16	-24%

Source: MFIN, CRISIL Research

MFI penetration across states (March 2022)

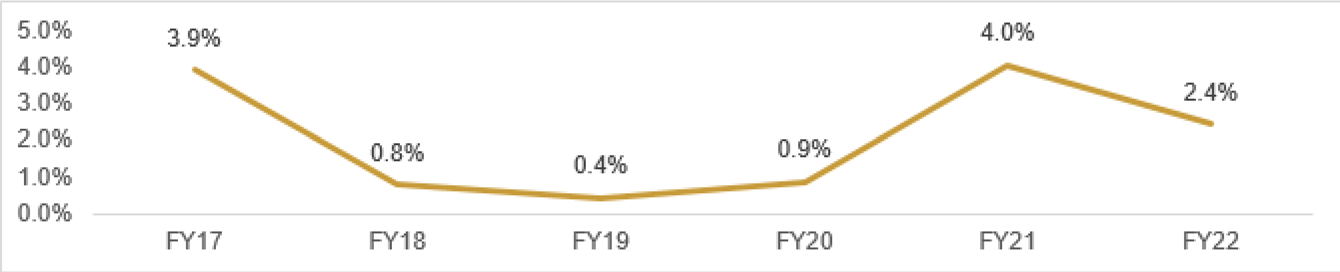


Note: 1. Data includes only NBFC-MFI players and those states where five or more MFIs are operating as of Fiscal 2022, 2. Player penetration is calculated as state population divided by number of MFI players.
Source: MFIN, CRISIL Research

Asset quality

In Fiscal 2021, the asset quality of the industry deteriorated quite sharply, reflecting the adverse impact of COVID-19 on the industry. PAR greater than 90 for the industry shot up to 4.0% in Fiscal 2021 from 0.9% in Fiscal 2020. In Fiscal 2022 the PAR greater than 90 for the industry moderated from Fiscal 2021 levels at 2.4% mainly due to rise in economic activities post lockdown and better collections recorded by the MFI lenders.

Asset quality trend over the years

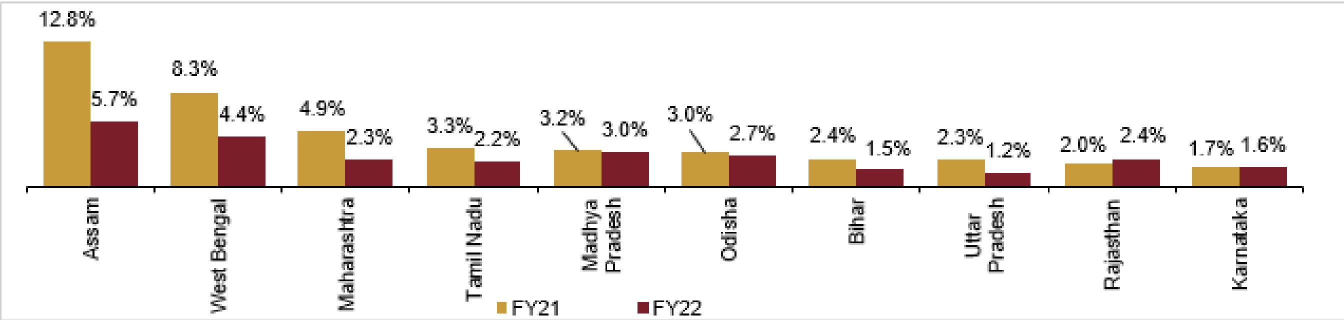


Note: PAR over 90 doesn't include delinquency beyond 180 days of MFI industry
Source: Equifax, CRISIL Research

Asset quality moderated across states in Fiscal 2022 compared to Fiscal 2021

Asset quality has moderated across states in Fiscal 2022 compared to Fiscal 2021. Assam has seen highest moderation in the asset quality in Fiscal 2022, with PAR over ninety 90 declining to 5.7% from 12.8%, after having deteriorated in Fiscal 2021 due to the proposed bill on microfinance. Other states such as West Bengal and Maharashtra has also witnessed some improvement in asset quality, however, Madhya Pradesh and Odisha are some of the states where PAR over 90 remained at elevated levels in Fiscal 2022 as compared to overall microfinance industry.

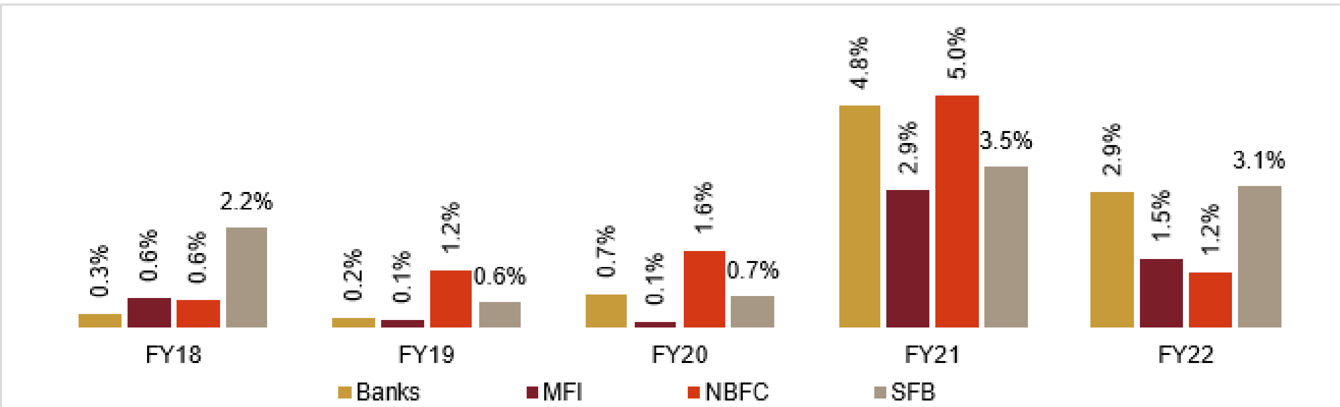
State-wise asset quality of top states (Fiscal 2021 and Fiscal 2022)



Note: 1) Data includes data for Banks lending through 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: Equifax, CRISIL Research

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



Note: PAR 90+ doesn't include delinquency beyond 180 days of MFI industry

Source: Equifax, CRISIL Research

As at March 2022, overall PAR greater than 90 for the industry was 2.4%, but SFBs have relatively higher PAR greater than 90 at 3.1% as at the same date and is still higher than pre-pandemic level.

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 rebounded further to 90% to 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 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 offset by steeper lending rates, thereby cushioning NIMs. Further, enhanced flexibility to set lending rates will be one of the drivers supporting a revival in the profitability of microfinance institutions in Fiscal 2023. This emanates from the Reserve Bank of India's ("**RBI**") removal of the interest margin cap on lending rate under its new regulatory framework for microfinanciers.

Over the course of Fiscal 2021 and Fiscal 2022, annual credit costs for microfinance industry have shot up to 4% to 5% because of pandemic-related provisioning However, most MFIs increased provisioning levels to fortify their balance sheets against asset quality risks. Going forward, CRISIL expect the credit costs to decrease gradually in Fiscals 2023 and 2024, thereby augmenting profitability of the sector. In this context, the new RBI framework augurs well for MFIs owing to higher income eligibility threshold and enhanced flexibility to price loans, which is likely to aid industry.

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

RoA tree	FY18	FY19	FY20	FY21	FY22E	FY23P
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

LOAN AGAINST PROPERTY ("LAP") – TICKET SIZE LESSER THAN ₹ 5 MILLION

Evolving landscape of the LAP market

Key factors that contributed to high LAP growth are:

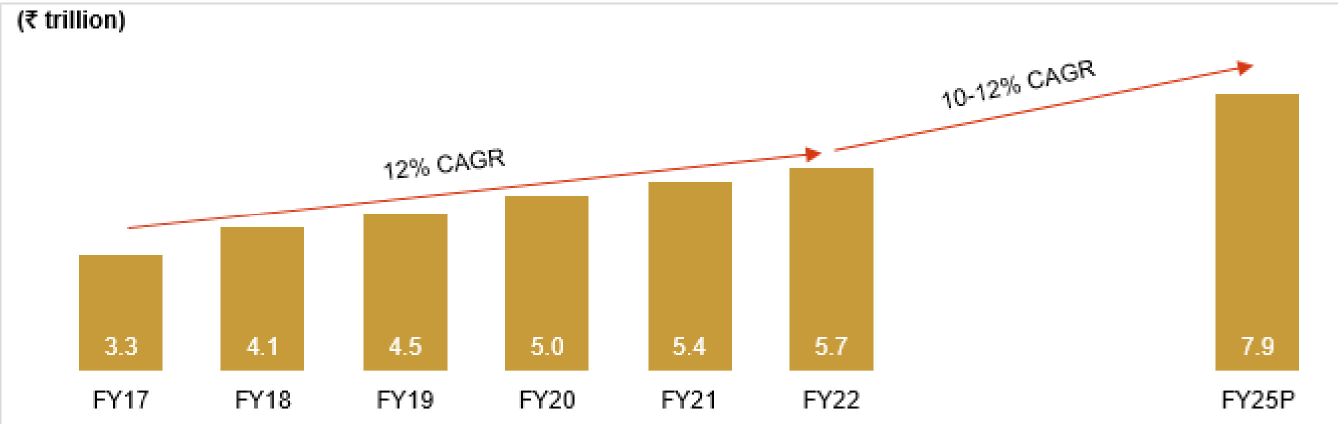
- *Quick turnaround time, lower interest rate, lesser documentation:* LAP loans are disbursed in about half the time taken for a secured MSME loan. It is also offered at a lower interest rate than secured MSME loans, unsecured personal and business loans. LAPs require lesser documentation than other 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% to 12% CAGR between Fiscal 2022 and Fiscal 2025.

Overall LAP advances growth is expected to grow over Fiscal 2022 to 2025 as impact of COVID-19 wanes out

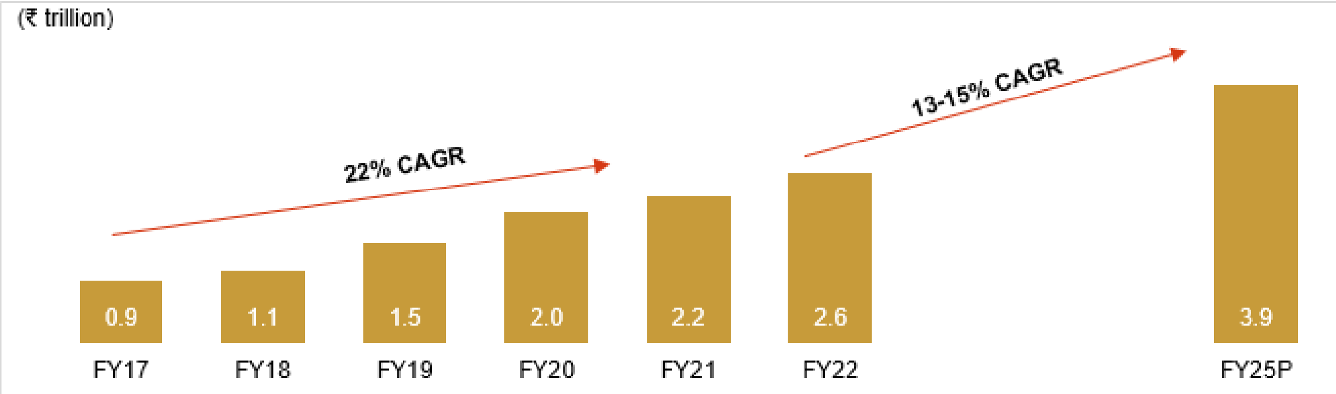


Note: P: Projected; Data Includes data for banks and non-banks

Source: CRISIL Research

In the past, lower ticket size LAP (ticket size lesser than ₹ 5 million) witnessed a faster growth of approximately 22% between Fiscal 2017 and Fiscal 2022. 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 15% to 18%. This has also led to the share of lower ticket size LAP in overall LAP industry to increase. Given the relatively low penetration levels, the vast market available, and increasing interest of financiers, CRISIL Research expects low ticket sized LAP (ticket size lesser than ₹ 5 million) credit to grow at a faster rate, leading to a CAGR of 13% to 15% between Fiscal 2022 and Fiscal 2025.

GLP for ticket size less than Rs.5 million registered faster growth compared to overall LAP industry

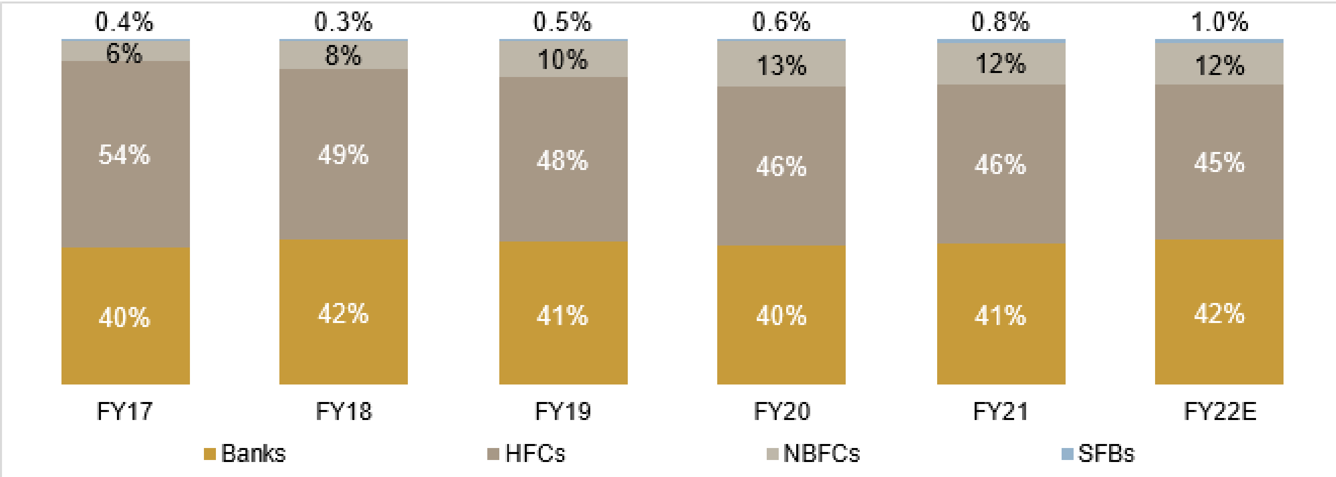


Note: P: Projected; Data Includes data for banks and non-banks

Source: CRISIL Research

Competitive scenario

Banks & SFBs have gained market share from HFCs and NBFCs; SFBs still at an emerging stage



Note: E: Estimated, Banks includes Public Banks, Private Banks and others.

Source: Industry, CRISIL Research

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.

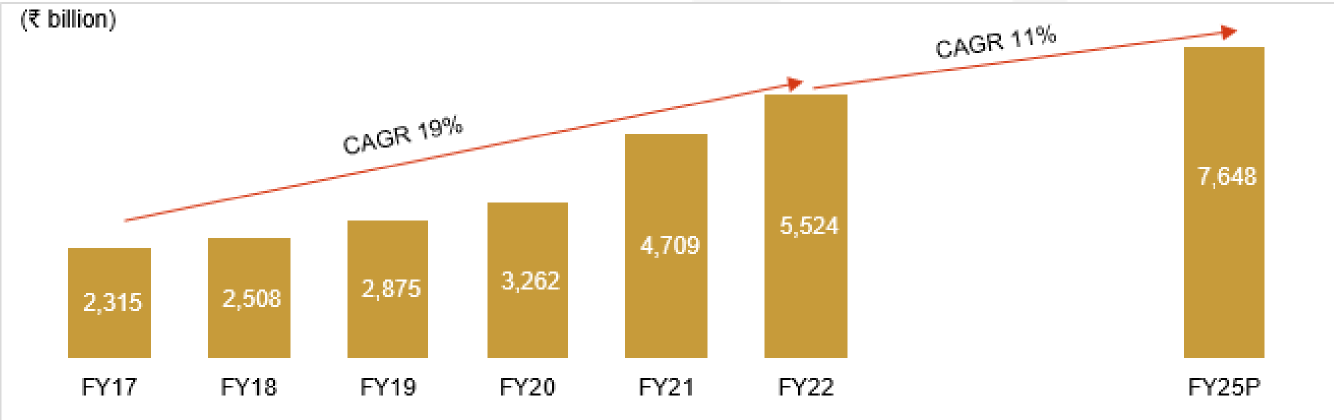
In Fiscal 2020, gold loan industry (including Banks and NBFCs) AUM grew approximately 13% YoY to reach ₹ 3.3 trillion on account of increased focus of players on diversifying their regional presence, strong growth in non-southern regions and rise in gold prices by approximately 19% in Fiscal 2020.

In Fiscal 2021, the demand for gold loan finance witnessed a massive surge with AUM shooting up from ₹ 3.3 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, CRISIL Research believes that 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 11-12% CAGR between Fiscal 2022 and 2025.

Growth in gold loan AUMs of organized lenders



Note: P: Projected
Source: CRISIL Research

Greater accessibility and growing customer base to boost growth for SFBs

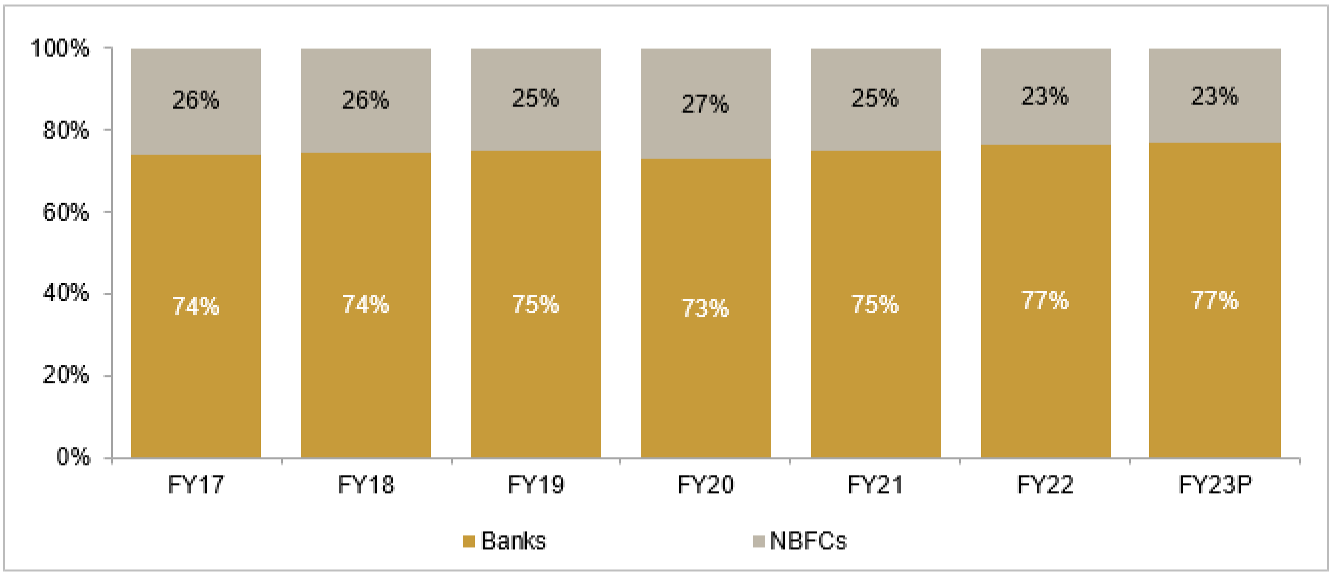
Over the past decade, specialized gold loan NBFCs have witnessed exceptional growth amongst organized players. This growth is driven by aggressive expansion of branches, heavy spend on marketing and rapid acquisition of customers. NBFCs and banks approach the gold loan market differently, reflected in their interest rates, ticket sizes and loan tenures. NBFCs focus more single-mindedly on the gold loans business and have, accordingly, built their service offerings by investing significantly in manpower, systems, processes and branch expansion. This has helped them attract and serve more customers. Some of their advantages are:

- Less documentation enabling faster turnaround;
- Adequate systems to ensure quick disbursals. For example, NBFCs have dedicated personnel to value the gold jewellery at the branches;
- Flexible repayment options, wherein the borrower can pay both the interest and principal at closure of the loan; and
- Greater accessibility due to better penetration, ability to serve non-bankable customers.

***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.

Movement in market share of NBFCs vis-a-vis banks



Note: P - Projected
Source: CRISIL Research

Comparison of Gold loan institutions on select business parameters

	Banks	Gold loan NBFCs	Unorganised moneylenders
Interest rate	7-15%	18-24%	25-45%
LTV	Up to 75%	Up to 75%	More than 75%
Tenure	8-12 months	2-12 months	6-12 months
Processing fee	Higher than NBFCs	No/minimal processing fees	None
Regulator	RBI	RBI	None
Documentation required	KYC Compliance	Minimal	Minimal
Product focus and customer service	Non-core product	Gold loan is core focus, excellent customer service	Gold loan is core focus
Mode of disbursements	Mainly cheque and direct transfer to account	Cash/ cheque and direct transfer to account	Mostly cash
Turnaround time	30 minutes - 2 hours	10 - 20 minutes	10 - 20 minutes
Opening hours	Banking hours	Beyond banking hours	More flexible than banks in terms of working hours

Source: CRISIL Research

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

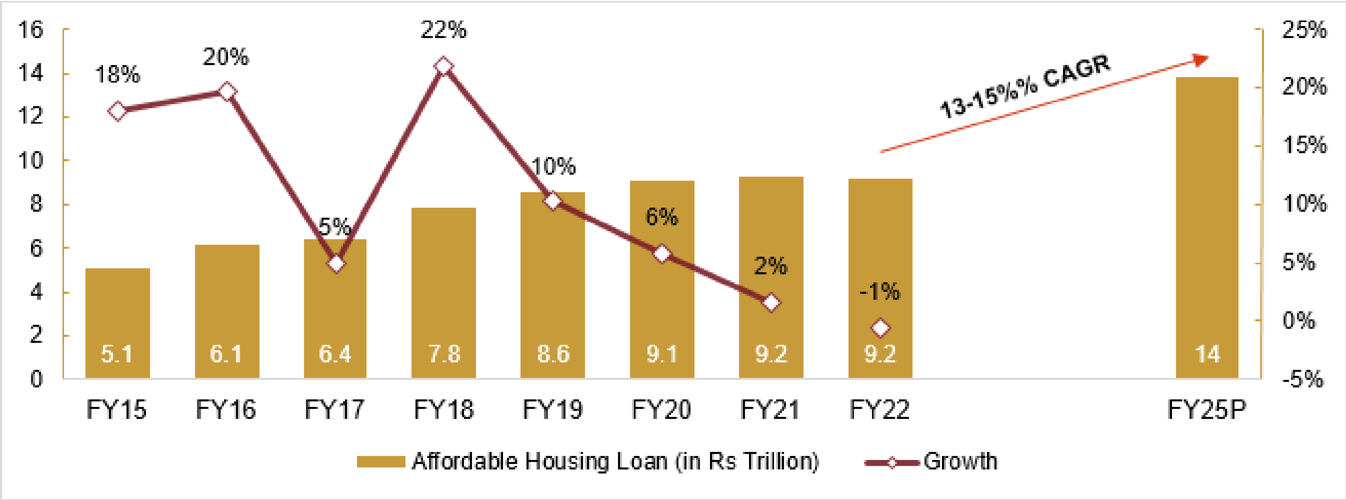
Housing loans (up to ₹ 2.5 million ticket size) logged a CAGR of approximately 12% during Fiscals 2015-2020. This was largely because of the government's increased focus on the housing loans (up to ₹ 2.5 million) segment. In Fiscal 2019, however, the growth slowed down considerably to 10% on year due 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 expects the segment to bounce back sharply and grow at approximately 13% to 15% CAGR over Fiscal 2022 to 2025 on account of following.

- Favourable government and regulatory support to promote housing loans (up to ₹ 2.5 million) industry;
- 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;
- Work from home scenario pushing purchase decision for houses; and
- Ease of access to finance and rise in finance penetration.

Housing loan growth (up to ₹ 2.5 million) to accelerate from Fiscal 2022

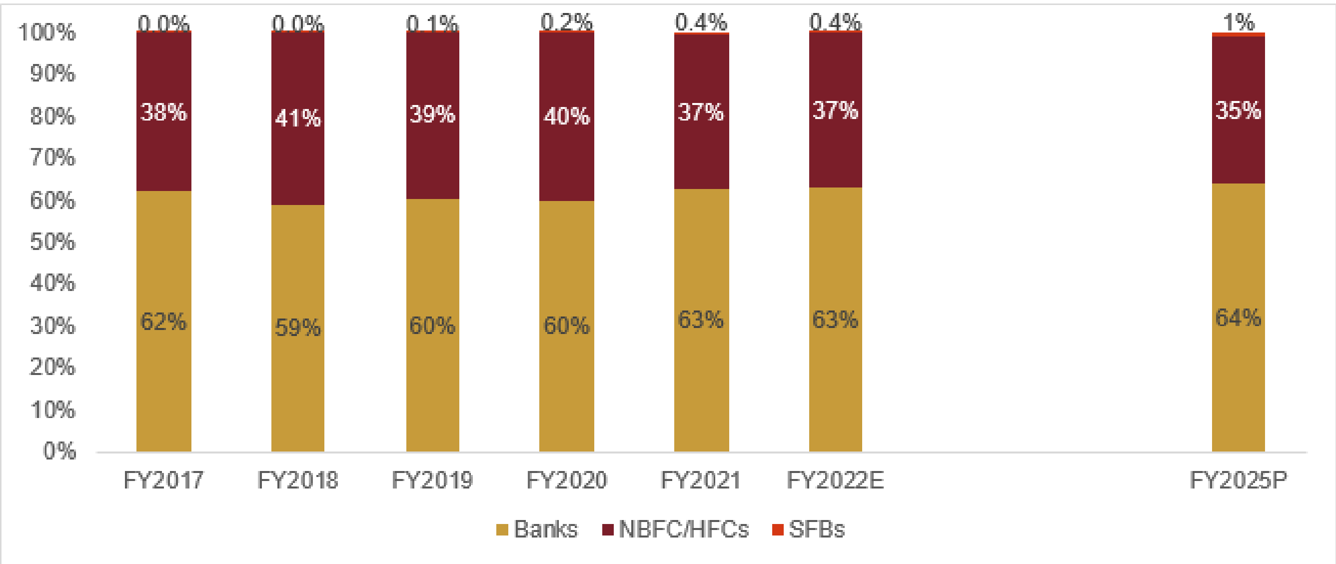


Note: P- Projected

Source: Company reports, RBI, CRISIL Research

Banks to gain market share in housing finance (up to ₹ 2.5 million)

CRISIL Research expect banks to grow at a faster pace vis-à-vis HFCs in housing loans (up to ₹ 2.5 million), given their advantage in terms of cost of funds and base of deposit accounts. Despite HFCs focus on housing loans (up to ₹ 2.5 million), as they attempt to ward off competition from banks and protect profitability, the liquidity crisis coupled with sluggish economic activity post COVID-19 has plagued their share. CRISIL Research expects, that SFBs are also expected to grow at a faster pace as compared to other banks and HFCs over the next two to three years.
Banks to continue to increase their foothold in this segment



Note: E: Estimated, P: Projected

Source: Company reports, 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.

Long-term growth drivers for housing finance

Higher transparency in the sector, increasing affordability and urbanisation, and government incentives will push up the housing finance market in longer term.

Government Initiatives

- **PMAY-U:** The scheme aims to fill the supply-demand gap in the housing sector. On supply side, the scheme offers incentives for beneficiary-led housing, public private partnerships ("**PPP**") in building homes for economicaly weaker sections ("**EWS**") and low income group ("**LIG**") by offering incentives such as allowing higher floor space index and announcing grants and subsidies for slum redevelopment. On the demand side, the PMAY provides credit-linked subsidies to stmulate demand
- **PMAY-G:** The scheme is for the rural population who don't have their own houses. It provides financial assistance and interest rate subsidy
- **Special financing window:** This window is expected to help revive stalled housing projects which require a last-mile funding to reach completion
- **Relaxation of ECB guidelines:** The relaxed external commercial borrowing ("**ECB**") guidelines will enable easier access to overseas funds and stimulate the sector
- **Tax incentives:** Provides various tax benefits to home loan borrowers
- **RERA:** The law was introduced in order to make the sector transparent
- **GST:** The GST rate for affordable housing projects was cut
- **EPF corpous withdrawal:** Permission to withdraw 90% of employees provident fund ("**EPF**") corpus enables prospective home buyers to make the down payment and pay their home loan EMIs

Regulator initiatives

- Risk weight rationalisation on housing loans to improve sentiment for the real estate sector
- **Regulatory authority of HFCs to shift from NHB to RBI:** The Budget 2020 proposed a change in regulatory oversight and supervision of HFCs from the NHB to the Reserve Bank of India. This shift will lead to more streamlined regulations and better risk management framework for HFCs.
- **SARFAESI Act** Bringing HFCs under the ambit of the SARFAESI Act has helped them accelerate recoveries
- **NHB refinance:** The NHB refinancing schemes help HFCs lower their borrowing costs
- **PSL guidelines revised:** The RBI increased the threshold limit for home loans to be classified as PSL in order to promote PMAY

Other factors

- **Low mortgage penetration**
- **Rising urbanisation and nuclearisation:** Decreasing average household size and rising level of urban population create more housing demand.
- **Rising income levels:** Rising income levels help improve the affordability of houses
- **Rising independent housing demand:** Increase in share of independent houses helps housing finance market grow in the long term

Source: CRISIL Research

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 2020-21. 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.

Post consecutive years of decline in wholesale domestic volumes since Fiscal 2020, two-wheeler volumes are projected to improve by approximately 3% to 8% in Fiscal 2023.

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;

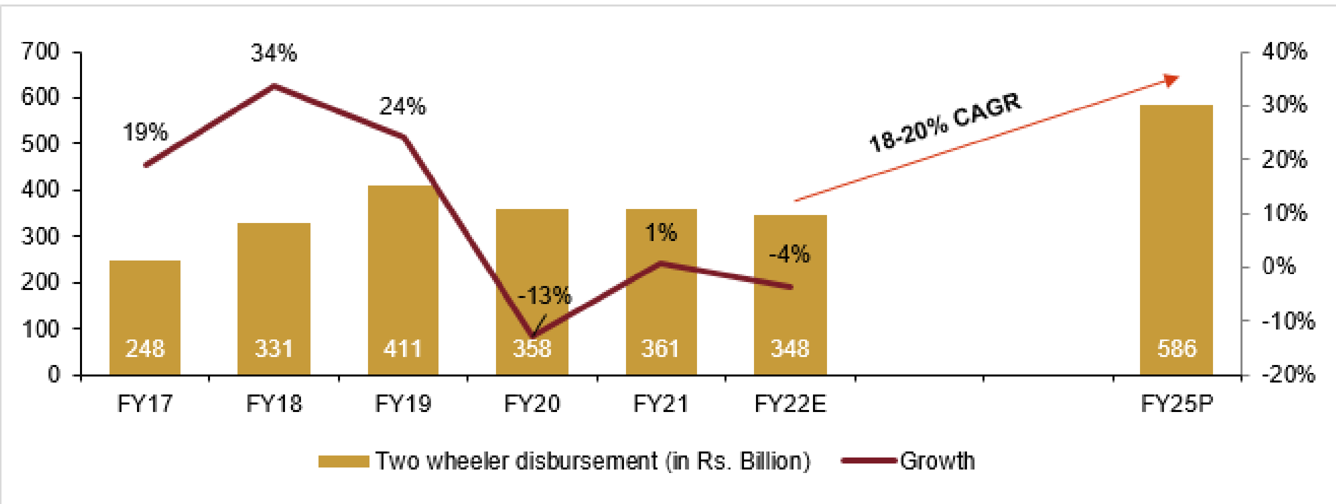
- Ramp up seen road construction.

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% to 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



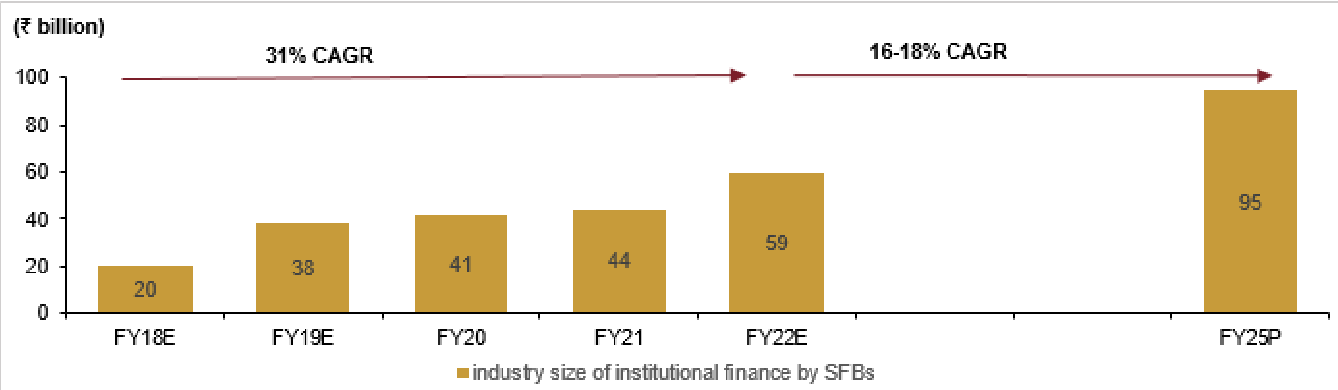
E: Estimated; P: Projected
Source: CRISIL Research

Institutional financing

Institutional finance represents lending services to medium-sized and large corporate firms, institutional customers and real estate developers by banks and other financial institutions. It encompasses long- and short-term funding. In our analysis, we have considered lending to NBFCs, HFCs, MFIs and medium and large corporates by Small Finance Banks ("**SFBs**").

Institutional finance book of SFBs is estimated at approximately ₹ 59 billion in Fiscal 2022, after moderate growth of growth of approximately 7% compared to Fiscal 2021, the segment rebounded in Fiscal 2022 owing to increase in corporate demand and lower base with on-year growth of approximately 33%. Default of IL&FS in September 2018 had made SFBs to take a cautious approach to a few segments like wholesale finance. Pandemic also affected the institutional financing segment as evident from moderate growth of AUM in Fiscal 2021. Going forward, CRISIL Research expects the SFB institutional finance segment growth to remain at a healthy 16% to 18% over Fiscal 2022-25.

Institutional finance segment growth for SFBs expected to be approximately 16% to 18% over next three years



Note: Data for ESAF and Fincare SFB is estimated
Source: Company reports, CRISIL Research

Better profitability is one of the key features of SFBs' institutional finance lending

SFBs' institutional financing segment enjoys higher profitability owing to lower cost of funds due to access to customer deposits, higher yield ranges between 10% to 15% coupled with low provision due to better asset quality.

Other key features of the industry

- NBFCs together account for approximately 60% to 65% which is followed by HFCs, which accounts for 20% to 25% of SFBs overall advances. Others include fintechs, gold finance companies and medium and large corporates;
- At sectors level MSME and real estate together accounts for majority of the share, it is followed by auto 15% to 20%;
- In states, Maharashtra, Delhi, Karnataka and Rajasthan together form 70% to 75% of institutional finance advances;
- Average ticket size amongst ₹ 10 to ₹ 20 crore with few players disbursing up to ₹ 50 crore. Typical tenure ranges between 1 to 3 years and some players lend up to 7 years.

Key challenges

Concentrated portfolio: Few players dominate institutional finance book; a few slippages can result in high level of gross NPAs.
*Limited refinancing avenues***:** Due to increasing asset quality concerns in institutional finance segment and liquidity crunch, repayments will have to be made through the actual cash flows received from the borrowers. Economic downturn and poor demand in the real estate, borrowers are witnessing tight cash issues which increases the default risks.

OUR BUSINESS

The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Statements beginning on page 259. The Restated Financial Statements have been derived from our audited financial statements prepared in accordance with applicable accounting standards described under Section 133 of the Companies Act, 2013 the read with Companies (Accounts) Rules, 2014, as amended and other accounting principles generally accepted in India, provisions of Banking Regulation Act 1949, as well as the Companies Act, 2013 and circulars and guidelines issued by RBI in the manner so required by banking companies, and restated in accordance with Section 26 of Part I of Chapter III of the Companies Act, SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)" issued by ICAI. Unless otherwise indicated or unless the context requires otherwise, 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 258. References herein to "we", "our" and "us" are to our Bank, formerly known as Disha Microfin Limited.

The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" on page 21 and those set forth elsewhere in this document.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of small finance banks and various retail loan products" dated August 2022 (the "**CRISIL Report**") prepared and released by CRISIL Limited and exclusively commissioned by and paid for by us pursuant to appointment effective from July 2021 in connection with the Offer. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at www.fincarebank.com/investors-relations 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, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data" on page 17.*

Overview

We are a "digital-first" SFB with a focus on unbanked and under-banked customer segments especially in rural and semi-urban areas. Among comparable SFB peers in India, we had the second highest deposit growth over Fiscal 2020 to Fiscal 2022, at a CAGR of 46.7%. (*Source: CRISIL Report*) Further, from Fiscal 2019 to Fiscal 2022, we had the second highest average ROA and ROE (adjusted for COVID-19 provisions) among SFBs and we were one of India's most profitable SFBs, based on ROA and ROE *(Source: CRISIL Report)*. Our Gross Loan Portfolio ("**GLP**") grew from ₹ 53,418.25 million to ₹ 75,995.80 million, registering a CAGR of 19.28%, from Fiscal 2020 to Fiscal 2022. This growth was driven primarily by growth in borrowers from 2.29 million as of March 31, 2020 to 2.39 million as of March 31, 2022, a CAGR of 9.94%. Our ROE was 0.72% for Fiscal 2022 and we had a total of 3.26 million customers (comprising borrowers and depositors) as of March 31, 2022. For a reconciliation of ROE, see "*Select Statistical Information*" on page 236.

We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution. As of March 31, 2022, 93.44% of our customers were located in rural areas, and 54.23% were new to credit. We believe that our business model is profitable, sustainable and socially beneficial.

We have a deep understanding of unbanked and under-banked customer segments, especially rural customers, with over 15 years of experience in providing microloans. Our Bank operated as an NBFC-ND under the name 'Disha Microfin Limited' since 2010 and was registered as an NBFC-MFI in 2013. In 2016, upon receipt of the RBI In-Principle Approval, our Bank acquired the micro-finance operations of FFSPL (which started microfinance operations in 2007) and later changed its name to Fincare Small Finance Bank. While we are still committed to serving the credit needs of microfinance borrowers, our transition to an SFB in 2017 provided us with the opportunity to serve a broader customer base through new product segments. We have leveraged our understanding of unbanked and underbanked customers to offer new secured loan products, which we offer primarily in semi-urban areas. While we continue to have a strong organizational set up for microloans, we have invested in and built dedicated teams, requisite internal systems, processes and technology to drive our secured loan portfolio.

Our "digital first" approach supports our extensive physical network and focuses on technology-led operations across all aspects of our banking operations. We have a dedicated team responsible for conceptualizing, developing and implementing digital solutions to ensure higher level of customer connect and facilitate greater convenience, better service and faster turnaround time. As a result of our digital focus, we benefit from reduced costs, greater customer satisfaction and improved employee productivity. For Fiscal 2022, we onboarded over 99.49% of our new customers (borrowers and depositors) using employee-assisted digital processes (including 99.86% for asset accounts and 99.47% for liability accounts), and all of our loan disbursement for microloans, loans against property and affordable housing loans were cashless. Nonetheless, if required by the customer, we are able to disburse cash for microloans and loans against gold. Cash as well as cashless repayment/ EMI payment is allowed in microloans, loan against gold, loan against property and affordable housing loans. We consider "digital" to be a key pillar of our success, which is reflected in our wide array of digital solutions (Fincare 101 and the Fincare Connect App), customer self-service (internet banking, mobile banking and customer communication channels including a WhatsApp banking bot), payment solutions (QR Code, AePS, Micro ATM), solutions for frontline staff (SmartBank, m-Care, m-Serve and LAP D.Lite), instant KYC programs and other digital initiatives. We have won numerous awards for our digital offerings, including "Celent's Model Bank 2019 Award for Financial Inclusion" for LAP D.Lite, a software application that we developed in order to streamline the process for loans against property. For information in relation to the awards won by our Bank, see "*History and Certain Corporate Information - Awards, accreditations and recognitions received by our Bank*" on page 201.

Our asset products cater to low-income mass retail individuals as well as to micro and small enterprises. Our asset products include microloans, loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance, which we tailor to suit the particular needs of our diverse customer segments. With our increased focus on secured lending, the share of our non-microloans increased from 19.78% of our Gross Loan Portfolio as of March 31, 2020 to 23.36% of our Gross Loan Portfolio as of March 31, 2022. For a break-up of our Gross Loan Portfolio based on loan type, please see "*Selected Statistical Information – Loan Portfolio – Gross Loan Portfolio*" on page 236.

Our suite of deposit products comprises term deposits, recurring deposits, current accounts and savings accounts. As of March 31, 2022, we had 4.03 million deposit accounts (including 0.24 million 101 accounts), covering both existing microloan customers and new customer segments (especially from urban areas). Our total deposits were ₹ 46,539.33 million, ₹ 53,184.98 million and ₹ 64,555.80 million, as of March 31, 2020, 2021 and 2022, respectively, representing a CAGR of 17.78% from March 31, 2020 to March 31, 2022. We believe that our focus on growing this business has helped us to quickly build a significant base of deposits, particularly retail term and wholesale term deposits (19.73% of wholesale deposits are non-callable as of March 31, 2022). Having initially focused on retail and wholesale term deposits, we are now focused on strengthening our CASA franchise and further increasing retail term deposits. Through these efforts, from March 31, 2020 to March 31, 2022, our credit-to-deposit ratio improved from 103.47% to 109.00%, our CASA ratio improved from 11.93% to 36.30% and our cost of funds improved from 9.65% to 7.37%. For a reconciliation of credit-to-deposit ratio and of cost of funds, see "*Select Statistical Information*" on page 236.

In addition to deposits, we also use other sources of funding, including refinance assistance from specialist refinance institutions, IBPCs, interbank borrowings, Tier II debt instruments, securitizations and direct assignments. We have maintained a comfortable liquidity profile, with our Liquidity Coverage Ratio as at March 31, 2022 being 191.70%, well above the regulatory requirement of 100%. Going forward, we aim to further increase our deposit base by focusing on CASA and retail deposits, which we will use to further expand our credit operations and other fee products, such as insurance, debit cards and lockers.

We have an extensive network of 919 banking outlets (including 246 business correspondent outlets) and 125 ATMs (of which 90 are cash recyclers) spread across 14 states and three union territories, covering 255 districts and 48,542 villages, which reached 3.26 million customers, as of March 31, 2022. As of Fiscal 2022, we were one of two SFBs in India with the highest number of banking outlets. (*Source: CRISIL Report*) We have created a network of banking outlets in urban and Tier 1 cities to focus on deposits mobilization, while maintaining our strong network in rural and semi-urban locations to drive our loan products. Our network is particularly strong in south and west India, where states such as Karnataka and Gujarat have seen high real GDP growth in the period from Fiscal 2016 to Fiscal 2021. (*Source: CRISIL Report*) Our network includes banking outlets that are operated by us and those that are operated by business correspondents, with whom we enter into contractual arrangements to operate the banking outlets. All our banking outlets, including those of our business correspondents, work with digital tools. We tailor the type, size, location and product offerings of our banking outlets to suit the needs of our customers, with the aim of reaching them in a cost-effective manner. In this sense, banking outlets operated by us are of different types, including full service, basic banking and microbanking outlets, which cater to different customer segments.

We have a strong management team, with our senior management having experience in the banking/microfinance industry in India and having served with us for an average of five years. Our MD & CEO and CFO both have experience in the financial services industry and have worked with the Fincare group for 10 years and 13 years, respectively. We have 11,733 employees as of March 31, 2022. Further, our Board comprises qualified and experienced personnel, with extensive knowledge and understanding of the microfinance and banking sectors. Of our directors, seven are independent directors, and we have implemented a corporate governance policy that is independent of management to ensure sound corporate governance practices.

Our Bank and Promoter are backed by marquee investors, including True North Fund V LLP, Wagner Limited, Tata Opportunities Fund, LeapFrog, SIDBI, Kotak Mahindra Life Insurance, Bharti Axa Life Insurance and Edelweiss Tokio Life Insurance.

We have a high-quality asset portfolio, which we attribute, among other things, to our target customer demographics, quality origination and credit assessment, technology and efficient collections. As at March 31, 2022, we had a GNPA Ratio (i.e., the ratio of our Gross NPA to Gross Advances) of 7.79% and an NNPA Ratio of 3.55%. In Fiscal 2022, we had the second highest Liquidity Coverage Ratio among comparable SFB peers in India, at 206%. (*Source: CRISIL Report*) We have a strong capital position, healthy balance sheet and prudent provisioning policy, with a provision coverage ratio ("**PCR**") of 78.16%, Tier 1 Capital Ratio of 19.48% and Tier II Capital Ratio of 2.84%, in each case as of March 31, 2022. We are in compliance with and meet the regulatory minimum thresholds prescribed by the RBI for all three ratios. As of March 31, 2022 our net worth was ₹ 11,088.43 million. For a reconciliation of our net worth, see "*Selected Statistical Information*" on page 236.

Our long term rating is ICRA A (stable outlook) by ICRA and CARE A (stable outlook) by CARE Ratings. Our unsecured sub-ordinated debt is rated CARE A (stable outlook) by CARE Ratings and IND A (stable outlook) by India Ratings. Our fixed deposit program is rated ICRA A (stable outlook) by ICRA, reaffirmed and migrated from MA+ (stable outlook) and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings.

In addition, we are also committed to integrating an ESG framework into our core business operations. For further information, see "- *Environmental, Social and Ethical Governance*" on page 185.

The following table sets forth certain key financial measures for us as of/for the years indicated:

Particulars	As of / for the		
	Financial Year ended March 31, 2020	Financial Year ended March 31, 2021	Financial Year ended March 31, 2022
	(₹ in million, except percentages)		
Net Interest Income(1)	6,193.71	7,009.83	8,760.90
GLP	53,418.25	60,722.11	75,995.80
Disbursements	49,497.11	46,564.57	68,565.35
ROE	18.41%	11.55%	0.72%
ROA(1)	2.52%	1.48%	0.10%
Provision Coverage Ratio(%)(10)	91.14%	73.68%	78.16%
Cost to Income Ratio (%)(2)	55.92%	56.04%	60.01%
Retail deposits %(3)	74.40%	87.29%	82.12%
Average shareholders' equity(4)	7,791.08	9,795.11	12,286.74
GNPA (%)(5)	0.92%	6.42%	7.79%
NNPA (%)(6)	0.41%	2.80%	3.55%
Additional contingency provision (as on)	851.80	590.77	67.00
Total provisions held(7)	1,310.72	3,167.89	3,768.19
Gross Advances(9)	48,405.50	55,062.86	73,597.72
Total provisions held / Gross Advances	2.71%	5.75%	5.12%
Total Deposits	46,539.33	53,184.98	64,555.80
Net profit for the year(8)	1,434.49	1,131.39	88.71
Net profit for the year / Gross Advances	2.96%	2.05%	0.12%

(1) *For a reconciliation of Net Interest Income, ROA (return on assets), see "Select Statistical Information" on page 236.*
(2) *Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income. For a reconciliation of Cost to Income Ratio, see "Select Statistical Information" on page 236.*
(3) *Retail deposits includes CASA and Retail Term Deposits.*
(4) *Average shareholder's equity referred to in the above table is defined as the average of monthly end balances of capital, reserves and surplus, and employee stock options outstanding.*
(5) *Calculated as Gross NPA over Gross Advances.*
(6) *Calculated as Net NPAs over Net Advances.*
(7) *Total provisions includes provisions towards standard assets, NPA provisions and additional contingency provisions.*
(8) *Net profit for the year represents our restated profit for the year from continuing operations.*
(9) *Total outstanding advances.*
(10) *Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical Write off. For a reconciliation of Provision Coverage Ratio, see "Selected Statistical Information" on page 236.*

Competitive Strengths

Customer-centric approach driven by digital banking and automation

We follow a customer-centric business model, focused on financial inclusion. We aim to provide individuals and businesses with affordable financial products and services that meet their needs. We are a "digital-first" bank and have been an early adopter of scalable digital solutions in order to improve customer experience and/or operational efficiencies.

We use a combination of proprietary and third-party digital solutions, with the aim of developing in-house digital solutions that are core to our business and buying those that are commoditized or non-core to our business. We have a board committee dedicated to IT strategy, which drives the innovation and implementation of technology. We have put in place an experienced and committed digital team of 73 members as of March 31, 2022, comprising product managers, designers, engineers and developers, which is responsible for conceptualizing, developing and implementing digital solutions, led by Srinath Sathyanarayana as the Chief Technology Officer, with over a decade of experience. We have implemented automation across a number of areas including: (i) business intelligence and analytics, (ii) compliance, (iii) credit quality monitoring, (iv) document management, (v) internal and external process and service requests, (vi) human resource management, including payroll, leave, performance management and training, (vii) sales and marketing activities, (viii) tablet based customer onboarding, account opening and account servicing, and (ix) payments.

We deploy a wide variety of digital solutions for our frontline-staff, including solutions for customer onboarding, savings account and term deposit opening, funds transfer, bill payment, service requests, account changes, loan origination (such as

SmartBank, m-Care and LAP D.Lite for microloans, loans against property, affordable housing and two-wheeler loans and our Gold Loan Application), collections (m-serve for microloans) and cross-selling. We also offer customer service through multiple digital channels, including internet banking, our mobile banking application, WhatsApp messenger service and our payments applications, such as BillPay, NEFT, RTGS, IMPS, NACH, netbanking, UPI and debit cards. Where required, we provide our digital solutions through employee assisted modes, specifically in areas with low tech-literacy or adoption.

We keenly believe in the benefits of digitization, both in customer-facing activities as well as throughout our broader operations. Our approach entails the use of technology at every possible step of the loan or deposit process, spanning underwriting, analytics-based decision-making, real-time integration with credit bureaus, GPS tagging, mobile-based fraud risk management and others. Digitization improves the customer experience through accessibility, paperless processes, self-service options and faster turnaround time. Operationally, digitization benefits us through improved processes, increased productivity, reduced costs, improved collections through data-driven early warning systems, and better cross-selling opportunities. For Fiscal 2022, we onboarded over 99.49% (including 99.86% for asset accounts and 99.47% for liability accounts) of our new customers (borrowers and depositors) using employee-assisted digital processes, and all of our loan disbursements for microloans, loan against property and affordable housing loans were cashless. Nonetheless, if required by the customer, we are able to disburse cash for microloans and loans against gold. Cash as well as cashless repayment/ EMI payment is allowed in microloans, loan against gold, loan against property and affordable housing loans. We are focused on strengthening the digital core of the Bank. We are continuously enhancing our digital channels, assisted banking applications, payment-stack, automation tools and other capabilities in order to enhance customer delight and our process efficiency, and to this effect have enhanced our payment stack through AePS, QR codes, micro ATMs. We rolled out a fully automated Audit Management System mobile app covering branch audits in a comprehensive manner. We also launched an "Overdraft against FD" feature for mobile banking that requires only two clicks to activate. This provides convenience for customers while catering to short-term fund requirements without pre-closing fixed deposits.

Our financial inclusion focused business model, enabled by digitization, has driven our growth and profitability in prior periods and created clear differentiation with peers.

Strong commitment to financial inclusion with extensive rural franchise and expanding urban presence

Financial inclusion is at the core of our business and our objective is to enhance access to products such as savings accounts, microloans, loans against gold, insurance and investment products for unbanked and underbanked individuals, MSMEs and unorganized entities through high-tech, low-cost operations. As a majority of our customers are individuals from low-income groups and lack financial sophistication, we have designed our products in a manner such that they are simple to understand, which contributes to their popularity with customers. Further, we have a deep rural franchise and experience of over 15 years in microfinance. As of March 31, 2022, we covered 48,542 villages, with 2,391,850 base-of-pyramid households and 2,352,093 rural savings accounts. Through this extensive rural network, as of March 31, 2022, 93.44% of our customers were in rural areas.

In rural areas, our key competitive differentiator is that we provide loan products covering the full lifecycle of rural customers, delivered using digital tools. In this regard, we have continuously expanded our product suite to meet additional financial needs of our customers, through products such as rural loans against property, loans against gold, two-wheeler loans, and savings products. These products are tailor-made to address the needs of our customer base.

The below table sets forth the growth in certain key KPIs, which we believe reflect our commitment to financial inclusion:

KPI	**As of / for the**		
	Financial Year ended March 31, 2020	**Financial Year ended March 31, 2021**	**Financial Year ended March 31, 2022**
Number of new to credit borrowers	47.00%	43.84%	54.23%
Total borrowers (million)	2.29	2.09	2.39
Total borrower accounts of microloans disbursed (ticket size below ₹ 50,000)	1,366,857	1,034,782	1,641,861
Number of recurring deposit accounts of microloan customers	44,490	169,040	620,654
Number of savings accounts of microloan customers (million)	1.95	2.03	2.35
Disbursements of microloans (₹ million)	40,219.03	36,103.58	53,356.92
Number of lives insured (million)	2.56	2.14	3.28
Number of Basic Savings Bank Accounts	1,647	1,864	2,429

Our long track record of serving rural customers, especially microloans borrowers, has allowed us to understand their financial requirements and goals. We target a variety of initiatives specifically at rural micro lending, including loan disbursals and monthly loan collections through our joint-liability, group-based lending model and doorstep financial literacy camps. Moreover, our deep penetration in rural areas helps inspire customer confidence in our operations, as evidenced by the fact that 54.23% of our borrowers used us as their first lender, and we are the sole lender for 48.77% of our microloan borrowers (each based on credit bureau data as of March 31, 2022). In addition, as of March 31, 2022, 53.97% of our borrowers are repeat borrowers who have renewed their loans with us.

We target rural and microloan customers because we believe that we not only run a socially responsible business promoting financial inclusion, but also that such borrowers tend to have lower credit penetration, less competition, less migration (leading to longer, more loyal customer relationships), better credit behaviors and, in turn, lower delinquency rates. We believe that our track record of originating and servicing these loans, together with our extensive network of banking outlets and business correspondents that cater to these customers, positions us favorably to compete in these segments and continue to grow our business. Further, in urban areas, our expansion has been led by the growth in our secured loan portfolio and deposits.

Our track record of originating and credit underwriting in these segments, together with our joint liability group-based lending model, has led to low GNPA and NNPA Ratios and high collection efficiencies. For further information regarding our GNPA and NNPA Ratios and collection efficiencies, see "*Selected Statistical Information*" on page 236.

Multi-channel, low-cost distribution network with diversified geographic presence

We reach our customers through a diversified, extensive multi-channel network combining traditional brick-and-mortar banking outlets and digital banking. We believe this allows us to offer "last mile, doorstep connectivity" to our customers while maintaining low operating costs. As of March 31, 2022, we had a pan-India network of 919 banking outlets (including 246 business correspondent outlets) and 125 ATMs of which 90 were cash recyclers, spread across 14 states and three union territories, covering 255 districts, which together covered over 48,542 villages and reached 3.26 million customers. As of Fiscal 2022, we were one of two SFBs in India with the highest number of banking outlets. (*Source: CRISIL Report*) Our banking outlets are either operated by us or by business correspondents appointed by us, which provides us with a low-cost means of extending our distribution reach. In the past, we have opened our business correspondent outlets to provide inroads in a particular area; over time, we expand our presence through our own banking outlets. Through our efforts to optimize the mix of our banking outlets, we had one of the lowest operating expenses per banking outlet in India at the end of Fiscal 2022 among SFBs, at ₹ 7 million.

We take a calibrated approach to expanding our distribution network, using different formats of banking outlets to consciously target different customer and geographical segments in order to optimize our cost base, providing the right level of products and services for each area. We also expand to new areas that are generally contiguous to our existing geographical footprint in order to leverage our existing knowledge of the area and the customers. For our brick-and-mortar banking outlets, we use a mix of outlet types to target different customer segments across urban, semi-urban and rural markets. For liability products, we primarily target urban and metro mass retail and affluent customers. For asset products, we primarily target low-income micro borrowers in rural areas and micro and small enterprise borrowers in semi-urban and urban areas. All our banking outlet staff are equipped with tablets that allow our staff to offer doorstep banking and hence open accounts and service customers directly at their doorstep. For further information on our brick-and-mortar banking outlets and business correspondents, see " – *Delivery Channels*" on page 172.

Our extensive distribution network provides us with meaningful geographic diversification in our deposit and loan portfolio. As of March 31, 2022, our top three states in terms of Gross Loan Portfolio were Tamil Nadu, Gujarat and Karnataka, accounting for 21.73%, 17.05% and 13.75% of GLP, respectively (their combined share decreased from 66.03% to 52.52% from Fiscal 2020 to Fiscal 2022), with the remainder of our portfolio spread across the rest of the geographies where we operate. As of March 31, 2022, the share of our top state in terms of Gross Loan Portfolio was 21.73% and share of our top three states was 52.52%. In addition to our geographic diversification, our extensive distribution network and our understanding of customer segments and their credit requirements across their life cycles provides significant cross-selling opportunities and has helped us to diversify to non-microloans, which increased from 19.78% of Gross Loan Portfolio as of March 31, 2020 to 23.36% of Gross Loan Portfolio as of March 31, 2022.

Fast-growing stable deposit base with a growing CASA franchise

In Fiscal 2018, we commenced small finance bank operations, which provided us with access to a low-cost deposit base and also allowed us to expand the scope of our lending operations. Our deposit products include term deposits, recurring deposits and CASA. As of March 31, 2022, we had 4.03 million deposit accounts (including 0.24 million 101 accounts), representing a CAGR of 442.30% since March 31, 2020, covering both existing microloan customers and new-to-bank customers, especially in urban areas. As of March 31, 2022, we had 2.85 million deposit customers, representing a CAGR of 14.01% since March 31, 2018.

Our total deposits as of March 31, 2020, 2021 and 2022 were ₹ 46,539.33 million, ₹ 53,184.98 million and ₹ 64,555.80 million, respectively. In Fiscal 2022, we had the second-highest deposit growth among our SFB peers and the third highest ratio of retail deposits to total deposits *(Source: CRISIL Report)*. Our total retail deposits (including retail term deposits and CASA) as of March 31, 2020, 2021 and 2022 were ₹ 35,789.27 million, ₹ 46,423.80 million and ₹ 53,011.00 million, respectively. Our CASA as of March 31, 2020, 2021 and 2022 were ₹ 5,550.60 million, ₹ 12,635.78 million and ₹ 23,431.49 million, respectively. Our wholesale deposits represented 23.10% and 17.88% of our total deposits as of March 31, 2020 and March 31, 2022, respectively, and our retail deposits represented 74.40% and 82.12% of our total deposits as of March 31, 2020 and March 31, 2022, respectively. Through our efforts, our credit-to-deposit ratio improved from 103.47% to 109.00% and our CASA ratio improved from 11.93% to 36.30%, in each case from March 31, 2020 to March 31, 2022. For a reconciliation of credit-to-deposit ratio, see "*Select Statistical Information*" on page 236. In addition, our CASA CAGR was 105.46% compared to a total deposits CAGR of 17.78% from March 31, 2020 to March 31, 2022.

We have implemented a number of strategic initiatives in order to grow our deposit base. We have increased our distribution channels, through the expansion of our brick-and-mortar banking outlets operated by us and our business correspondents, as well as through the launch of digital prodcuts such as Fincare 101 focusing on urban retail deposit customers. We offer doorstep delivery, as well as dedicated teams to serve our deposit customers. The expansion of our deposit base has contributed to the increase in our Gross Loan Portfolio (as we utilize our deposit base for our lending operations), for both microloans (our traditional focus) and for other categories of loans such as loans against gold, loans against property, institutional finance, two-wheeler loans and affordable housing loans. We have built a sticky and granular deposit base since 99.55% of our term deposits have a tenor greater than six months and 46.40% of our term deposits have a ticket size of less than ₹ 10.00 million. We expect that the continued expansion of our deposit base will allow us to further expand our lending operations, thereby contributing to the growth of our business. Further, we have expanded our deposit base while also ensuring strong diversification, as demonstrated by our top 20 depositors accounting for 17.78% of our deposits as of March 2022.

Further, our conversion to a small finance bank has also provided us with access to other forms of borrowings such as refinancing assistance from specialist refinance institutions, IBPCs, interbank borrowings, Tier II debt instruments and assignments. This has also improved our leverage and reduced our cost of funds, as we no longer rely exclusively on bank borrowings to fund our lending operations. Our leverage and cost of funds improved from 6.19 times to 6.85 times and 9.65% to 7.37%, respectively, in both cases from March 31, 2020 to March 31, 2022. For a reconciliation of cost of funds, see "*Select Statistical Information*" on page 236. We believe our high credit ratings reflect the strength of our business. For further information on our credit ratings, please see " – *Credit Ratings*" on page 179.

Stable and experienced professional leadership team

Our Board comprises qualified and experienced personnel, who have extensive knowledge and understanding of the banking and finance industry. Of our directors, seven are independent directors, and we have implemented a corporate governance policy that is independent of management to ensure sound corporate governance practices and robust oversight.

Our MD & CEO and CFO both have experience in the financial services industry and have worked with the Fincare group for 10 years and 13 years, respectively. We also have a strong and experienced management team comprising a 20-member leadership team in addition to an executive management team at the next level comprising over 30 members. Our management team brings a diverse mix of backgrounds, including professionals from the financial services industry, entrepreneurs who have spent time at a number of organizations, those with experience in start-ups, large domestic and international banks and NBFCs, as well as in the insurance industry and management consulting. The diversity of our management team means that it is experienced in formulating and executing a broad array of strategies, dealing with a wide spectrum of product and customer segments and successfully navigating a wide range of risks inherent in the financial services industry. Our senior management have experience in the banking/microfinance industry in India and have served with us for an average of five years.

We believe that our management team has extensive knowledge and understanding of the microfinance and banking sectors and the desired expertise and vision to organically scale up the business.

Further, we have instituted an employee stock option plan for the benefit of employees of our Bank. For further information, see "*Capital Structure – ESOP 2018*" on page 73. We believe that the plan aligns the interests of our senior management with the interest of our Bank incentivizing them to stay with us for the long term.

Robust risk management policies, leading to healthy asset quality

We follow robust risk management policies, which aims to maintain healthy asset quality and low credit costs for us. We recognize risk management as an integral part of our business and management practices. We have formulated our risk management policy taking into account, among others, the practices and principles governing risk management prescribed by the RBI. The key principles that govern our risk management practices are as follows:

- our Board, supported by senior leadership, takes the lead in establishing a strong risk management culture. The Board establishes, approves and periodically reviews our risk governance framework. The risk management committee of our Board oversees the effective implementation of policies, processes and systems;
- we assess, measure and review risks holistically across our operations, including credit, market, liquidity, operational, regulatory, legal, cyber, information security and reputational risks;
- we put in place approval processes for all new products, activities, processes and systems that assesses underlying risks;
- we have a strong control environment that utilizes policies, processes and systems and appropriate internal controls and risk management and/or transfer strategies; and
- our public disclosures are transparent and allow stakeholders to assess our approach to risk management.

We have certain key risk mitigation policies in place for various types of risk:

- Operational risk: we cap our portfolio exposure at state and district levels, have a strong valuation framework for LAG, have audit checks and tight controls and conduct field monitoring of our banking outlets;

- Credit risk: we conduct customer diligence, have a stringent customer onboarding process encompassing layers of checks done by center managers and first level supervisors and we formulate rating scores for customers;

- Internal audits: we have a comprehensive internal audit mechanism covering credit, business, branches, process, information security and concurrent audit; and

- IT risks: we have a robust IT system for monitoring risk.

For further information on our risk management practices, please see " – *Risk Management*" on page 179.

Our effective credit risk management is reflected in our portfolio quality indicators such as high repayment rates and low rates of GNPAs and NNPAs across business and economic cycles. As of March 31, 2022, our Gross NPA Ratio was 7.79%, while our Net NPA Ratio was 3.55%. Moreover, through our growth, we have maintained a healthy credit quality, with GNPA Ratios of 0.92%, 6.42% and 7.79% as of March 31, 2020, 2021 and 2022, respectively. In addition, our Net NPAs to Net Advances were 0.41%, 2.80% and 3.55% as of March 31, 2020, 2021 and 2022, respectively. We also had the third highest capital adequacy ratio among SFBs in Fiscal 2022. (*Source: CRISIL Report*) For further information, see "*Selected Statistical Information*" on page 236.

Strong track record of financial and operational performance

Among comparable SFB peers in India, we had the second highest deposit growth over Fiscal 2020 to Fiscal 2022, at a CAGR of 46.7%. (*Source: CRISIL Report*) Further, from Fiscal 2019 to Fiscal 2022, we had the second highest average ROA and ROE (adjusted for COVID-19 provisions) among SFBs and we were one of India's most profitable SFBs, based on ROA and ROE *(Source: CRISIL Report)*. On the asset side, our Gross Loan Portfolio grew from ₹ 55,418.25 million to ₹ 75,995.80 million, a CAGR of 19.28%, and our disbursements grew from ₹ 49,497.11 million to ₹ 68,565.35 million, a CAGR of 17.70%, in each case from Fiscal 2020 to Fiscal 2022. On the liabilities side, our deposits grew from ₹ 46,539.33 million as of March 31, 2020 to ₹ 64,555.80 million as of March 31, 2022. Our growth across our assets and deposits portfolio has largely been driven by growth in our customer base, which increased from 2.54 million to 3.26 million from March 31, 2020 to March 31, 2022.

Further, our cost of funds decreased from 9.65% to 7.37% from Fiscal 2020 to Fiscal 2022. Our NIM remained relatively flat from 11.59% to 11.01% over the same period due to higher growth in our average interest-bearing liabilities (65.50%) compared to growth in average interest-earning assets (48.86%) during the same period. We also had the third lowest cost-to-income ratio among our peers in Fiscal 2022 (*Source: CRISIL Report*), which is a result of our focus on lowering costs through automation and digital processes. For a reconciliation of cost of funds, see "*Select Statistical Information*" on page 236.

The table below sets certain key financial measures for the years mentioned:

Measure	Fiscal 2020	Fiscal 2021	Fiscal 2022
			(₹ in millions, except percentages)
Total Income	12,140.92	13,767.10	16,476.48
Net profit for the year(1)	1,434.49	1,131.39	88.71
Net Interest Margin (%)(2)	11.59%	9.87%	11.01%
Yield on average interest-earning assets (%)(1) (3)	20.03%	17.62%	18.18%
Return on Assets (%)	2.52%	1.48%	0.10%
Return on Equity (%)	18.41%	11.55%	0.72%
Cost to Income Ratio (%)(4)	55.92%	56.04%	60.01%
CRAR (%)	29.28%	29.56%	22.32%
Cost of Funds (%)(5)	9.65%	8.69%	7.37%
GNPA (%)(6)	0.92%	6.42%	7.79%
NNPA (%)(7)	0.41%	2.80%	3.55%
PAR-30(8)	1,426.28	5082.03	7,158.88
PAR-30 (microloans)(9)	1,053.54	3291.08	5552.28
Provision Coverage Ratio(%)(13)	91.14%	73.68%	78.16%
Average shareholders' equity(10)	7,791.08	9,795.11	12,286.74
Gross Advances(12)	48,405.50	55062.86	73,597.72
Net profit for the year / Gross Advances	2.96%	2.05%	0.12%
Provisions and write-offs / Average Gross Loan Portfolio(11) (%)	3.12%	4.02%	6.28%

(1) Net profit for the year represents our restated profit for the year from continuing operations.
(2) Net Interest Margin represents Net Interest Income over average interest-earning assets for the relevant year.
(3) Yield on interest-earning assets is interest earned divided by total average interest-earning assets.
(4) Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income.
(5) Cost of funds is calculated as total interest expended divided by the average monthly end balance of interest-bearing liabilities (includes cost of deposits). For a reconciliation of cost of funds, see "Select Statistical Information" on page 236.
(6) Calculated as Gross NPA over Gross Advances.

(7) Calculated as Net NPAs over Net Advances.
(8) PAR-30 represents the amount of our Gross Loan Portfolio that is greater than 30 Days Past Due (DPD).
(9) PAR-30 (microloans) represents the amount of our Gross Loan Portfolio of microloans that is greater than 30 Days Past Due (DPD).
(10) Average shareholder's equity is the aggregate of the average month end balances of capital, reserves and surplus and employee stock options outstanding at the end of the year.
(11) For a reconciliation of provisions and write-offs / average Gross Loan Portfolio, see "Selected Statistical Information" on page 236.
(12) Total outstanding advances.
(13) Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical Write off. For a reconciliation of Provision Coverage Ratio, see "Selected Statistical Information" on page 236.

Business Strategies

Scale up lending portfolio with a focus on secured lending

With our legacy in microfinance, microloans continue to form the significant majority of our lending portfolio, accounting for 80.22%, 79.76% and 76.64% of our Gross Loan Portfolio as of March 31, 2020, 2021 and 2022, respectively. Since commencing banking operations, we have diversified our lending products to include loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance. Of these, our Bank has allowed the two-wheeler loan portfolio to stabilize in lieu of sluggish demand post COVID-19 from the rural markets, which we believe will be built up from the upcoming monsoon season. This is because normal monsoon prediction is expected to support demand for motorcycles segment positively. (*Source: CRISIL Report*) While we will continue to pursue opportunities to grow our microloan portfolio, our focus is now also on scaling up our other lending products. Secured products would allow us to build a more diversified lending portfolio.

Our loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance loans are all secured loans, as compared to microloans, which are traditionally unsecured. From March 31, 2020 to March 31, 2022, our secured loans as a percentage of Gross Loan Portfolio increased from 19.78% to 23.36%. We intend to scale up our mix of these products by introducing them at banking outlets that have not historically offered them, through improved productivity at our existing banking outlets as well as through the addition of new banking outlets. In assessing potential new product segments, we use data analytics and continuous customer engagement with the goal of identifying our customers' unmet credit needs so that we can tailor our offerings accordingly. For details, see—*Our Strategy—Increase use of technology and data analytics*" on page 161.

We also intend to focus on cross-selling our capabilities to existing and new customers going forward, with the objective of expanding our business. A significant portion of our asset customers opt to open savings accounts with us for new disbursements, which provides us with opportunities to cross-sell deposit products to them. Further, we intend to cross-sell additional loans such as two-wheeler loans, loans against gold and loans against property to our existing borrowers who have demonstrated good repayment histories and require higher ticket loans. Further, we may also offer loans in other categories such as supply chain financing and commercial vehicle loans to borrowers falling within this category.

In addition to the above, we also intend to broaden our sale of fee-based products. Our strategy to source additional retail deposits aligns naturally with our plan to sell more fee-based products, as our target customer segment for retail deposits, namely the urban mass retail segment, tends to be more likely to purchase insurance and other fee-based products. Additionally, we intend to increasingly use data analytics to help identify cross-selling opportunities. We also intend to pursue partnerships with fintech and financial services companies to build new liabilities and third-party product distribution models, such as wealth management, insurance, trading and robo-advisory products.

Continue to grow deposits base with a focus on CASA and retail term deposits

We are focused on diversifying our liability profile, particularly through building a stronger CASA and retail term deposit franchise. We are focused on CASA and retail term deposits as they are, typically, lower cost funding sources than bulk deposits and other, non-deposit-based, sources of funding, such as refinancing, interbank borrowing, securitizations and the issuance of debt securities. Moreover, CASA and retail term deposits tend to be more likely than wholesale deposits to stay with us over a longer period and with less sensitivity to interest rate changes; therefore, they represent a more stable funding source. If we are successful in improving our mix of CASA and retail term deposits, we expect that our cost of funds will decrease, allowing us to be more competitive by lowering lending rates while maintaining our NIM.

As of March 31, 2022, our CASA were ₹ 23,431.49 million, retail term deposits were ₹ 29,579.50 million, retail share of term deposits was 45.82% and our CASA as a percentage of total deposits were 36.30%. We intend to take a multi-pronged approach to source more CASA and retail term deposits, in part through an emphasis on mobile banking to encourage customer loyalty and crossover into these products. To this end, we aim to introduce short-term loyalty programmes, such as providing cash back offers to customers who use their debit cards more often, to encourage customers to maintain higher balances and also use their accounts for purposes such as recurring bill payments. We have, through our Fincare 101 platform, expanded our deposit base by offering digital solutions focused on millennial customers in urban and metropolitan areas. We also aim to introduce new products, such as cash management services for small businesses. Further, we will also look to pursue partnerships with various service providers to become one of the preferred banks in their ecosystem. We also intend to undertake focused marketing initiatives to build a trustworthy brand with target customer segments.

Increase use of technology and data analytics

While we have a robust digital platform today, we intend to continue investing in digital offerings that are scalable, improve the customer experience and improve our profitability. Our digital strategy has many facets, including further scaling up cashless banking, deepening automation and analytics capabilities and incentivizing the use of digital channels. For cashless banking, in Fiscal 2022, we achieved over 99.49% digital account opening (including 99.86% for asset accounts and 99.47% for liability accounts) for our new customers, with all new disbursals for microloans, loan against property and affordable housing loans being made directly into the savings accounts of these customers. Moreover, we have successfully instituted cashless repayments for loans against property and loans against gold. Our microloans, affordable housing loans and two-wheeler loans are disbursed digitally, and we have implemented cashless repayment channels for our affordable housing loans and two-wheeler loans.

We are pursuing a number of initiatives to deepen our automation and analytics capabilities. We intend to use data analytics to help identify potential new product segments that may be popular amongst our target customer segments, and to promote cross-selling opportunities. We also intend to use data analytics to provide early warning signals for customers at risk of non-renewal in order to improve customer retention, and to use predictive analytics based on GST payments and client income to further enable loan sanctioning to first time SME borrowers. We also intend to introduce new algorithms for automated underwriting decisions and alternate-data-based underwriting. Further, we are pursuing automation of areas that can have the greatest impact on our customers or our costs, such as low value customer interactions and back-end processes.

To incentivize the use of digital channels, we are exploring incentive and reward programs to promote online and self-service transactions. The incentives may be in the form of loyalty programs, free or reduced fees for usage of digital channels instead of cash or banking outlets, or other forms. We also intend to look for further opportunities to expand our digital product suite, including lending, investment and insurance products, either on our own or through partners, in order to serve our customers better.

We have partnered with ICICI Lombard General Insurance company under the Corporate Agency model to begin offering vehicle insurance for two wheelers and four wheelers. We have recent started offering cyber security insurance, home insurance and shop keepers' policies to cater to such customer needs and intend to continue expanding the reach of such policies. We also launched our Imperial Savings account, a savings account for high-end customers that offers Imperial Club members unlimited ATM withdrawal facilities without any charges, among other benefits.

Improve banking outlet efficiency, productivity and reach

Our goal is to build a scalable and inclusive distribution network, combining digital channels with low-cost and efficient physical channels, to drive a competitive advantage. In recent years, we have expanded our banking outlet network by adding additional outlets operated by us and also by generally growing our network of business correspondents (which does not require capital expenditure by us). The expansion of our network of business correspondents into new markets allows us to subsequently expand the banking outlets operated by us in those areas while ensuring a consistent customer experience through the use of digital tools at the outlets operated either by us or by the business correspondents.

Many of the banking outlets are still maturing and have the potential for greater productivity. We had one of the lowest business per banking outlet, deposit per banking outlet and advances per banking outlet ratios amongst comparable peers, which we believe provides us with the potential to scale up our operations and improve the productivity and efficiency of our banking outlets *(Source: CRISIL Report)*. We intend to enhance the utilization of our existing banking outlets, in order to add loans and deposits without having to make significant further investments in these outlets. To do this, we intend to optimize the size, number of centers and geographical coverage of our micro banking outlets, establish well-defined geographical limits of operations, implement productivity and other automation tools, roll out loan products to banking outlets that do not currently offer them, and train and empower staff engaged in customer-facing roles to improve sales and service understanding.

With a view to enhancing productivity of our banking outlets, we aim to increase the contribution of liabilities from urban and semi-urban centers to target the urban poor, providing them remittance and payment services in addition to deposit accounts. On the assets side, we intend to source additional customers for our microloans, two-wheeler loans and loans against property, largely in geographies where we currently do not operate, through our business correspondent partners.

In addition to increasing banking outlet utilization, we intend to further expand our network of banking outlets, focusing particularly on our existing geographies and those adjacent to them, whether rural or semi-urban, though also selectively expanding in key markets to source deposits. We expect that these efforts will improve our ability to extend microloans and to source deposits, especially retail deposits from individuals and TASC (trusts, associations, societies and clubs) segments. In addition, the additional full-service banking outlets would help us to sell fee-based products.

Enhance our brand presence and customer trust

We seek to leverage and enhance our brand to build our presence in the banking sector and enhance customer trust and recognition. We seek to build our brand by maintaining official social media pages on popular sites, regularly posting on those platforms about updates and new initiatives, leveraging our brand ambassador Chess Grandmaster GM Viswanathan Anand for online and offline marketing campaigns, conducting customer events, conducting marketing through TV, radio and print ads, and marketing through brand associations and event sponsorships.

Developments in connection with the COVID-19 Pandemic

COVID-19 First Wave

During Fiscal 2021, our disbursals and collection efficiency declined due to restricted mobility and the economic slowdown. During this year, we were selective and cautious when disbursing loans to new customers. However, we recovered well from the first wave as demonstrated by an increase in our collection efficiency by March 2021 substantially to the same level as in March 2020, due to our strong retail deposit base, good refinance lines, Capital Adequacy Ratio higher than regulatory requirements and our continuous on-ground efforts.

Our advances are largely rural and retail in nature. The impact of the first wave on our customer segments in these areas was minimal compared to the effect it had on customers in metros and larger cities. We did witness a growth rate of 13.67% on our Gross Loan Portfolio and 14.28% on deposits in Fiscal 2021.

COVID-19 Second Wave

The second wave unfolded in April 2021, leading to the imposition of lockdowns in some regions as well as a reduction in business activity. In comparison to the first wave, however, lockdown restrictions were more nuanced and regionalized. Urban economic activity decreased in April and May 2021, but vaccination efforts helped normalize economic activity in the following months. Rural economic activity also decreased in April 2021, which impacted our short-term collection efficiency and disbursals. Our microloan disbursals on a monthly basis in July 2021 recovered to 135.46% of average monthly disbursals of the fourth quarter of Fiscal 2021. Our microloans collection efficiency in July 2021 reached 90.98%. However, COVID-induced higher NPAs continued to remain on the balance sheet in the short term and we had made adequate provisioning for that.

In order to ensure employee safety and well-being, we undertook confidence-building measures such as ensuring payment of salaries and bonuses on time, reassuring staff by not engaging in any COVID-related layoffs, providing full hospitalization support for staff who were infected and providing COVID-19 relief benefits to staff including paid leave, reimbursements and allowances. We also had a dedicated team that monitored the vaccination and health status of our staff. Since June 2021, we have witnessed a significant decline in the number of COVID-19 cases among our staff. We continue to take initiatives to provide the best-possible support to all employees. We are certified as a 'Great Place to Work' by the Great Place to Work Institute for the period from January 2022 to January 2023 after a comprehensive process.

The Government of India and the RBI have taken various measures to combat the challenge faced by the Indian economy due to the COVID-19 pandemic. As part of relief measures, the Department of Financial Services through the National Credit Guarantee Trust Company (NGCTC) introduced the Emergency Credit Line Guarantee Scheme ("**ECLGS**") for providing 100% guarantee coverage for additional term loans to eligible MSME customers. We offered this scheme to microloan and loan against property customers eligible under the scheme. In Fiscal 2021 and Fiscal 2022, we had restructured portfolios amounting to ₹ 1,726.24 million and ₹ 4,440.78 million.

Our Bank has assessed the impact of COVID-19 pandemic on its liquidity and ability to repay its obligations as and when they are due, and the management is confident that collections will improve. Based on the forgoing and necessary stress tests considering various scenarios, the management believes that the Bank will be able to fulfil its obligations as and when these become due in the foreseeable future. However, the full extent of impact of the pandemic on our Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and our Bank's responses thereto, which are highly uncertain at this time. For further information, see "*Risk Factors - The continuing impacts of COVID-19, or the impact of outbreaks of any other severe communicable disease are highly unpredictable, could be significant and may adversely affect our business, operations and future financial performance.*" on page 37.

Our Banking Operations

We focus on serving the underbanked and underserved markets in India. We are regulated by the Reserve Bank of India as a scheduled bank and have a license to carry on small finance bank business in India. This permits us to provide banking services across all of India and across various customer segments. We currently offer a variety of asset and liability products and services designed for both micro-banking and general banking, as well as other products and services in order to generate non-interest income.

We also offer other products and services such as debit cards, internet and mobile banking, WhatsApp banking, online bill payment services, Insurance (Life, Health and General) products, Lockers and UPI, AEPS and BBPS. These other products and services help to generate non-interest income and cater to the additional needs of our customers, such as protecting against risk and providing avenues for investing.

Our banking operations are spread across 14 states and three union territories in central, southern, western and northern India, with 919 banking outlets (including 246 business correspondent outlets) and 125 ATMs, of which 90 were cash recyclers, serving a total of 3.26 million customers as of March 31, 2022.

Set forth below are details of our key products:

Loans

It is not mandatory to open a savings account to avail microloans or loans against gold. The following table sets forth, as of the dates indicated, our product wise average ticket size of loans disbursed:

(Amount in ₹)

Product wise average ticket size(1)	Fiscal 2020	Fiscal 2021	Fiscal 2022
Microloans	29,424.46	33,750.47	29,488.56
LAG	82,788.56	114,948.13	88,493.33
LAP	542,663.86	490,376.13	721,670.72
Institutional Finance	81,892,857.14	150,000,000.00	100,000,000.00
Two-wheeler loans	57,005.30	-	-
Affordable housing loans	623,946.05	674,766.25	1,155,694.50

(1) Average ticket size represents total disbursements in a particular period divided by the number of loans disbursed in that particular period.

Our loans consist primarily of microloans, which make up the bulk of our retail loan portfolio. Most of our loans are unsecured (although the size of our secured loan portfolio has been growing in the last financial year) and are extended to individuals and entities in India's priority sectors. For information on the priority sector lending requirements, see "*Key Regulation and Policies*" on page 186. In addition to microloans, we also provide financial assistance to borrowers to augment their household income through loans against property ("**LAP**"). Further, we also offer loans against gold ("**LAG**"), two-wheeler loans, affordable housing loans and term loans to institutions and various corporate entities. For further information, see "*Risk Factors - A decline in the value of security or an inability on our part to enforce such security may have a material adverse effect on the value of our loan portfolio and/or increase our write-offs for credit and other losses*" on page 21.

The following table sets forth a breakdown of our Gross Loan Portfolio by various categories, including as a percentage of total GLP, as of the dates indicated:

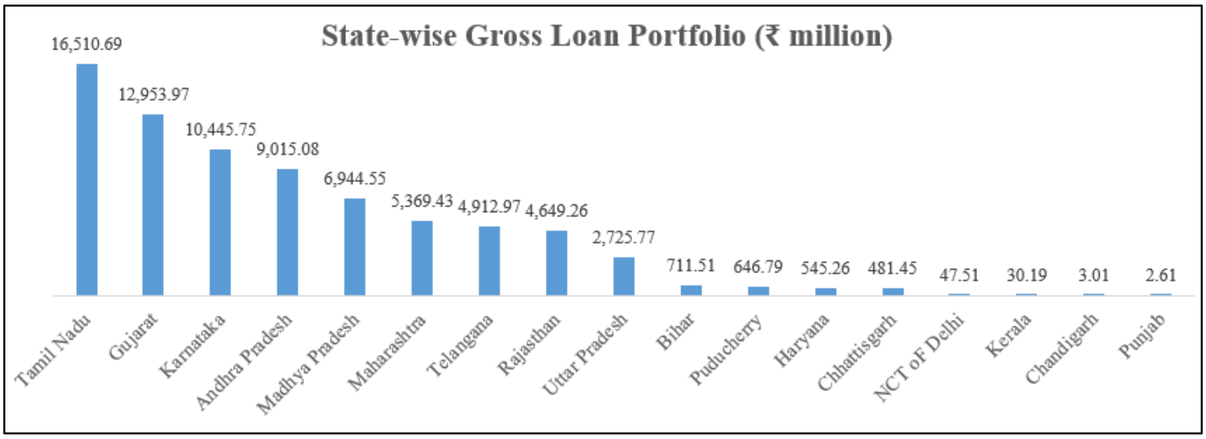
₹ in millions

Asset products and outstanding portfolio	Fiscal 2020		Fiscal 2021		Fiscal 2022	
	Amount	%	Amount	%	Amount	%
Microloans	42,852.74	80.22%	48,431.30	79.76%	58,243.14	76.64%
LAP	5,320.88	9.96%	6,526.24	10.75%	9,051.94	11.91%
LAG	1,838.32	3.44%	3,522.75	5.80%	4,183.32	5.50%
Institutional Finance	2,553.32	4.78%	830.61	1.37%	3,868.42	5.09%
Two-wheeler loans	104.65	0.20%	903.11	1.49%	273.83	0.36%
Affordable housing loans	203.40	0.38%	63.76	0.10%	19.38	0.03%
Other(1)	544.94	1.02%	444.24	0.73%	355.77	0.47%
Total	**53,418.25**	**100.00%**	**60,722.00**	**100.00%**	**75,995.80**	**100.00%**

(1) Other comprises overdraft against property, loans to staff, rural loans against property and other loans.

For further information on our asset portfolio see "*Selected Statistical Information*" on page 236.

The following chart shows the geographic distribution of our Gross Loan Portfolio as on March 31, 2022 across the various Indian states where we operate:



Microloans

In keeping with our history as a microfinance lender, we extend microloans exclusively to women from low-income rural and semi-urban households, based on the traditional microfinance model of group-based lending. Our microloans provide women with the opportunity to scale-up businesses (which are often home-based or community businesses) and invest in income-generating activities by having convenient access to funds. A small proportion of our microloans are also used to pay for education or for medical emergencies.

Pursuant to the group model, all of our microloans are provided to individuals who form a group. The groups typically have between two and up to twenty members. This model has been refined for over 35 years by microfinance institutions in India and internationally. The model is based on the idea that the under-privileged have skills that are under-utilized and if they are given access to credit, they will be able to identify new opportunities and grow existing income-generating activities, and the group dynamic will result in lower default rates. The general requirement for forming a group is that the women must be from the same area and know each other but not be related to one another. Family members or relatives should not be part of the same group. The groups are self-selected, and each member is eligible to obtain loans individually. As a result, other group members will typically encourage the borrower member to make timely payments. We believe that the formation of a group serves as protection against defaults; our lending model increases credit discipline through mutual support within the group in order to ensure that individual members are prudent in conducting their financial affairs and prompt in repaying their loans, without the need for us to take any formal collateral. We place special emphasis on enhancing customer awareness and building group affinity within the borrower group, in order to keep levels of loan defaults as low as possible. Our microloans are unsecured, and we also provide credit insurance cover to our customers and their co-borrowers (typically the husband of the borrower).

While the loans themselves are only extended to women, borrowers may use the proceeds for business activities that are run by the woman's family, including the husband. We believe that women are a positive influence on loan repayment in their household because they are generally more risk-aware, cooperate better in groups and are generally more accessible than their working husbands and can meet regularly at group meetings to administer the repayment of their loans. We also believe that providing women with access to capital in this manner increases their decision-making stature in the household. We believe that, as decision-makers, women can help ensure the timely repayment of loans. The most common occupations among our customers are agriculture, petty trade, animal husbandry and agri-allied activities as of March 31, 2022.

The loan amounts for our microloans range from ₹ 5,000 to ₹ 55,000, with tenures of up to two years and ₹ 5,000 to ₹ 18,000 for top-up loans (mid-term loans). We use a paperless, tablet-based loan sourcing system called m-Care for loan origination, underwriting and disbursal of microloans. This improves both cost efficiency and turnaround time for application processing, allowing us to make faster credit decisions for our customers. Collections for our microloans occur on a monthly installment basis. For processing payments, we use a collections application called 'm-Serve', which provides data entry of loan collections and triggers SMS updates as an acknowledgement to customers when payment are posted to the respective loan accounts in the system.

For Fiscal 2020, 2021 and 2022, our disbursements of microloans were ₹ 40,219.03 million, ₹ 36,103.58 million and ₹ 53,356.92 million, respectively. For the same periods, our yield on microloans was 23.60%, 22.26% and 20.75%, respectively. Our GNPA% for microloans for the same periods was 0.72%, 5.49% and 8.50%, respectively.

The following table sets forth a breakdown of our microloan portfolio by use of proceeds of the loan, including as a percentage of on-book advances of our microloans, as of the dates indicated:

Purpose for which the loans are availed	March 31, 2020		March 31, 2021		March 31, 2022	
	(₹ in millions, except percentages)					
Agriculture	13,488.65	35.63%	16,133.11	37.78%	25,174.81	45.12%
Agri-allied	4,761.68	12.58%	4,346.80	10.18%	10,744.16	19.26%
Animal husbandry	9,106.68	24.05%	6,563.03	15.37%	2,732.72	4.90%
Small business	9,509.35	25.12%	5,250.72	12.30%	0.16	0.00%
Others	992.71	2.62%	10,411.55	24.38%	17,143.5	30.73%
Total Gross Loan Portfolio (Microloans)	**37,859.09**	**100.00%**	**42,705.21**	**100.00%**	**55,795.35**	**100.00%**

We operate out of 919 banking outlets (including 246 business correspondent outlets) in 14 states and three union territories across India as of March 31, 2022 for our microloans business. We service over 2.39 million customers in our microfinance business, of which 54.23% are new to credit. The following chart shows a breakdown of our assets under management by state in India for our microlending business:

State	March 31, 2020		March 31, 2021		March 31, 2022	
	(₹ in millions, except percentages)					
Andhra Pradesh	1,565.38	3.65%	3,102.71	6.41%	5,668.82	9.73%
Chhattisgarh	129.51	0.30%	127.36	0.26%	479.94	0.82%
Gujarat	8,320.19	19.42%	9,151.51	18.90%	9,259.43	15.90%
Haryana	369.36	0.86%	418.64	0.86%	494.89	0.85%
Karnataka	6,839.71	15.96%	7,190.95	14.85%	8,096.06	13.90%

State	March 31, 2020		March 31, 2021		March 31, 2022	
	(₹ in millions, except percentages)					
Madhya Pradesh	5,479.30	12.79%	5,884.96	12.15%	6,855.52	11.77%
Maharashtra	2,946.32	6.88%	3,370.87	6.96%	4,934.61	8.47%
Puducherry	394.01	0.92%	371.92	0.77%	359.06	0.62%
Rajasthan	3,979.72	9.29%	4,220.93	8.72%	3,882.48	6.67%
Tamil Nadu	11,081.36	25.86%	11,474.50	23.69%	11,022.87	18.93%
Telangana	907.23	2.12%	1,832.17	3.78%	3,837.33	6.59%
Uttar Pradesh	840.65	1.96%	1,284.79	2.65%	2,640.71	4.53%
Bihar	-	-	-	-	711.44	1.22%
Total Gross Loan Portfolio (microloans)	**42,852.74**	**100.00%**	**48,431.30**	**100.00%**	**58,243.14**	**100.00%**

Microloan processes

Set forth below is a summary of our operational processes for micro-lending:

Group formation

In order to select clients and promote the formation of borrower groups, our field relationship team conducts promotional meetings with customers. After a visit and discussions with the potential customers, our loan relationship officer facilitates formation of groups of interested women from the locality in question. The group typically consists of two to 20 members for a fresh loan. However, when a new center is formed, a minimum of five members are required.

Center / service point

After formation of a group, members select a common place where the group meets to conduct meetings and microcredit activities. In rural areas, borrowers must reside within a permissible limit of one kilometer from the center. The loan relationship officer will commence operations by conducting a village survey in order to understand the area that we will be operating in.

Loan application

Application and credit appraisal of potential customers is done via our award winning, well-recognized loan origination application called m-Care. The loan relationship officer enrolls customers in m-Care using eKYC and assists in submitting a loan application form. The officer is empowered to sanction loans to customers after assessing credit risk based on physical verification of the primary KYC documentation, place of business, and the filled-in forms. The sanctioned loan amount is disbursed to the savings account of the customer maintained with the linked banking outlet. We offer debit card facility to our micro lending customers, which are linked to their savings accounts to assist them in performing financial transactions *via* ATMs and point of sale machines.

Savings account opening

Savings accounts are opened as part of the disbursement process. These are opened instantly through the m-Care application. Customers are given pre-generated kits, which include debit cards, and the account resides with the most convenient banking outlet for the customer.

Loan recovery

The repayment of microloans is done through the m-serve app, which assists loan officers to download a center-wise list of customers from whom repayment is to be collected during the day. Collection of payments happens at a center location allocation prior to onboarding customers, and which is in the vicinity of the customer's residence. Group meetings are held at agreed locations, repayment is done in cash and recorded using the m-serve app, and an automated SMS is sent to the customer as an acknowledgement, confirming the payment. A handwritten acknowledgement receipt is handed over to the customer and the collection status is manually recorded in the repayment card of the customer. The collected amount is credited into the loan account of the customer directly through the m-serve app.

Other retail loans

Our retail loan portfolio also includes other secured loan products targeted primarily at individuals and small businesses for meeting their personal and business requirements, including loans against property, loans against gold, two-wheeler loans and affordable housing loans. Loans against gold are sourced through our banking outlets, while other retail loans are sourced through field teams.

The following table sets forth a breakdown of our portfolio of other retail loans (other than microloans) by product type and as a percentage of total gross other retail loans as of the dates indicated:

	As of					
	March 31, 2020		March 31, 2021		March 31, 2022	
	(₹ in millions, except percentages)					
Loans against property	5,320.88	50.36%	6,526.24	53.10%	9,051.94	50.99%
Loans against gold	1,838.32	17.40%	3,522.75	28.66%	4,183.32	23.56%
Institutional finance	2,553.32	24.17%	903.11	7.35%	273.83	1.54%
Two-wheeler loans	104.65	0.99%	63.76	0.52%	19.38	0.11%
Affordable housing loans	203.40	1.93%	830.61	6.76%	3,868.42	21.79%
Others[(1)]	544.94	5.16%	444.24	3.61%	355.77	2.00%
Total Gross Other Retail Loans	**10,565.51**	**100.00%**	**12,290.71**	**100.00%**	**17,752.66**	**100.00%**

(1) Others comprises overdraft against property, loans to staff, rural loans against property and other loans.

*Loan against property ("**LAP**")*

Since launching LAP in 2013, we have extended LAP to our customers to support their funding requirements for business expansion, acquisitions of assets and debt consolidation, among other things. Our target customers are those engaged in agri-allied activities, small traders, small manufacturers and family members of existing microloan customers, among others. The typical size of these loans ranges from ₹ 0.15 million to ₹ 5.00 million, and they are exclusively secured against self-occupied residential and commercial property. The maximum loan tenure and loan-to-value ratio are determined by the age and profile of the borrower and our assessment of their debt servicing capability. For our portfolio, loan tenure is up to 120 months and average loan-to-value ratio ranges from 40% to 60% of the market value of the property. The applicable Rate of Interest is decided based on the loan amount and customer's bureau track record, among other criteria. We also offer overdraft against property ("**ODAP**") loans through our bundled Flexi LAP offering where the borrower is extended an overdraft limit and they can withdraw money from their account through cheques or other withdrawal processes up to the overdraft limit. The interest on the ODAP portion of the borrowing is calculated on daily closing balances. These ODAP loans are based on our MCLR and carry a 1% premium on the accompanying Term Loan portion of the borrowing. The tenure for the Overdraft portion is 12 months and is renewable for an additional 12 months. We also offer credit insurance to LAP borrowers.

We offer LAP in six states and one union territory, through 300 banking outlets. We have a total of 15,455 customers as of March 31, 2022. The top three states where we provide loans against property are Tamil Nadu, Gujarat and Andhra Pradesh. For Fiscal 2020, 2021 and 2022, our disbursements were ₹ 2,914.10 million, ₹ 2,159.60 million and ₹ 3,979.60 million. As of March 31, 2020, 2021 and 2022, our NPAs for these loans were 3.19%, 8.59% and 6.72%, respectively.

The entire loan origination and underwriting process is carried out on D.Lite, our award-winning mobile-based solution which we operationalized in 2017. The D.Lite application enables our frontline field sales and credit teams to extend instant and paperless processing of loan applications. The solution is integrated with Aadhaar-based e-KYC as well as with multiple credit bureaus in order to assess the repayment history of borrowers, and it also incorporates algorithm-based scoring and underwriting based on past bureau history and other demographic and business details of the applicant.

Loan against gold

Since April 2017, we offer loans secured against gold (including gold ornaments and jewelry) to support our customers' requirements for immediate and short-term credit. Our target customers for these loans are self-employed individuals, small businessmen, traders and micro-enterprises in semi-urban and near-urban areas. We also cross-sell gold loans to our microloan customers. The ticket size of these loans ranges from ₹ 10,000 to ₹ 4,000,000. We take possession of the gold collateral for the period of the loan and have robust business practices in place regarding processing and storage. As gold is a volatile commodity and experiences price movements, we maintain a margin between market price and loan amount. We also maintain indemnity insurance which covers loss or theft of gold. Loans against gold enable us to diversify our secured loans mix and also leverage our banking outlet network. The loan tenure and loan-to-value ratio are determined by the profile of the borrower and the collateral, with tenure ranging from three to nine months and average loan-to-value ratio ranging from 30% to 75% of the market value of the collateral. Interest rates range between 8.99% and 24.99% and are based on LTV, loan range and tenure. Interest is payable either in equal monthly installments or with a bullet repayment at maturity.

We offer these loans in 14 states and three union territories, through 919 banking outlets (including 246 business correspondent outlets), with over 3.26 million customers as of March 31, 2022. The top three states where we provide loans against gold are Gujarat, Tamil Nadu and Telangana. For Fiscal 2020, 2021 and 2022, our disbursements of loans against gold were ₹ 3,372.47 million, ₹ 7,316.33 million and ₹ 7,538.13 million. As of March 31, 2020, 2021 and 2022, our NPAs for these loans were 0.04%, 4.08% and 1.55%, respectively.

Two-wheeler loan

In October 2018, we piloted two-wheeler loans by offering them to our employees for the purchase of used two-wheeler vehicles and, in January 2019, we extended this to existing customers or their guarantors with a clean track record of repayment on existing loans. These loans are provided for purchasing a two-wheeler for personal use, where the two-wheeler serves as collateral for the loan. The maximum size of these loans is ₹ 75,000. Tenure ranges from 24 to 36 months. We offer fixed interest rates linked to MCLR, the customer segment and associated risks. Customers make repayments monthly. As of

March 31, 2022, we offer these loans in Gujarat, Rajasthan, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and Puducherry, through 110 outlets, and we may expand our two-wheeler loan offering in the near future. For Fiscal 2020, 2021 and 2022, our Gross Loan Portfolio for two-wheeler loans was ₹ 104.65 million, ₹ 63.76 million and ₹ 19.38 million, respectively. Our Bank has allowed the two-wheeler loan portfolio to stabilize in lieu of sluggish demand post COVID-19 from the rural markets, which we believe will be built up from the upcoming monsoon season. This is because normal monsoon prediction is expected to support demand for motorcycles segment positively. (*Source: CRISIL Report*)

Affordable housing loan

We launched affordable housing loans ("**AHL**") as a product in April 2019 in order to encourage house ownership to potential customers in select geographies. These loans cater to salaried and self-employed borrowers and are provided for the purchase, self-construction, improvement of and extension of residential property. Additionally, these loans are designed to provide easier access to low-cost housing to income groups spanning the economically weaker sections in accordance with the Pradhan Mantri Awas Yojna guidelines. These loans are secured against the residential property and have a tenure ranging from three to 20 years. The maximum loan-to-value ratio for such housing loans ranges from 80% to 85% of the property value as per the regulatory guidelines. The size of these loans ranges from ₹ 0.15 million to ₹ 5.00 million, at rates of interest ranging from 9.99% to 18.0%. As of March 31, 2022, we had a presence in 248 banking outlets spread across six states and one union territory. For Fiscal 2020, 2021 and 2022, our AHL disbursements were ₹ 209.65 million, ₹ 672.07 million and ₹ 3,215.31 million, respectively, and our AHL Gross Loan Portfolio was ₹ 203.40 million, ₹ 830.61 million and ₹ 3,868.42 million, respectively.

Institutional finance

In August 2017, we began to offer wholesale loans to institutional customers operating in geographies or sectors where there is no overlap with our existing business, for the purpose of onward lending to their own customers. Our target clients for these wholesale loans are NBFCs, primarily those engaged in microfinance, vehicle finance, and other asset finance. For these loans, the typical size of our exposure to a single borrower is capped at ₹ 200 million. All these loans are secured against the borrower's receivables. For certain loans, we also procure cash collaterals in the form of first loan default guarantee cover and/or personal and/or corporate guarantees. The pricing for these loans is linked to the most recent three month daily average yield of a 10-year government security, plus a spread ranging from 3% to 10%. Tenors for institutional finance loans range from five months to three years, with monthly repayments. These loans have enabled us to increase our exposure to the market for collateralized corporate loans, to cross-sell our loan offerings to our existing customers and to diversify our loan portfolio across sectors and geographies.

As of March 31, 2022, the top three states where we provide institutional finance loans are Rajasthan, Karnataka and Andhra Pradesh. Our Gross Loan Portfolio for institutional finance loans amounted to ₹ 2,553.32 million, ₹ 903.11 million and ₹ 273.80 million as of March 31, 2020, 2021 and 2022, respectively. For Fiscal 2020, 2021 and 2022, our disbursements of institutional finance loans were ₹ 2,293.00 million, ₹ 300.00 million and ₹ 200.00 million, respectively. Our GNPA% for these loans was 0.00%, 13.33% and 8.28% for Fiscal 2020, 2021 and 2022, respectively.

Loan Appraisal Process

We utilize a variety of credit appraisal processes, including analyzing credit applications with details of the financial, qualitative and quantitative measures of the credit-worthiness of customers. The credit appraisal processes that we use are based on the customer's ability and intention to pay, but differ depending on the type of loan.

Microloans

Application, enrollment and onboarding, along with a customer Credit Bureau check is automated using technology and mobility solutions. A visit by a bank staff to the customer's residence is a mandatory part of the onboarding process, and is done initially by a loan relationship officer and then by a supervisor, once the customer has been approved for a loan. During Fiscal 2017, we initiated a phase-wise roll-out of a digital onboarding platform for micro lending customers, m-Care, and gradually expanded to all operating geographies under micro banking. Our loan origination system is centralized and is linked real-time with UIDAI and various credit bureaus, which has helped us reduce turnaround time to loan disbursement to approximately four to five days. We also initiated cashless disbursement of microloans to savings accounts of customers, issued debit cards and, in Fiscal 2019, completed the process of migrating data relating to microloans to our core banking system. Our appraisal criteria for microloans are primarily qualitative, and include factors such as customer profile, source of income, age, current enterprise, income, cashflows, surplus income and credit bureau report on past performance.

Other retail loans

Our loan sourcing and fulfillment process for other retail loans is run using a combination of our tablet-based banking solution managed through our central processing center and paper based processes. This digital system is supported by our dedicated field collections team, which helps us maintain healthy credit quality in our portfolio. We have standard loan application and appraisal formats covering both qualitative as well as quantitative parameters.

Institutional finance loan

A prospective borrower must meet our defined eligibility and underwriting criteria in order to be eligible for our institutional finance loans. We review prospective borrowers by procuring various kinds of static data from them, analyzing the data, preparing a detailed credit assessment memo and by conducting due diligence visits to their existing banks. Our credit and risk teams also visit the applying entity's head/corporate office as well as their customer touchpoints before finally presenting the detailed credit proposal to our management credit committee for its review, discussion and approval.

Loan Pricing

We set interest rates for our loans across different products and variants based on our pricing policy approved by our Board. We review rates from time to time, depending on prevailing market conditions and our operating and funding costs at that time. Risk premium is also a vital component of pricing a loan facility as it factors various risks such as business risk, financial risk and liquidity risk. In setting the interest rates for loans, we take into consideration various factors including market rates and central bank rates, interest rates charged by our competitors, the credit rating of our customers (where applicable), and our overall market share and penetration in the market. The final rates charged to the customers are then decided based on the individual credit assessment, repayment history, collateral offered and risk profile. All our loans are denominated in Indian Rupees and are compliant with the RBI Marginal Cost of Funds-based Lending Rate, which requires pre-set benchmark rates for loans based on a borrower's creditworthiness and other factors. We offer fixed rates of interest on microloans, LAP, LAG and two-wheeler loans. Institutional Finance and AHL are linked to an external benchmark of the latest three months average of 10-year Government Security yields. Our overdraft product for LAP customers is on a floating rate basis while our housing loans are partially on a fixed rate basis and partially on a floating rate basis.

Principal and interest are payable in monthly instalments for all products except loans against gold, which have a bullet payment at the end of the loan tenure.

Accounts and Deposits

Current and savings accounts

We offer a wide array of regular and digital accounts. These accounts range from basic, no-minimum-balance savings accounts to higher interest bearing "premium" and “imperial” savings accounts that typically carry higher balances. Minimum balances in these accounts can range from zero to ₹ 500,000 or more. Interest rates have historically been up to 6.5% p.a. for balances up to ₹ 100,000, 6.25% p.a. for balances between ₹ 100,000 and ₹ 500,000 and 7% p.a. for balances above ₹ 500,000, though in some cases we offer lower rates as published on our website. For all these accounts, interest is paid on a quarterly basis, as applicable. We offer these accounts to general retail customers, high-net-worth individuals and mid-and affluent segments, as well as rural and microfinance customers. In February 2018 we launched Fincare 101, our digital savings account targeted at high-earning-not-rich-yet ("**HENRY**") and digitally-savvy mass retail customers who prefer digital or branchless banking. We offer these accounts in two variants, 101 First Account with no minimum balance and pay-as-you-go, and 101 Priority Account with a minimum balance of ₹ 25,000. Fincare 101 Priority Account offers digital customers free, unlimited usage across frequently used services. These products come with high interest rates, monthly interest pay out and other facilities that are commensurate with the average monthly balance required for the account. We also offer savings accounts designed exclusively for institutions. Our diversity of savings account options allows us to cater to a wide range of customers, from low-income customers to high-net-worth individuals.

Our current account options provide customers with the ability to manage their transactions with higher daily transaction limits and access to funds at a wide network of banking outlets, ATMs and via online banking, mobile applications and SMS banking channels. We do not pay interest on our current accounts. The current accounts options are Smart Business and Priority Business. Smart Business accounts have an average monthly balance requirement of ₹ 25,000 and maximum point of sales of ₹ 10,000 per day, whereas Priority Business have an average monthly balance requirement of ₹ 100,000 and allow for maximum point of sales of ₹ 250,000 per day.

The following table shows a summary of the different types of current and savings accounts we offer to customers:

Product	Account Variant	Target customer	Features	Minimum monthly/quarterly average balance (in ₹)	Interest rate (range) as of March 31, 2022
Current Account	**Smart Business**	Ideal for small businesses with 1-2 transaction per day	• 24/7 cash deposit at Fincare ATM • 50 free transactions monthly across NEFT, IMPS & RTGS • 12 free transactions per month across all ATM	10,000	Nil

Product	Account Variant	Target customer	Features	Minimum monthly/quarterly average balance (in ₹)	Interest rate (range) as of March 31, 2022
	Priority Business	Ideal for large businesses with high transaction volumes per day	• 24/7 cash deposit at Fincare ATM • 100 free transactions monthly across NEFT, IMPS & RTGS • Unlimited cash deposits & withdrawals at no charge	100,000	Nil
Savings Account	**Smart Saver**	Loan customers who want to service their EMI Acts as surrogate with asset products	• Minimal average monthly balance • Seamless fund transfer • Insta Account opening	1,000	**3% p.a. to 7% p.a. depending on below slabs** <=0.10 million – 4.5% >0.10 million and <= 0.50 million - 6% >0.50 million and <= 10 million - 7% >10 million and <= 50 million - 6% >50 million and <= 20 million - 6% >20 million and <= 50 million – 5.75% >50 million and <= 150 million – 4.50% >150 million and >= 200 million - 4% >200 million and >= 300 million -3.25% >300 million and >= 500 million - 3% >500 million – 3%
	Priority Account	Retail mid- and affluent segment	• Free banking transactions - limited • Seamless fund transfer • Insta Account opening • For AMB waiver Fixed Deposit of ₹ 100,000 or above to be maintained	10,000	
	Prime Savings	High end clients in Semi-Urban locations (Tier 3 and Tier 4 plus)	• Doorstep services and free banking transactions • Seamless fund transfer • Insta Account opening	50,000	
	Priority Plus	High-end clients in Urban & Metro locations (Tier 1 and Tier 2 cities)	• Free banking transactions & Doorstep services • Seamless fund transfer • Insta Account opening • For AMB waiver Fixed Deposit of ₹ 400,000 or above to be maintained	100,000	
	Pro Priority	Account designed for Doctors and Chartered Accountants	• Free Rupay Gold card and annual maintenance charges waived off for first year • Seamless fund transfer & 12 ATM transactions free/month • Insta Account opening	Zero Balance	
	Imperial Savings Account	Account designed for HNI customers	• Free Rupay Platinum debit card • Banking and unlimited transactions across all services • Priority access to customer help desk • Insta Account opening	500,000	

Product	Account Variant	Target customer	Features	Minimum monthly/quarterly average balance (in ₹)	Interest rate (range) as of March 31, 2022
Digital Savings Account	**101 First**	Digitally savvy, HENRY segment	• Smart Banking - Bank in your mobile phone • Free virtual debit card with zero charges (no maintenaance charge and eight free ATM transaction)	Zero Balance	
	101 Priority		• Smart Banking - Bank in your mobile phone with unlimited offers • 50 free transactions monthly across NEFT, IMPS & RTGS • Free virtual debit card with zero charges (no maintenaance charge and 12 free ATM transaction)	25,000	
Shakti account		Microloan customers - Cashless collection and disbursement	• Basic banking facilities • Free ATM transactions (Metro-3 and Non-metro-5 at other Bank ATMs) • Insta Account opening	Zero Balance	
BSBDA Account		Zero balance account filled with basic banking facilities to support financial inclusion as per GOI initiative	• Basic banking facilities • Free ATM transactions (Metro-3 and Non-metro-5 at other Bank ATMs) • Insta Account opening	Zero Balance	

Fixed deposits

Our fixed deposits consist of retail term deposits, bulk term deposits and recurring deposit. Our target customers for retail term deposits are high-net-worth individuals, retail customers in the mid- and affluent segments, and non-resident Indians. The range of sizes for retail term deposits is ₹ 5,000 to ₹ 20 million, with interest rates up to 6.75% p.a., with an additional 0.5% being offered to senior citizens. For bulk term deposits, our target customers are banks and corporates looking to park excess funds, as well as high-net-worth individuals. These deposits have sizes of ₹ 20 million and above, tenures from seven days to three years and interest payment options including monthly, quarterly or reinvestment. These fixed deposit account options help our customers meet their individual savings goals, for both the short and the longer term, which could include saving for retirement, children's education, or a dream home or car.

Our retail term deposits can generally be withdrawn before maturity in accordance with applicable rates and with applicable penalties, whereas bulk term deposits can either be withdrawn with or without premature withdrawal penalty. We also offer an overdraft against fixed deposit product that gives customers an overdraft against their existing fixed deposit with us, in order to fund their short-term requirements.

Our recurring deposit accounts are designed to help money grow slowly but steadily, with customers setting aside a small amount of money each month to save toward short or long-term financial goals. The deposits under recurring deposit accounts have equally high interest rates as fixed deposit accounts but have comparatively smaller investment amounts. Recurring deposits are ₹ 500 per month and typically last for a period of six months to five years. As of March 31, 2022, term deposits of more than one year as a percentage of total term deposits are 81.84%, with an average ticket size of ₹ 48,799.23.

The following table shows a summary of our fixed deposit accounts:

Product	Features	Term	Ticket size
Retail term deposit (Smart Fixed Deposit)	• Targeted at retail mid- and affluent customers • Interest rates: up to 6.75% (additional 0.5% offered to senior citizens) • Option of monthly or quarterly interest payout (or re-investment) • Option for part withdrawal or premature withdrawal • Option of loan or overdraft	7 days to 84 months	₹ 5,000 to ₹ 20 million
Bulk term deposits (Priority Plus Fixed Deposit)	• Targeted at banks and corporates, as well as high-net-worth individuals • Interest rates: up to 6.20% • Option for part withdrawal or premature withdrawal	7 days to 3 years	₹ 20 million and above
Recurring deposits	• Targeted at salaried middle-class and self-employed middle-class • Interest rates: up to 6.75% • Option for premature withdrawal	6 months to 5 years	₹ 500 to ₹ 150,000

Other Products and Services

Life, health and general insurance

In addition to our loan and deposit products, we are also registered as a corporate agent with the Insurance Regulatory and Development Authority of India. Our insurance partnerships include Kotak Life Insurance, Edelweiss Tokio Life Insurance Company, Care Health Insurance Limited, Niva Bupa Health Insurance Company Limited, ICICI Lombard General Insurance Company Limited, GoDigit General Insurance Company Limited and Bharti Axa Life Insurance Company Limited, which enable us to offer life, general and health insurance products. Through Care Health Insurance, we offer customers between the age of five and 60 years in-patient hospitalization cover and specified critical illness cover. Through Edelweiss Tokio Life Insurance, we offer a range of products such as POS Saral Nivesh, Dhanlabh, Simply Protect and Smart Lifestyle. Through Godigit and ICICI Lombard, we offer general insurance products, including vehicle insurance, home insurance and shopkeeper insurance.

Others

We also offer other fee based products, including payment products, debit cards and lockers.

Delivery Channels

We distribute our products and services to our customers through various customer touchpoints, including: traditional banking outlets; self-service internet and mobile banking; assisted service tablet banking; cash recyclers/ATMs and multi-lingual call centers. Our banking outlets comprise both Bank-operated outlets as well as outlets operated by business correspondents ("**BCs**") appointed by us. Our BCs run outlets and provide us with a low-cost means of extending our distribution reach.

The table below sets forth an overview of our banking outlets, BC outlets and ATMs over the past three years:

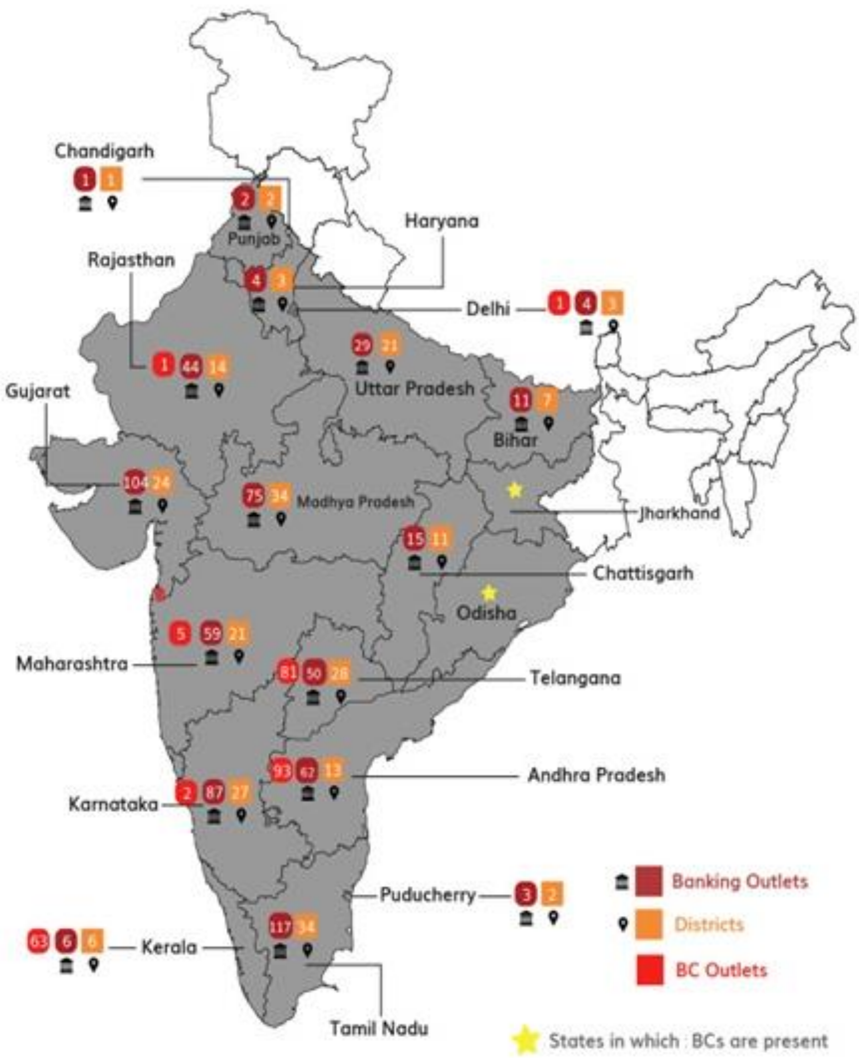
	As of		
	March 31, 2020	**March 31, 2021**	**March 31, 2022**
Banking outlets	509	550	673
BC outlets	202	259	246
Total outlets	**711**	**809**	**919**
ATMs and Recyclers	108	108	125

The following table sets forth a geographic breakdown of our banking outlets and ATMs as of March 31, 2022:

State/ Union Territory	Number of districts covered in each state	Number of company operated banking outlets	Number of BC outlets	Number of ATMs
West India				
Maharashtra	24	59	5	9
Gujarat	27	104	0	23
South India				
Karnataka	26	87	2	9
Tamil Nadu	29	117	0	26
Puducherry	2	3	0	1
Andhra Pradesh	13	62	93	17
Kerala	9	6	63	6

State/ Union Territory	Number of districts covered in each state	Number of company operated banking outlets	Number of BC outlets	Number of ATMs
Telangana	29	50	81	8
North and Central India				
Rajasthan	15	44	1	5
Punjab	2	2	0	2
Haryana	3	4	0	4
Delhi	3	4	1	4
Uttar Pradesh	21	29	0	4
Madhya Pradesh	34	75	0	6
Chandigarh	1	1	0	1
Bihar	7	11	0	0
Chattisgarh	10	15	0	0
Total	**255**	**673**	**246**	**125**

The following map sets forth a geographic breakdown of our banking outlets and BC outlets as of March 31, 2022:



Banking outlet network

We operate three types of banking outlets based on the range of services offered. Our full-service banking outlets are predominantly deposit-oriented outlets situated in metro areas and tier 1 and tier 2 cities. Our basic banking and microbanking outlets are predominantly loans-oriented outlets situated in tier 3 to tier 6 towns and villages. These outlets service microloan customers and cross-sell other loans (such as RLAP, RLAG and two-wheeler loans) and micro-deposit products to relevant customer segments. We also have business correspondent outlets which are set up at unbanked rural centers and which predominantly focus on customer acquisition and account services. Our banking outlets are strategically located across India, and we continuously assess market conditions and the profitability of our banking outlets. We are continually expanding and improving our banking outlet network into unbanked and underbanked districts as well as adopting digital solutions to support our growth and lower operating costs.

The three types of banking outlets we operate are:

- Microbanking outlets: these are former microfinance outlets, which were converted into banking outlets after our conversion to a small finance bank in Fiscal 2018. These outlets are located at Taluk or district headquarters and service primarily our existing and new microloan customers, offering microloans, two-wheeler loans and loans against gold, as well as basic banking services, such as account opening and cash deposits/withdrawals. These banking outlets are relatively smaller offices located in and around residential dwellings.

- Basic banking outlets: these also comprise former microfinance outlets, converted to banking outlets with upgraded infrastructure. They are also located primarily in the Taluk and district and serve both existing and new microloan customers, offering microloans, two-wheeler loans, loans against gold and loans against property, current and savings accounts, fixed deposits and other services. The banking outlets are generally larger office spaces located in commercial premises.

- Full-service banking outlets: these outlets offer the full range of banking products and services to customers, including third-party products. They are located in commercial hubs in tier 1, tier 2 and metro locations and primarily serve new customers in the middle income and affluent segments. These banking outlets are generally located in larger, modern commercial spaces and are equipped with ATMs.

In addition, we have BC outlets in the states of Andhra Pradesh, Kerala, Gujarat, Karnataka, Maharashtra, Rajasthan, Haryana, Delhi and Telangana that provide last mile reach through multiple storefronts. They target new to bank customers from lower income groups in unbanked and underbanked rural centers and are focused on offering basic banking services such as savings accounts and fixed deposit opening, cash deposit and withdrawal and fund transfers. We enter into an agreement with a third-party agent who is responsible for establishing customer service points in a rural area, along with enrolling and processing new customers. As of March 31, 2022, we have entered into business correspondent agreements with 246 agents / BC partners. When entering the business correspondent agreement, we provide the agents with a tentative list of proposed locations for providing services. These outlets provide us with a low-cost means of extending our distribution reach. For further information on our expansion of business correspondent outlets see "*Business Strategies*" on page 161.

The following table sets forth a breakdown of our banking outlets by type of banking outlet and area as of the dates indicated:

	As of		
	March 31, 2020	**March 31, 2021**	**March 31, 2022**
Microbanking outlet	327	308	386
Basic banking outlet	96	152	193
Full-service banking outlet	86	90	94
BC outlet	202	259	246
Total	**711**	**809**	**919**

As part of our growth plan for our network expansion for the next two to three years, we intend to:

- add new basic banking outlets targeting rural poor in the geographies where we already operate as well as in adjacent geographies;

- convert most microbanking outlets to basic banking outlets;

- set up additional full-service banking outlets in key tier 1 and metro markets, targeting new, open-market customers in the mass, affluent and TASC segments for deposit and third-party products;

- offer loans, current accounts and payment products to small and micro enterprises; and

- set up additional, low-cost BC outlets to acquire low-income customers and to reach underbanked segments.

When setting up new banking outlets or BC outlets and choosing new locations, we first collect feedback from our staff in existing locations relating to the market potential in new areas of operation. Based on this preliminary information, we conduct a survey of that particular area. In doing so, we consider parameters such as the population of the area, the number of financial institutions catering to that area and the distance from our existing banking outlets to that area. We also consider the time frame required to make the proposed banking outlet or BC outlet sustainable, for which we study market information from the public domain including target population and credit and deposit behaviour in the area. After selecting locations based on this information, we prepare a detailed service report and evaluate the new locations using an Area Lucrativeness Index, which rates locations on demographic profile, economic indicators, socio-political environment, competition and infrastructure. We then add the proposed new locations to our annual banking outlet expansion plan which is then approved by our Board. Finally, once we receive RBI approval, we commence the expansion.

Cash recyclers & ATMs

We have on-site cash recyclers at all of our full-service banking outlets and ATMs in some of our basic banking outlets. In addition to allowing regular cash withdrawals, cash recyclers allow our customers to deposit cash and receive instant credit to their accounts. As March 31, 2022, we had 125 ATMs of which 90 were cash recyclers and had issued 3.26 million ATM/debit cards.

Digital Channels

One of our primary strategies is to be at the forefront of digital banking, to provide our customers with a seamless banking experience, to reduce costs and support our growth. For our customers, the ability to undertake banking transactions through mobile applications and the Internet is key to our value proposition, and our digital banking services allow us to provide services 24 hours a day, 365 days of the year. Our digital services to our customers include: retail internet banking, with features such as inter-bank and intra-bank fund transfers, utility bill payments, mandate maintenance, cheque book requests, ATM pin regeneration and opening of fixed and recurring deposit accounts; corporate internet banking; mobile banking; WhatsApp banking and website chatbot.

We also equip our frontline staff with tablets which can be used for account opening, funds transfer, bill payments and service requests, customer onboarding for microloans, loans against property and loans against gold.

Our loan application process for products such as microloans and LAP is automated, and our credit decisions are algorithm-based, with real-time integration with credit bureaus. Our KYC is also automated and based on Aadhaar (a unique identification number issued by the Government of India to Indian citizens). For Fincare 101, our digital account, we also offer video-based KYC services.

Below is an overview of our select digital banking solutions:

SmartBank

SmartBank is an instant, paperless tablet-based application for all retail banking products and services. We focused on leveraging the best available technology in order to provide a differentiated experience to our customers. SmartBank caters to retail banking customers and delivers our savings account as well as fixed and recurring deposit account opening and servicing, and also enables origination of LAG accounts. This application is integrated with UIDAI for Aadhaar based e-KYC, AML systems and multiple payment systems for instant account opening and activation.

The solution also provides instant activation of pre-generated debit cards allowing customers to conduct transactions through internet and mobile banking within 30 mins of opening the account. The application also provides for instant cash deposits and withdrawals, fund transfers via NEFT/RTGS/IMPS and service requests such as updating customer and account details.

LAP D.Lite

In 2018, we launched LAP D.Lite, a tablet and web-based solution for paperless loan origination and the underwriting of loans against property. We created this application in-house and integrated it with UIDAI for Aadhaar based e-KYC, including using information from credit bureaus CIBIL and CRIF High Mark, which enables instantaneous e-KYC and credit profiling of potential customers. Specifically, LAP D.Lite assists in quick credit assessments for first-time borrowers with no credit history, income tax returns or business transaction receipts by conducting algorithm-based scoring. This technology allows for quicker turnaround time from lead generation to loan disbursement.

We have successfully deployed LAP D.Lite at all banking outlets that offer LAP, enabling our sales team to enter customer data on tablets in the field, resulting in 100% tablet-based sourcing. Subsequently, authorized staff update the data through the web after the necessary legal checks. The software is integrated with our core banking system so that cases that receive final approval are automatically sent to our operations queue for disbursement.

M-Care and mServe

In Fiscal 2017, we launched m-Care, our loan origination system for all microloans. This application is integrated with UIDAI for real-time identity verification and with credit bureaus for credit information. It has enabled us to go paperless, cut loan turnaround time, allowed our field teams to make quicker credit decisions and made customers aware of the importance of maintaining a good credit history. Using this application has reduced loan turnaround time to five days by automating application processing and decision making.

Separately, we launched a tablet-based collection application, mServe, which is used by our collection teams to record client transactions. This digital application makes collections possible even in deep rural centers. The application lowers the time required for collections from customers and also provides real-time updates on collections centrally. With this solution, the collection time in mServe footprint areas has reduced significantly.

Cross-sell application

In July 2018, we launched a cross-sell application (also referred to as the Lead Management System), a mobile-based progressive web application for paperless and instant lead generation for banking products (excluding rural banking products) that is accessible by all staff. This is an in-house owned application and has a simple and convenient user interface for employees to raise leads. The leads are automatically assigned to the point of contact for the lead city who then tags the relevant status through the application. Necessary notifications to both the lead assignee and the assigner are triggered as Microsoft Kaizala, a messaging and work management software application, sends messages at different stages of the application to track the status of the lead.

The primary use of this application for business teams is to raise leads for other businesses and for non-business teams to raise leads for any business. Standard business leads do not come through this application. The application has a quick turnaround time for conversion of approximately two days on average versus seven days in a manual process, and it provides simple and transparent tracking through status notifications.

FRMS

FRMS is an online tool that monitors fraudulent transactions and triggers alerts using various payment systems and channels. These alerts pertain to transactions linked with debit cards, POS, e-commerce, IMPS (a real-time interbank electronic funds transfer payment system in India), ATMs and UPI (a real-time interbank payment system in India) as well as transactions carried out through mobile banking or internet banking. We set defined rules so that alerts are generated where transactions meet the given criteria and transactions are automatically blocked beyond certain threshold values. We monitor these alerts on a daily basis as and when received.

Fincare Connect

Fincare Connect is a mobile application that offers an end-to-end digital enrollment process for new loan leads. Available on the Google Play Store, it offers a seamless way for "connectors" to submit prospective customers through the app and receive immediate feedback on whether the customer's credit bureau score meets our criteria. The application sends approved submissions to our loan origination system for processing. Our sales team subsequently contacts the customer to check their interest, conducts checks and ultimately completes customer documentation. Once the loan is disbursed, payouts are automatically computed and transferred to the connector's account.

WhatsApp banking

We offer a WhatsApp bot that provides customers with self-service banking options through messaging. Customers are able to access certain information related to their bank account, apply for various loans and a Fincare 101 Account, learn about our products, locate the nearest ATM and banking outlet, block their debit card and access other banking services. This bot increases the accessibility of our banking services to all customers with access to WhatsApp, enabling us to reach customers wherever they are and quickly respond to their needs.

Kaizala

We are a field-heavy organization and adopted Microsoft Kaizala to help streamline employee engagement by enabling secure communication and improving visibility of our business activities. Kaizala has personalized employee engagement by creating the equivalent of an Outlook mailbox called “My Inbox” for all employees. This has solved the major challenge of one-to-one information dissemination to a large salesforce that experiences high churn. MIS, sales targets, sales campaigns, appreciation emails and other communications are customized and targeted to employees through “My Inbox” which is automated on the backend. In addition, employees can track their performance metrics in real-time. Kaizala has also made possible hosting key applications and triggering them to employees such as Daily Collections Module for JLG and Mortgage Teams. Kaizala has made the monitoring of applications and servers very convenient. On the backend, logs of various servers and applications are scanned and notifications are triggered to the targeted audience on a real-time basis.

Operations

Treasury

Our treasury team focuses primarily on the management of funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability management, interest rate risks, liquidity positions, investments and trading activities. We have an investment policy guided by relevant RBI circulars and approved by our Board, that contains standard operating procedures and various risk limits for carrying out treasury operations and governing investments in instruments such as bonds, treasury bills, commercial paper, certificates of deposit, debt mutual funds, debentures and other products. We have a strong risk management setup to monitor and manage the risk from treasury activities.

We maintain liquidity and contingency buffers to absorb market volatility and meet customer requirements. We use a variety of transactions to manage our funding requirements, including borrowing in the call money market, tri party repo, market repo, variable rate repo and liquidity adjustment facilities. Our resource mobilization strategy plays a vital role in managing our sources of funds with an optimal mix of term deposits, interbank participatory certificates and refinance facilities.

We have an automated treasury software system to capture, authorize, verify and settle the majority of transactions and to generate reports on demand.

Compliance

We have an independent compliance department to ensure strict adherence to regulatory guidelines and management of compliance / regulatory and reputation risk. The compliance department's focus is to strengthen the compliance culture across our Bank, ensure compliance to applicable RBI regulations, review internal policies and assess our products and processes for associated compliance risk.

The department is the point of contact for all regulators, including for responding to various requirements, seeking approvals, coordinating with the RBI inspection team and submitting data under the Risk Based Supervision framework. The team department also focuses on KYC and AML while also reviewing, monitoring, and providing guidance on regulatory matters to other departments.

The department ensures compliance to applicable regulatory guidelines issued by the RBI, SEBI, IRDAI and PFRDA during introduction of new products and processes or modifications to existing products and processes. The head of the department is a member of various internal committees to enable more effective monitoring and addressing of compliance risks.

The department ensures periodic training on compliance matters to its team and our staff members in co-ordination with HR. The compliance department keeps our management, Audit Committee and Board informed about important compliance-related matters through quarterly and annual compliance review reports.

Credit

The functions of credit include, among others:

1. Approving credit decisions as per the delegation of powers set out in our Credit Policy. We follow a centralized credit decisioning structure and credit decisions are made based on our approved credit policy. Credit approving decisions are made based on the due diligence performed by credit teams at banking outlet, division, zone and head office levels.

2. Credit decisioning of loans amounting to between ₹ 10 million and ₹ 150 million is done by the Credit Committee. A few proposals are also decisioned by the credit committee of our Board as per our policy and per mandate of the RBI;

3. Collections and legal recoveries; and

4. Ongoing portfolio analysis.

Sales

Most of our sales activities are undertaken by our banking outlets. Our employees who are involved in sales are usually locally hired and trained in-house in order to inculcate a strong understanding of the local area in which they operate. As of March 31, 2022, we had 6,301 employees involved in sales. We believe our sales personnel deployment strategy has the benefit of creating employment opportunities in the rural areas in which we operate.

Marketing

We have a corporate marketing department that ensures standardization of communication across channels, content and collateral management, participation in events and conferences, press and media coverage, issuance of promotional materials as well as undertaking on-ground sales promotion and brand-building activities. We also regularly undertake and promote social welfare initiatives such as financial literacy camps at the village level for the benefit of the communities we serve.

Competition

Micro banking

We have been involved in microfinance for several years and are a well-known brand among our target segments. Although we have different competitors in different regions of the country, our principal competitors in microfinance are small finance banks, non-banking financial companies and microfinance institutions in India such as Ujjivan Small Finance Bank Limited, Jana Small Finance Bank Limited, Equitas Small Finance Bank Limited, ESAF Small Finance Bank Limited, Credit Access Grameen Limited and Spandana Sphoorty Limited. There is a large number of successful microfinance institutions in India, and we compete with them for business across different geographies throughout the country. The RBI has liberalized the licensing regime for banks in India and intends to issue licenses on an ongoing basis, subject to applicants meeting the qualification criteria of the RBI. The RBI is supportive of creating more specialized banks and granting differentiated banking licenses such as for payment banks and small finance banks. See also "*Risk Factors –Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business.*"

General banking

In general banking, our principal competitors are other small finance banks and other financial services companies, NBFCs, public sector banks and new-age private sector banks. Public sector banks, which generally have a much larger customer and deposit base, larger banking outlet networks and government support for capital augmentation, may have stronger brand recognition and the ability to offer more diverse and financially attractive products to customers. As we are a relatively new general bank, we seek to compete on the basis of our commitment to the microfinance market, our strong, deep-rural distribution channel, our connect with customers from low-income households in rural and semi-urban markets, our ability to cross-sell to existing customers, our ability to disrupt the market for more affluent customers through our digital banking offerings as well as our strong leadership and a committed workforce. See "*Risk Factors – Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business.*"

Employees

We have built a strong team of professionals comprising domain experts in retail banking, rural banking, mortgages, operations, digital, information technology, risk management, finance, human resources, auditing, compliance, corporate services and administration, among others. For business functions, we typically employ local personnel who are familiar with the territory. The table below sets forth a breakdown of our employees by function as of the dates indicated:

	As of		
	Fiscal 2020	**Fiscal 2021**	**Fiscal 2022**
Head office[(1)]	114	96	103
BCs[(2)]	26	21	17
Banking outlets[(3)]	6,829	8,322	11,169
Others[(4)]	394	411	444
Total[(5)]	**7,363**	**8850**	**11733**

(1) Ahmedabad registered office shown as head office.
(2) BCs represent agency banking headcount.
(3) All employees are counted under banking outlets except as mentioned otherwise.
(4) Others includes Bangalore and Chittoor offices.
(5) Source for headcount is from HRMS. Only on-roll headcount is included.

We believe that we have a sound working relationship with our employees, and we have not experienced any labour disputes. Our employees are not subject to any collective bargaining agreements or represented by any labor unions.

Training

Training is core to our goal of creating high-calibre banking professionals. Our training goals are aligned with our business strategy, and nurturing talent to achieve our goals of growth and efficiency is a key operating principle.

Our transition to a small finance bank involved significant investment in our employees in order to build a quality workforce, qualified not only in microbanking but also in general banking.

All our employees attend an induction training and also undertake regular trainings. We identify the need for training by using a variety of methods, including annual appraisals, ongoing performance evaluation and feedback from managers. We believe that employees at different levels require different learning and development interventions, according to the expectations of the roles. General banking training includes training on banking terminology, banking operations, products, processes, IT applications and compliance. We also provide industry courses in areas such as risk management, compliance, credit management, audit, in addition to soft skills such as business communication, sales, customer service and team management.

Properties

We do not own any real estate properties. Our Registered Office, Corporate Office, banking outlets and BC outlets are on leased/licensed premises.

Intellectual Property

As on the date of this Draft Red Herring Prospectus, our Bank does not hold any intellectual property. Our Promoter has 40 trademarks registered in its name, while four trademark applications filed by the Promoter have been opposed. Pursuant to a separate license agreement dated December 14, 2016, our Promoter has granted to our Bank a non-exclusive, worldwide, royalty free, irrevocable right and license to use the intellectual property owned by our Promoter.

Information Technology

We are committed to implementing information technology ("**IT**") systems and processes that provide us with up-to-date management information to make informed strategic decisions. The key factors that have influenced our investment in technology are flexibility, stability, scalability and interfacing capabilities of technical solutions.

Our primary data centers are located in Mumbai and Amravati, and our disaster recovery centers in Hyderabad and Kochi.

We have a tie up with Fidelity Information Services ("**FIS**"), a global IT provider of financial technology solutions. FIS offers core banking software and surround solutions and managed services focused on retail banking, payment systems and risk and compliance.

Core banking system

We have deployed Profile by FIS as our core banking system. This system is connected in real time to all our banking outlets and BC outlets.

Banking outlet and BC infrastructure

Each of our banking outlets has a terminal and a handheld device that is connected with CBS to provide facilities for data entry, loan processing and cash collections. Each banking outlet also has a detailed management information system for use by officials. Our BC outlets utilize handheld devices connected to our core banking system for processing transactions.

Insurance

We maintain insurance policies that we believe are customary for Indian banks comparable to our size. Our insurance policies include health insurance, term insurance, motor vehicle insurance, commercial package policy, directors and officer insurance, bankers' indemnity insurance and cyber risk insurance.

Credit Ratings

Our long term rating is ICRA A (stable outlook) by ICRA and CARE A (stable outlook) by CARE Ratings. Our unsecured sub-ordinated debt is rated CARE A (stable outlook) by CARE Ratings and IND A (stable outlook) by India Ratings. Our fixed deposit program is rated ICRA A (stable outlook) by ICRA, reaffirmed and migrated from MA+ (stable outlook) and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings.

Awards

We have received numerous awards for our customer experience, operations and innovation.

We have received the following awards in Fiscal 2021: KMPG Business Today: Faster growing SFB; Financial Express: Best Bank in SFB Category; Finnoviti Award – banking frontiers: m-Care; National Awards for excellence in Financial services under the sub-category of Financial Inclusion; and IBA technology award for IT Risk and cyber security. We are also certified as a 'Great Place to Work' by the Great Place to Work Institute for the period from January 2022 to January 2023, and have also been recognised among India's top 30 workplaces in BFSI in 2022 by the Great Place to Work Institute. In addition, we have been recognized as a "Future Ready Organisation" for 2022-2023 in the Small and Medium Enterprise category by ETHRWorld.com. For further information regarding our awards, see "*History and Certain Corporate Matters – Awards, accreditations and recognitions received by our Bank*" on page 201.

Risk Management

We recognize risk management as an integral part of good management practices. Our risk management goal is to measure, monitor and mitigate risks by ensuring adherence to policies and procedures. This goal underpins our Risk Management Charter. We have formulated our risk management policy taking into account, among others, the practices and principles governing risk management prescribed by the RBI from time to time. This is separated into three policy documents, Credit Risk Policy, Market Risk Policy and Operational Risk Policy. The risk management framework is subjected to periodic review and enhancement on an ongoing basis, in tune with evolving business strategy, regulatory guidelines and best practices in the industry.

The core principles that drive decision-making for prioritizing and mitigating risk are: (i) faster response to market developments; (ii) marked by reduced turnaround time to maximize revenues; and (iii) quickly mitigate risks.

Our risk management approach consists of seven steps:

1. establishing a context;
2. risk identification;
3. risk analysis;
4. risk evaluation;
5. treating risk;
6. monitoring and reviewing risk; and
7. communication and consultation.

For information on our key principles that govern our risk management practices, please see " – *Robust risk management policies, leading to healthy asset quality*" above.

Risk Management Organizational Structure

We have a risk governance structure that seeks to ensure efficiency and promptness in addressing various risks, as well as the independence of the risk management department from risk-taking units. Our risk governance structure is as follows:

Roles and Responsibilities

Board of Directors

The Board is responsible for governing the overall risk management activities and ensuring its long-term financial soundness, including determining its business and risk strategies. The key functions of the Board related to risk governance are:

1. The Board, in consultation with the Risk Management Committee, approves and oversees the implementation of our overall risk strategy and risk management framework, and ensures that risk management is done independent of business units of our Bank; and

2. The Board, in consultation with the MD and CEO and Risk Management Committee, approves all decisions pertaining to the appointment or removal of the Chief Risk Officer ("**CRO**").

MD and CEO

The MD and CEO is responsible for managing our business operations, and plays a principal role in implementing the risk policies and processes. The MD and CEO's main functions related to risk governance are:

1. to ensure accountability of business units in assessing and managing all risks associated with their activities, and ensure the independence of the risk management function;

2. to assess, on an ongoing basis, the material risks associated with the banking operation's activities; and

3. to keep the Board informed of our risk profile and risk management practices.

Risk Management Committee of the Board

The roles of the Risk Management Committee include:

1. approving and periodically reviewing the risk management policies;

2. overseeing the implementation of our risk management framework;

3. reviewing and approving our risk appetite statement on an annual basis, and approving any material amendment to the risk appetite statement; and

4. reviewing the appointment, performance and replacement of the CRO in consultation with the Board.

The Risk Management Committee receives and reviews regular reports, at least quarterly, from the CRO. The Risk Management Committee is chaired by an Independent Director.

Executive level committees

The executive committees are responsible for approval of operational frameworks and guidelines for day-to-day functioning in our respective domain of operations. The executive committees are critical for efficient functioning of the business groups, and effective monitoring and timely mitigation of the business risks. Some of the key executive level committees that oversee the implementation of risk management are as follows.

*Asset Liability Management Committee ("**ALCO**")*

The ALCO is responsible for the overall formulation of the asset liability strategy and oversight of ALM activities. ALCO is responsible for ensuring adherence to the limits set by the RBI and our Board, as well as for deciding the business strategies (on the assets and liabilities side) in line with our budget, and deciding risk management objectives and policies. The main function of the ALCO include, among others, identifying, measuring, managing and controlling liquidity risk, market risk, interest rate risk and reviewing and approving lending and deposit rates periodically.

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for measuring and monitoring operational risks inherent in the business processes and activities.

Specific responsibilities of the Operational Risk Management Committee are to:

1. put in place and ensure implementation of a comprehensive operational risk management framework;
2. report significant operational risk issues to the Board; and
3. submit operational risk profiles/dashboards to the Risk Management Committee for review.

Product Approval Committee

Our product approval and review committee is headed by our Chief Risk Officer, and other members include the Head of Credit and respective business heads. The MD and CEO is a permanent invitee to this committee. Their key responsibilities are to assess and approve new product or service offerings from a business and operational prospective, review the target segment, examine feasibility, ensure adequate resourcing, identify regulatory and legal risks, review performance and ensure standards codes and appropriate skillsets are applied.

Information Security Committee

Our information security committee is responsible for overseeing the development, implementation and maintenance of our information security policy and program to ensure proper usage of IT and safeguarding of information flow. The MD and CEO is a permanent invitee to this committee.

Credit Committee

The Credit Committee is chaired by the MD & CEO, and other members include the CRO, CFO, Head of Credit and respective business heads. The Credit Committee is responsible for approving high-value credit proposals of ₹ 10 million or more. Approvals made by the credit committee are provided to the Board every quarter. The Credit Committee meets at least once per month to review the performance of existing large borrowers.

Risk management

The Risk Management function is headed by the CRO and operates independently in accordance with the risk management framework. The Risk Management function is organized as follows:

1. Credit Risk Management;
2. Asset Liability Management and Treasury Mid Office;
3. Operational Risk Management; and
4. Cyber and Information Security.

In addition, our Business Continuity Planning Committee also forms a part of our Risk Management Governance framework.

CRO

The CRO reports to the Risk Management Committee of the Board. The role of CRO is designed in accordance with RBI guidelines, and includes the following:

1. the CRO is independent of business units and does not have any business targets;
2. the CRO is not part of the credit approval process as a decision-maker in individual capacity. The CRO has voting power in Credit Committee proceedings;
3. the CRO has direct reporting lines to the Risk Management Committee of the Board and functional reporting to the MD and CEO, and provides input, reports and insights on all aspects of risk management;
4. the CRO oversees the development and implementation of risk-related policies and processes; and
5. the CRO is responsible for overall risk identification, measurement, monitoring and control.

Risk Management Process

We have established a risk management process that includes the following steps:

(i) ***Establishing a context***: This is the strategic, organisational and risk management context in which the rest of the risk management process takes place. The criteria for evaluation of the risk are defined;

(ii) ***Identifying Risks***: This is the identification of what, why and how events arise, and provides a basis for further analysis;

(iii) ***Analysing Risks***: This is the determination of existing controls and the analysis of risks in terms of their consequences and likelihood in the context of those controls. The analysis considers the range of potential consequences and the likelihood of occurrence. Consequence and likelihood are combined to produce an estimated level of risk;

(iv) ***Evaluating Risks***: This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized;

(v) ***Treating Risks***: For higher priority risks, developing and implementing specific risk management plans, including funding considerations. Lower priority risks may be accepted and monitored;

(vi) ***Monitoring and Reviewing***: This is the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process;

(vii) ***Communicating and Consulting***: Appropriate communication and consultation with internal and external stakeholders occur at each stage of the risk management process, as well as on the process as a whole.

Internal Capital Adequacy Assessment Process

The capital adequacy frameworks introduced by Basel II and Basel III envisage that banks implement both a process for assessing capital adequacy in relation to their risk profile as well as a strategy for maintaining adequate capital levels, known as the internal capital adequacy assessment process ("**ICAAP**"). The ICAAP is used to identify and accurately assess the significance of all of the risks we face that may have consequences as regards to our financial situation.

Under ICAAP, we assess present and future capital requirements in a systematic way. The assessment takes into account the following:

1. Current regulatory Capital Adequacy Ratio under Pillar 1;

2. Business growth plans for next three financial years;

3. Risk profile, mitigants put in place and overall governance practices; and

4. The assessment of various Pillar 2 risks such as concentration risk, liquidity risk, interest rate risk, reputational risks, strategy risk and operational risk including cyber and information security are elaborated in the document and appropriate capital charge is provided based on the materiality.

This is to ensure risk identification and measurement processes are appropriate, level of internal capital is commensurate to our risk profile and that risk management systems are suitably developed and applied.

Risk appetite framework

Our risk appetite has been defined basis risk taking capability as well as appetite at an enterprise level and then further bifurcated into various business and other verticals. The Board approved risk appetite is quantified amongst credit risk, market risk, cyber/infosec and operational risks and monitored regularly.

Risk Policies

Credit risk policy

This policy seeks to provide a framework for managing credit risks so as to promote quality assets, profitable relationships and prudent growth by leveraging on our strong microloan franchise, traditional client base in key geographies. It encapsulates our approach to approving and managing credits and aims at making systems and controls effective, while considering economic uncertainties, heightened competition and thinning spreads.

Market risk policy

This policy seeks to define processes whereby the market risks carried out by us can be identified, quantified and managed within a market risk framework which is consistent with our mandate and risk tolerance limits. The key objectives of the market risk policy are to ensure that our operations are in line with expectations of returns vis-à-vis market risk, to create defined procedures for risk identification, quantification, monitoring and reporting, and to ensure policies and procedures relating to market risk are adhered to.

Liquidity risk policy

Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. Our treasury department sources funds from multiple sources, including from banks and financial institutions, while our liabilities department sources funds in the form of deposits from wholesale and retail customers. Our treasury department is responsible for diversifying fund raising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies. We manage our liquidity risk through ALCO which identifies, measures, manages and controls our liquidity risk as part of our asset liability management.

Comprehensive pricing policy

This policy provides a framework for determining interest rates for deposits and advances. The policy allocates the ALCO committee with the power to review and approve interest rates based on key external and internal influencing factors. The aim is to ensure that interest rates are reasonable for customers yet financially viable for us in order to maintain a stable net interest margin.

Operational risk management policy

This policy assigns roles and responsibilities for management of operational risk and defines our risk identification, assessment and monitoring methodology with the aim of improving controls, mitigating risks and reducing the impact and probability of loss events.

Stress testing

Stress testing refers to various techniques (quantitative and/or qualitative) used by us to gauge our vulnerability to exceptional but plausible events. Stress testing is a risk management technique used to evaluate the potential effects on financial condition of a specific event and/or movement in a set of financial variables. We undertake stress testing semi-annually, on (i) credit risk; (ii) market risk; (iii) liquidity risk; (iv) interest rate risk; and (v) credit concentration risk.

Stress testing is based on our Board-approved stress testing policy, which also sets out the frequency of the testing based on the type of risk. We generally test the relevant parameters at three levels of increasing adversity – Baseline, Medium and Severe – with reference to the 'normal' situation, and estimate the financial resources needed under each of the circumstances to:

(i) meet the risk as it arises for mitigating the impact and manifestation of that risk;

(ii) meet the liabilities as they fall due; and

(iii) meet the minimum CRAR requirements.

Basel III requirements

We have a process for assessing overall capital adequacy in relation to our risk profile and a strategy for maintaining capital levels. The process provides an assurance that we have adequate capital to support all risks inherent to the business and an appropriate capital buffer based on our business profile. We identify, assess and manage comprehensively all risks to which we are exposed through sound governance and control practices, robust risk management framework, and an elaborate process for capital calculation and planning.

In line with the Basel Master Circular, effective since July 1, 2015, we have calculated our capital ratios as per the extant RBI guidelines. The main focus of Basel III norms is on the quality and quantity of Tier I capital, and these regulatory requirements are currently met by the quantum of capital available to us. The Pillar I Risk-Weighted Assets calculation covers credit risk (standardized approach).

Internal Audit

We have an internal audit function, which independently carries out evaluation of the adequacy of all internal controls, and ensure operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. Our internal audit charter defines the purpose, authority and responsibility of the function and establishes its position within the organization structure. The audit function also proactively recommends improvements in operational processes and service quality. To mitigate operational risks, we have put in place extensive internal controls including audit trails, appropriate segregation of front and back office operations, post-transaction monitoring processes at the back office (to ensure independent checks and balances), and ensuring adherence to our policies, procedures and to all applicable regulatory guidelines. We have adhered to standards of compliance and governance and have put in place controls and an appropriate structure to ensure this. To safeguard independence, the internal audit function has a reporting line to the Chairman of the Audit Committee. The Audit Committee also reviews the performance of the Audit function and reviews the effectiveness of controls and compliance with regulatory guidelines. The Board ensures that there are internal controls in place with reference to the Financial Statements, and that such controls are operating effectively.

The key roles have been split into sections: (i) credit audit, which covers specific loan accounts, credit process audits, credit risk management, microloans audit, among others; (ii) business audit, which covers financial audits, treasury audits and market risk management audits; (iii) banking outlet audit, which covers activities at all the banking outlets; (iv) business process audit, which covers centralized activities and corporate management functions. including operations risk and compliance, special audit, and retail banking audit; and (v) information security audit, which covers IT management processes, applications, IT infrastructure (including network, operating system, databases and middleware) and IT & project governance.

Inspection and audit

In line with Principle 13 of the Basel Committee on Banking Supervision's consultative document on Internal Audit in Banks, which states that "Internal audit should both complement and assess operational management, risk management, compliance and other control functions", a sound internal control framework exists based on the "three lines of defence" system, where each of the three lines has an important role to play.

The business line – the first line of defence – has "ownership" of risk, whereby it acknowledges and manages the risk that it incurs in conducting its activities. The risk management department is the second line of defence and is responsible for further identifying, assessing and managing operational and compliance risks pertaining to their area of operation. They are responsible for coordinating, overseeing and objectively challenging the execution of business operation, ensuring risk management teams are independent of the business units and escalating high risk business activity. The internal audit function is the third line of defence and is engaged in conducting risk-based audits and reviews to provide assurance to the Board that the overall governance framework is effective, as well as assessing and developing approaches and tools for future audits.

Our audit charter and information systems audit policy are subject to annual reviews and appropriate modifications, and updates are made in compliance with observations from the RBI, other regulatory guidelines, and the directions of the Audit Committee and the Board.

The review of our policies has been duly approved by the Audit Committee and the Board. We have scaled up our audit processes to improve our audit effectiveness. We prioritize our audit process as a tool of control and compliance. We also leverage on the risk-based audit plan as a tool to assess and control risks encountered in our operations. We calibrate our risk-rating architecture by rationalising the parameters and scores assigned to each risk parameter and have formed a Risk Matrix involving all business groups.

The performance and effectiveness of our IAD function is monitored by the Audit Committee against several performance indicators, including completion of assignments, follow up of audit action items, timely reporting, quality and impact of observations, training of audit staff and quality of audit files.

Off-site audit

We have established an offsite audit team within the department for the offsite monitoring of certain transactions and activities at banking outlets, offices and doorstep service centers. The unit performs various tasks, including:

(i) performing random checks on interest applications in asset and liability accounts;

(ii) performing periodic checks on exceptional transactions, such as subsequent debits in micro-banking loans and debits in income general ledgers; and

(iii) performing checks on cases of multiple micro-banking loans to the same customer, high-value temporary overdrafts, and rates of interest.

All of our units, businesses and locations are audited at least once in two years. The offsite audit team is provided with read-only access to the MIS-database and other systems, such as FIS Profile and NewGen, for access to the required data using processing tools such as SQL. The offsite audit team works together with the onsite banking outlet auditors to analyse banking outlet profiles, select appropriate samples and focus on the most relevant issues. The team also produces reports to auditors on any irregularities observed whilst onsite.

Concurrent audit

Concurrent audit is a management process integral to establishing sound internal account functions, effective controls and setting the tone for a vigilant internal audit to preclude the incidence of serious errors and fraudulent manipulations. Our concurrent audit covers KYC/AML/CFT Policy and KYC documentation, credit appraisal and loan documentation, safe custody of documents relating to customer information and transaction mandates/loans, MIS generation and report submission to regulators, and liability and asset products. The concurrent audit examines the business decisions and transactions in light of our policy and internal guidelines but does not sit in judgment of the decisions taken by a banking outlet manager and does not substitute for the internal control mechanism of the business. The objective is to cover certain fraud-prone areas such as handling of cash, deposits, advances, off-balance sheet items and internet banking. A comprehensive review of the concurrent audit process in line with the requirements set out by RBI is determined uniformly by the department in consultation with the Audit Committee.

Information systems audit

We conduct audits on our information systems to review safeguards and processes implemented to protect our customers' confidentiality and prevent cyber-attacks and other IT-related threats. The IS Audit Policy is a subset of our Internal Audit Policy and is modified in line with regulatory and statutory requirements issued from time to time. The scope covers all our information systems as well as the implementation of system goals. The IS Audit is performed with the aim of ensuring that data integrity across our various systems is maintained, to ensure compliance with regulations and guidelines, and to have timely triggers on various information and systems and technical risks. This involves audit of both our internal information systems and our outsourced activities, such as call centers, data entry operators, empanelment of valuers etc. The IS Audit is carried out by an in-house team or outsourced when specific skillsets are required and is supervised by the IAD to ensure the effectiveness of controls. The IS Audit function reports to the Head of Internal Audit, who in turn reports to the Audit Committee.

Environmental, Social and Ethical Governance

We believe that environment, social and governance ("**ESG**") is a prime driver for the creation of long-term value for all stakeholders. We adopted an Environment, Social and Governance Management System ("**ESG MS**") policy in July 2020 and are committed to integrate an ESG framework into our core business operations. We have developed a phase-wise ESG implementation plan. To monitor progress, we have constituted management level ESG Committee reporting to the CSR Committee of our Board.

We align our ESG activities with the Sustainable Development Goals set forth by the United Nations. To address the goals of no poverty and zero hunger, our Bank offers income generating loans to underbanked and unbanked rural households, through women, and offers employment opportunities to aspirants from rural and semi-urban geographies. Towards the aim of good health and well-being, we provide health insurance to our employees and have conducted vaccination drives for our staff. In terms of ‘quality education’, we have set up the Fincare Study Centers, where underprivileged students receive free tuition and study materials at designated study centers from a dedicated teaching staff. Additionally, we conduct compulsory group training for microloans borrowers, to provide financial literacy.

Our Bank has an equal opportunity employment policy. Further, our Bank has adopted a prevention of sexual harassment policy and has constituted a committee tasked with handling complaints, monitoring and preventing workplace sexual harassment. We also provide mandatory courses on prevention of sexual harassment to our staff.

Among our various environmental initiatives are the use of inverter air conditioners and VRF air conditioners instead of traditional air conditioners and the use of LEDs instead of CFL on our premises, reducing the number of pages of loan documentation for microloans, AHL and LAP, safe disposal of e-waste and hazardous waste through authorized dealers, adoption of virtual debit cards, increased focus on Digital Accounts and adoption of the Fincare SFB Exclusion list (Prohibited Activities & Services for which Fincare SFB Loans cannot be used), among other initiatives.

We have a robust corporate governance framework, a vigil mechanism and a whistle-blower policy for staff to raise grievances.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain key sector specific laws and regulations in India, which are applicable to us. The information detailed in this section has been obtained from publications available in the public domain. The regulations and their descriptions set out below may not be exhaustive and are only intended to provide general information to the Bidders and are neither designed nor intended to substitute for professional legal advice. Judicial and administrative interpretations are subject to modification or clarification by subsequent legislative, judicial, or administrative decisions. As on the date of filing this Draft Red Herring Prospectus, the Bank is in compliance with the relevant RBI requirements/ laws applicable to SFBs.

Our Bank is engaged in the business of operating as a small finance bank with a focus on unbanked and under-banked customers, especially in rural and semi-urban areas, and on financial inclusion. We deliver our products and services through our business correspondents, Banking outlets, ATMs, mobile banking platforms, SMS alerts, internet banking portals and unified payment interface facilities. Under the provisions of various Central Government and State Government statutes and legislations, our Bank is required to obtain and regularly renew certain licenses or registrations and to seek statutory permissions to conduct our business and operations. For information regarding regulatory approvals obtained by our Bank, see *"Government and Other Approvals"* on page 349.

The following is an overview of some of the important laws and regulations, which are relevant to our business as an SFB.

BANKING RELATED LEGISLATIONS

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 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 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 other business 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 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 the 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' (the "**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 credit balances or any deposit amount shall be credited to the Fund within a period of three months from the expiry of the said period of ten years. The bank shall be liable to repay a depositor or any other claimant at such rate of interest as may be specified by the RBI. In terms of the RBI circular bearing number dated May 11, 2021, rate of interest payable by banks to the depositors/claimants on the unclaimed interest bearing deposit amount transferred to the Fund shall be 3 per cent simple interest per annum.

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 RBI Act, 1934 ("RBI Act")

The RBI Act provides a framework for supervision of banking companies 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.

Reserve Bank of India's Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 ("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**: An 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. Pursuant to a notification dated March 28, 2020, titled 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms, the RBI revised certain requirements under the SFB Licensing Guidelines including, *inter alia*; (i) providing general permission to all existing SFBs to open banking outlets subject to adherence to unbanked rural centre norms as per RBI circular DBR.No.BAPD.BC.69/22.01.001/2016-17 dated May 18, 2017; (ii) exempting all existing SFBs from seeking prior approval of the RBI for undertaking such non risk sharing simple financial service activities, which do not require any commitment of own funds, after three years of commencement of business.

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. Promoters/ 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 SFB. Pursuant to a notification dated March 28, 2020, the RBI clarified that the promoters of the existing SFBs could cease to be promoters or could exit from the bank after completion of a period of 5 years, depending on the RBI's regulatory and supervisory comfort/discomfort and SEBI regulations in this regard at that time.

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 compliant with the requirement of opening at least 25% of its branches in unbanked rural centres ("**URC**") (having population of up to 9,999 as per the latest census). A URC is a rural centre that does not have a Core Baking Service-enabled 'banking outlet' of a scheduled commercial bank, a SFB, 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. In case of a conversion from NBFC/MFI, the SFB is allowed to preserve the advantages of the former structure for a period of three years from the date of commencement of their business, to align banking network with the extant guidelines. The existing structures would be treated as 'banking outlets' and would not be subjected to the 25% norm. However, for all new outlets opened or converted from the existing NBFC/MFI branches in a year shall be required to open at least 25% banking outlets in unbanked rural centres. Further, there shall not be any restriction in the area of operations of a SFB, however, preference will be given to SFBs who are 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 197.*

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.

   The aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. up to 74% of the paid-up capital of our Bank).

7. **Voting rights and transfer/ acquisition of shares**: As per the Banking Regulation Act read with the gazette notification 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, if 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 3 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 bank.

Reserve Bank of India's Operating Guidelines for Small Finance Bank dated October 6, 2016 ("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 banking 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 and March 28, 2020. 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 (**"BC"**). These business correspondents can have their own branches managed by their employees operating as "access points" or may engage other entities/persons to manage the "access points" which could be managed by the latter's staff. In such cases, from the regulatory perspective, the SFB will be responsible for the business carried out at the 'access points' and the conduct of all the parties in the chain regardless of the organizational structure including any other intermediaries inserted in the chain to manage the BC network. Further, the Operating Guidelines also provide that the business correspondents must be doing online transactions/using point of sale terminals for doing transactions; 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.

d) **Marginal Cost of funds-based lending rate, other related regulations on interest rates and fair practice code for lenders:** 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.

Reserve Bank of India's Master Direction on Priority Sector Lending –Targets and Classification dated September 4, 2020 updated as on October 26, 2021 ("Priority Sector Lending Regulations")

The Priority Sector Lending Regulations, as provided in Master Direction FIDD.CO.Plan.BC.5/04.09.01/2020-21, have consolidated certain circulars pertaining to issued earlier, including the 'Master Direction on Priority Sector Lending – Small Finance Banks – Targets and Classification' dated June 11, 2021**.** The Priority Sector Lending Regulations apply to every commercial bank and primary (urban) co-operative bank other than salary earners' bank licensed to operate in India by the RBI. Further, the SFB Priority Sector Lending Regulations requires SFBs to have a target of 75% for PSL of their adjusted net bank credit or credit equivalent of off-balance sheet exposures. Further, for agriculture sector, micro enterprises and advance to weaker sections, the targets are 18%, 7.5% and 12% of the adjusted net bank credit respectively. The sub-target for small and marginal farmers is increased from 9% currently to reach 10% in phased manner by financial year ending 2023-24 and weaker section target from 10% currently to reach 12% in phased manner by financial year ending 2023-24. In addition, certain other changes were made such as change in definition of MSME in line with Government of India (GoI), Gazette Notification S.O. 2347 (E) dated June 16, 2021 and S.O. 2119 (E) dated June 26, 2020 read with circulars RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time.

In pursuance to the press release on 'On-Tap Liquidity Window for Contact-Intensive Sectors' issued on June 4, 2021, the Priority Sector Lending Regulations were further amended on June 11, 2021 to provide for a separate liquidity window of ₹15,000 crore with tenors of up to three years at the repo rate till March 31, 2022 has been opened for certain contact-intensive sectors i.e., hotels and restaurants; tourism - travel agents, tour operators and adventure/heritage facilities; aviation ancillary services - ground handling and supply chain; and other services that include private bus operators, car repair services, rent-a-car service providers, event/conference organisers, spa clinics, and beauty parlours/saloons. Banks are expected to create a separate COVID loan book under the scheme. Banks desirous of deploying their own resources without availing funds from the RBI under the scheme for lending to the specified segments mentioned herein above will also be eligible for this incentive.

Reserve Bank of India's Press Release 'Statement on Developmental and Regulatory Policies' dated October 9, 2020

The press release has now revised the limit for risk weight for regulatory retail portfolio to ₹7.5 from ₹5 crores, for individuals and small businesses with turnover up to INR 50 crore, in respect of all fresh as well as incremental qualifying exposures. Further, the RBI issued another circular – DOR.No.BP.BC.23/21.06.201/2020-21, dated October 12, 2020 clarified that the risk weight of 75 per cent will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks up to the revised limit of ₹ 7.5 crore. The other exposures shall continue to attract the normal risk weights as per the extant guidelines.

In respect of payment and settlement systems, the Real Time Gross Settlement System ("**RTGS**") will be available 24x7 on all days with effect from 14 December 2020.

Lastly, the RBI issued notification – DOR. No.BP.BC.24/08.12.015/2020-21, dated October 16, 2020 titled "Individual Housing Loans – Rationalisation of Risk Weights", to rationalise the risk weights for all housing loans, irrespective of the amount, sanctioned on or after October 16, 2020 and up to March 31, 2022, the risk weight shall be 35% if Loan To Value Ratio (**"LTV"**) is less than or equal to 80%, and 50% if LTV is above 80% but less than or equal to 90%.

Reserve Bank of India's Press Release 'Statement on Developmental and Regulatory Policies' dated February 5, 2021

As a measure during the peak of the COVID-19 pandemic, the cash reserve ratio ("**CRR**") of all banks was reduced by 100 basis points to 3.0 per cent of net demand and time liabilities ("**NDTL**") effective from the reporting fortnight beginning March 28, 2020 up to March 26, 2021. On a review of monetary and liquidity conditions, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Banks would now be required to maintain the CRR at 3.5 per cent of NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.0 per cent of NDTL effective from fortnight beginning May 22, 2021. Previously under the press release dated March 27, 2020 'Statement on Developmental and Regulatory Policies' banks were allowed to avail of funds under the marginal standing facility by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of NDTL, i.e., cumulatively up to 3 per cent of NDTL. This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021 and is now further extended up to September 30, 2021.

The notification dated February 5, 2021 'Basel III Framework on Liquidity Standards – Net Stable Funding Ratio ("**NSFR**")", the implementation of NSFR by banks in India had been deferred to April 1, 2021. While banks are comfortably placed on the liquidity front, in view of the continued stress on account of COVID-19, it has been decided to defer the implementation of NSFR to October 1, 2021.

Reserve Bank of India's Compendium of Guidelines for Small Finance Banks – Financial Inclusion and Development dated July 6, 2017

Considering the differentiated nature of business and financial focus of the SFBs and taking into account the important role that SFBs can play in the supply of credit to micro and small enterprises, agriculture and banking services, the RBI issued a specific compendium of guidelines for SFBs on areas relating to financial inclusion and development. SFBs are required to open at least 25% of its branches in unbanked rural centres. SFBs will have a target of 75% for priority sector lending of their adjusted net bank credit. The identified priority sectors are agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and certain categories of loans identified therein.

Reserve Bank of India's Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff dated November 4, 2019 ("RBI Compensation Guidelines")

The Financial Stability Board Principles for Sound Compensation Practices, 2009 ("**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, the RBI issued the RBI Compensation Guidelines which are based on the FSB Principles and are applicable to all private sector banks (including small finance banks) 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.

Further, pursuant to RBI clarification dated August 30, 2021 to the RBI Compensation Guidelines, it was clarified that share-linked instruments are required to be fair valued on the date of grant using Black-Scholes model and a clarificatory language was included to the guidelines in relation to the same. Additionally, pursuant to the Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021, banks are required to make disclosure on remuneration of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers on an annual basis at the minimum, in their Annual Financial Statements in table or chart format for previous as well as the current reporting year. It was also clarified that private sector banks are also required to disclose remuneration paid to the non -executive directors on an annual basis at the minimum, in their annual financial statements.

Reserve Bank of India's Guidelines on Compensation of Non-executive Directors of Private Sector Banks dated June 1, 2015

The board of directors of a private sector bank, in consultation with its remuneration committee, 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 ₹1.00 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. Pursuant to the Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021, the private sector banks are also required to disclose remuneration paid to the non-executive directors on an annual basis at the minimum, in their annual financial statements.

Reserve Bank of India's 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.

Reserve Bank of India's Master Direction on Digital Payment Security Controls, 2021 dated February 18, 2021 ("Digital Payment Security Control Directions")

The Digital Payment Security Control Directions are applicable to entities regulated by the RBI, specifically, scheduled commercial banks, small finance banks, payment banks and credit card issuing NBFCs. The Directions were issued in recognition of the pre-eminent role played by digital payment systems in India. RBI therefore found it imperative to reinforce security controls around it. The Directions enable the abovementioned regulated entities to set up a robust governance structure for payment systems by providing for common minimum standards of security controls for channels including mobile banking, internet, card payments etc. It mandates the formulation of a policy for digital payment products and services covering key aspects including risk management and mitigation measures, compliance with regulatory norms, customer experience.

Reserve Bank of India's Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, updated as 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 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 Financial Intelligence Unit – India. The RBI, pursuant to a circular dated January 9, 2020 titled Amendment to Master Direction (MD) on KYC read with the amended KYC Directions dated April 20, 2020, has provided that all regulated entities shall develop an application to enable a Video based Customer Identification Process ("**V-CIP**") i.e. digital KYC process at customer touchpoints, of their customers. As per Notification dated May 10, 2021, V-CIP is an alternate method of customer identification through audio-visual interaction by an authorised official as prescribed. It also inserted directions for Regulated entities to assess 'Money Laundering' and 'Terrorist Financing' risk for clients, transactions or delivery channels, products, services etc. and take measures to mitigate the same on a risk-based approach. The outcome of this exercise shall be put up to the Board or any committee of the Board formed in this regard and shall be made available to competent authorities and self-regulating bodies.

Reserve Bank of India's Master Circular on Prudential norms on income recognition, asset classification and provisioning pertaining to advances dated April 1, 2022 ("Master Circular on Prudential Norms")

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" issued on April 1, 2022, 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. By virtue of the "Master Circular – Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" dated October 1, 2021, RBI has introduced an objective criterion for classification of assets of banks based on the period of non-performance, availability and realisable value of the security.

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 purchases and sales 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 Circular on Automation of Income Recognition, Asset Classification and Provisioning processes in banks dated September 14, 2020

The RBI, pursuant to a circular dated September 14, 2020 advised banks, inter alia, to have appropriate IT system in place for identification of NPAs and generation of related data/returns, both for regulatory reporting and bank's own MIS requirements. In order to ensure the completeness and integrity of the automated asset classification (classification of advances/investments as NPA/NPI and their upgradation), provisioning calculation and income recognition processes, RBI under this circular advised banks to put in place / upgrade their systems latest by June 30, 2021. The circular extends the "coverage" to automated IT based systems, asset classification, calculation of provisioning requirements, income recognition/derecognition without any manual intervention. The circular also provides exceptions where the banks may resort to manual interventions/ over-ride the system-based asset classification subject to the various conditions including two level authorisation, appropriate audit trials and subjected to audit by concurrent and statutory auditors. Further, the bank is required to maintain logs of such manual intervention/ over-rides for a minimum period of three years. Banks are allowed to draw up their own standard operating procedure for system based NPA classification. The circular provides baseline requirements for the NPA classification and banks are required to adhere to the instructions while designing and maintaining their system as a part of supervisory assessment. In case of non-compliance with the instructions suitable supervisory/enforcement action can be initiated against the concerned bank.

Reserve Bank of India's (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated June 07, 2019 ("Framework for Resolution of Stressed Assets")

The RBI laid down directions under the Framework for Resolution of Stressed Assets with a view to aid early recognition, reporting and time bound resolution of stressed assets. The framework provided for entails a stage wise resolution plan which includes; (a) early identification and reporting of stress; (b) Implementation of resolution plan; (c) implementation conditions for the resolution plan; (d) delayed implementation of resolution plan.

Stressed assets shall be recognised by incipient stress in loan accounts immediately on default, by classifying such assets as special mention accounts which would further be categorised based on the number of days since the default has occurred. Following this, the resolution plan formulated by the Board of the Bank would become applicable.

Reserve Bank of India's Master Direction – Ownership in Private Sector Banks, Directions, 2016 dated May 12, 2016

The Reserve Bank of India 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% of the paid-up capital, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15% of the paid-up capital, (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 uniform limit upto 40% of the paid-up capital is permitted for both promoters / promoter group and non-promoters, and (iv) higher stake/strategic investment by promoters/non-promoter 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 promoters 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 promoters/ promoter group or Non-Operative Financial Holding Company ("**NOFHC**") 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.

Reserve Bank of India's Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016 dated April 21, 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 which requires investors to obtain specific prior approval of RBI if the proposed acquisition results in aggregate holding of 5 per cent or more of the paid-up capital of the bank 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.

Reserve Bank of India's Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 5, 2019 ("On-Tap Licensing Guidelines")

The RBI had, post review of the performance of existing small finance banks, issued the Draft Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated September 13, 2019, to encourage competition amongst small finance banks, and subsequently, post consideration of responses received, issued the On-Tap Licensing Guidelines on December 5, 2019. Pursuant to the On-Tap Licensing Guidelines, the following are eligible promoters: (i) resident individuals/ professionals (Indian citizens), singly or jointly, each having at least 10 years of experience in banking and finance at a senior level; and (ii) companies and societies in the private sector, that are owned and controlled by residents (as defined in FEMA Regulations, as amended from time to time), and have a successful track record of running their businesses for at least a period of five years. Further, existing NBFCs, micro finance institutions and local area banks in the private sector that are controlled by residents (as defined in FEMA Regulations, as amended from time to time), and have a successful track record of running their businesses for at least a period of five years, can opt for conversion into SFBs after complying with applicable law. Promoters/promoter groups should be 'fit and proper' with, amongst other things, past record of sound credentials and integrity, financial soundness, a 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 SFB. The SFB is required to be registered as a public limited company under the Companies Act and licensed under the Banking Regulation Act. The minimum net worth of such small finance banks shall be ₹1000 million from the date of commencement of business. However, they will have to increase their minimum net worth to ₹ 2000 million within five years from the date of commencement of business. Further, the SFB is required to maintain a paid-up voting equity capital of ₹2,000 million, with certain exceptions, such as in case of SFBs which are transited from Primary (Urban) Co-operative Banks ("**UCBs**"), or converted from NBFCs/MFIs etc., for which the requirement is separately set out.

Further, promoters are required to hold a minimum of 40% of the paid-up voting equity capital of the SFB, which shall be locked-in for a period of five years from the date of commencement of business of the bank. Such shareholding is required to be reduced to a maximum of 30% and 15% of the paid-up voting equity capital within 10 years and 15 years, respectively, from the date of commencement of business of the SFB. Furthermore, SFBs are required to be mandatorily listed within three years of reaching a net worth of ₹5,000 million. The SFB will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks.

Reserve Bank of India's Circular on Risk Based Internal Audit (RBIA) Framework – Strengthening Governance Arrangements dated January 07, 2021

Pursuant to the guidance note on Risk-Based Internal Audit dated December 27, 2002 issued by the RBI, under which it was required to put in place a risk based internal audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others. In an effort to stay with the evolving best practices, under this circular, banks are encouraged to adopt the International Internal Audit standards, like those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA). To bring in uniformity to the approach of the Internal Audit Function, banks are advised to follow directions given on, authority, stature and independence, competence, staff rotation, tenor for appointment of head of internal audit, reporting line and remuneration. Lastly, the internal audit function shall not be outsourced. However, where required, experts, including former employees, could be hired on contractual subject to the audit committee of the board being assured that such expertise does not exist within the audit function of the bank.

Reserve Bank of India's Master Direction – Call, Notice and Term Money Markets Directions, 2021 dated April 1, 2021, updated as on June 25, 2021

The RBI issued master directions for participating in call, notice and term money markets on April 1, 2021. The directions are applicable to banks as defined under the Banking Regulation Act. Under the directions, "banks" have been defined as banking company (including a payment bank and a small finance bank) or a regional rural bank, a corresponding new bank or State Bank of India or a cooperative bank as defined under the Banking Regulation Act. Under the directions, participants shall be eligible to participate in the call, notice and term money markets, both as borrowers and lenders. The term "participants" have been defined to include scheduled commercial banks (excluding local area banks), payment banks, small finance banks, regional rural banks, state co-operative banks, district central co-operative banks and urban co-operative banks (hereinafter co-operative banks), and primary dealers. Prudential limits for outstanding lending transaction shall be decided by the participants with the approval of their board within the regulatory framework of the exposure norms prescribed by the Department of Regulation of the RBI. Prudential limits for outstanding borrowing transactions for scheduled commercial banks have been specified as (i) 100% of capital funds, on a daily average basis in a reporting fortnight, (ii) 125% of capital funds on any given day for call and notice money and internal board approved limit within the prudential limits for inter-bank liabilities, for term money. Further, the directions also specify provisions for cancellation and termination of transaction, reporting requirements of call, notice and term money transactions and the obligations of persons or agencies dealing in the call, notice and term money markets, including eligible participants to provide information sought by the RBI.

Reserve Bank of India's Circular on Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board dated April 26, 2021

The RBI pursuant to issue of discussion paper on 'Governance in Commercial Banks in India' dated June 11, 2020, issued these instructions with regards to the chair and meetings of the board, composition of certain committees of the board, age, tenure and remuneration of directors, and appointment of the whole-time directors. The revised instructions are applicable to all the private sector banks including small finance banks and wholly owned subsidiaries of foreign banks. As per the circular, the chair of the board ('Chair') shall be an independent director and in the absence of Chair, the meetings of the board shall be chaired by an independent director. The circular also specifies the composition of various committees of the board including audit committee, risk management committee, and nomination and remuneration committee. The age and tenure and the remuneration of non-executive directors and tenure of managing director, chief executive officer and whole-time directors have also been provided. Specifically (i) the chair of board who is not an independent director on the date of issue of this circular is allowed to complete the current term as chair as already approved by the RBI and (ii) banks with MD & CEOs or WTDs who have already completed 12/15 years as MD & CEO or WTD, on the date these instructions coming to effect, are allowed to complete their current term as already approved by the RBI.

In addition to sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the bank may provide for payment of compensation to non -executive directors in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for non -executive directors, other than the Chair of the board, shall not exceed ₹2 million per annum.

Reserve Bank of India's 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

The RBI issued the guideline for appointment/re-appointment of SCAs/ SAs of the entities on April 27, 2021 superseding all the previous guidelines as annexed in the guidelines. The guidelines are applicable to commercial banks (excluding RRBs), UCBs and NBFCs including HFCs for financial year 2021-22 and onwards. UCBs and NBFCs shall have the flexibility to adopt the guidelines from second half of financial year 2021-22 in order to ensure that there is no disruption. Under the guidelines, Commercial Banks and UCBs will be required to take prior approval of RBI for the appointment of SCAs/ SAs on annual basis. It also specifies the maximum number of SCAs/ SAs to be appointed by the board based on the asset size of the entity. Entities are required to appoint audit firms as it SCAs/ SAs fulfilling the eligibility norms and independence of auditors requirements as prescribed under these directions. Other criteria's including professional standards for discharge of audit responsibilities, tenure and rotation, and audit fees and expenses for SCAs/ SAs have been provided. Each entity is required to formulate a board approved policy to be hosted on its official website/ public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs/ SAs.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as amended ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹2.00 million. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including *inter- alia* recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank: injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act.

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 the 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.

The Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 ("Repo Directions")

The Repo Directions are applicable to repurchase transactions undertaken on stock exchanges, electronic trading platforms authorised by the RBI and over-the-counter market. The securities eligible for repurchase under the Repo Directions are government securities, listed corporate bonds and debentures subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity, commercial papers, certificate of deposits, units of Debt Exchange Traded Funds and other such securities of a local authority as prescribed by the Central Government. Eligible participants include any regulated entity, listed corporate, unlisted company which has been issued special securities by the Government of India, using only such special securities as collateral, All India Financial Institution viz. Exim Bank, NABARD, NHB and SIDBI and any other entity approved by the Reserve Bank from time to time for this purpose. The Repo Directions prescribes the eligibility criteria, roles and obligations, application procedure for authorisation and exit procedure for tri-party agents. The Repo Directions provide that a repo shall be undertaken for a minimum period of one day and a maximum period of one year.

The Banking Ombudsman Scheme, 2006, as amended up to July 1, 2017 and integrated Banking Ombudsman Scheme, 2021 (collectively, the "Ombudsman Scheme")

The Ombudsman Scheme 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. All scheduled commercial banks, regional rural banks and scheduled primary co-operative banks are covered under the Ombudsman Scheme. On July 1, 2017, the Ombudsman Scheme was amended to widen the scope of the scheme, *inter alia*, to deficiencies arising out of sale of insurance/mutual fund/ other third party investment products by banks and now permitted customer to lodge a complaint against the bank for non-adherence to RBI instructions with regard to mobile banking/electronic banking services. The amended Ombudsman Scheme also provided for revised procedures for redressal of grievances by a complainant under the Ombudsman Scheme and increased the pecuniary jurisdiction of the Banking Ombudsman. The Banking Ombudsman receives and considers complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 of the Ombudsman Scheme and facilitates their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award in accordance with the Ombudsman Scheme. Further, the Reserve Bank of India, being satisfied that it is in public interest to do so, and to make the alternate dispute redress mechanism simpler and more responsive to the customers of entities regulated by it, integrated the three Ombudsman schemes – (i) the Banking Ombudsman Scheme, 2006, as amended up to July 01, 2017; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019 into the Reserve Bank - Integrated Ombudsman Scheme, 2021 (the Scheme) which covers all the financial institutions regulated by it.

Prevention of Money Laundering Act, 2002, as amended ("PMLA")

In order to prevent money laundering activities, the PMLA was enacted which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in relation to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of section 12 of the PMLA.

In view of transactions in virtual currencies, RBI pursuant to a notification - DOR. AML.REC 18 /14.01.001/2021-22 dated May 31, 2021, titled "Customer Due Diligence for transactions in Virtual Currencies", notified banks to continue carrying out customer due diligence processes in line with regulations governing standards for KYC, Anti-Money Laundering, Combating of Financing of Terrorism and obligations of regulated entities under PMLA in addition to ensuring compliance with FEMA for overseas remittances.

Ministry of Finance circular dated October 23, 2020 in relation to scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts

In view of the COVID-19 pandemic, the Ministry of Finance, Government of India has, pursuant to circular dated October 23, 2020, approved a scheme for grant of *ex-gratia* payment of difference between compound interest and simple interest by way of reliefs for the six months period from March 1, 2020 to August 31, 2020, to borrowers in specified loan accounts ("**Scheme**"), benefits of which would be routed through lending institutions. The Scheme is applicable to all lending institutions, including, *inter alia*, banking companies, public sector banks, NBFCs and housing finance companies. Borrowers in the following segments, who have loan accounts having sanctioned limits and outstanding amount not exceeding ₹2 crore as on February 29, 2020 shall be eligible under the Scheme, subject to certain conditions, namely (i) MSME loans; (ii) education loans; (iii) housing loans; (iv) consumer durable loans; (v) credit card dues; (vi) automobile loans; (vii) personal loans of professionals; and (viii) consumption loans. Under the Scheme, lending institutions can claim reimbursement in respect of the amounts credited to the accounts of the eligible borrowers, in the manner set out under the operational guidelines of the Scheme.

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.

Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package, dated April 7, 2021

The notification is pursuant to the Supreme Court of India has pronounced its judgement in the matter of Small-Scale Industrial Manufacturers Association vs UOI & Ors. ("Judgement") and other connected matters on March 23, 2021. Commercial banks, including small finance banks shall immediately put in place 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 Judgement. The 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 'COVID-19 regulatory packages' dated March 27, 2020 (DOR.No.BP.BC.47/21.04.048/2019-20) and May 23, 2020 (DOR.No.BP.BC.71/21.04.048/2019-20). Lending institutions shall disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021.With respect to the asset classification, in order to comply with the Judgement, (i) in respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in Master Circular on Prudential Norms (given above) or other relevant instructions as applicable to the specific category of lending institutions (**IRAC Norms**); (ii) in respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular 'COVID19 Regulatory Package - Asset Classification and Provisioning' dated April 17, 2020 (DOR.No.BP.BC.63/21.04.048/2019-20) read with the circular COVID-19 – Regulatory Package dated May 23, 2020 (DOR.No.BP.BC.71/21.04.048/2019-20). For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

Resolution Framework for COVID-19-related Stress – Financial Parameters – Revised timelines for compliance dated August 6, 2021

Certain revisions were allowed by the RBI to lending institutions for finalising the resolution plans in respect of eligible borrowers under Part B of the Annex to the Resolution Framework for Covid-19 related stress issued on August 6, 2020 by the RBI. In view of the resurgence of the Covid-19 pandemic in 2021 and recognising the difficulties it may pose for the borrowers in meeting the operational parameters, it has been decided to defer the target date for meeting the specified thresholds in respect of the four operational parameters, viz. Total Debt / EBIDTA, Current Ratio, Debt Service Coverage Ratio and Average Debt Service Coverage Ratio, to October 1, 2022. The target date for achieving the ratio Total Outside Liabilities / Adjusted Tangible Net Worth, as crystallised in terms of the resolution plan, shall remain unchanged as March 31, 2022.

Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses, dated May 5, 2021, as amended

The lending institutions, in light of Covid-19 are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard. The threshold for aggregate exposure concerning the resolution of advances to individuals and small business at INR 50 Crores as per the RBI notification DOR.STR.REC.20/21.04.048/2021-22, dated June 4, 2021. The Resolution Framework 2.0 additionally permits lending institutions to review working capital sanctioned limits and / or drawing power based on reassessment of the working capital cycle, reduction of margins etc. without it being termed or treated as restructuring. Further, disclosures and credit reporting as prescribed hereunder need to be adhered to including quarterly financial statements, modified borrower accounts, aggregate exposure of lending institutions and annual financial statements.

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.

FOREIGN INVESTMENT LAWS

The foreign investment in our Bank is governed by, *inter alia*, the FEMA, as amended, the FEMA Regulations, the Consolidated FDI Policy Circular of 2020 ("**FDI Policy**") effective from October 15, 2020 issued and amended by way of press notes.

Foreign investment in private sector banks, carrying on activities approved for FDI, will be subject to the conditions specified in the FDI Policy.

As per the FDI policy, the aggregate foreign investment in a private sector bank from all sources will be allowed up to a maximum of 74% of the paid-up capital of the bank (automatic up to 49% and government approval route beyond 49% and up to 74%). This 74% limit will include investment under the Portfolio Investment Scheme (PIS) by FPIs, NRIs. At all times, at least 26% of the paid-up capital will have to be held by residents, except in regard to a wholly owned subsidiary of a foreign bank.

In case of NRIs, individual holdings are restricted to 5% of the total paid-up capital both on a repatriation and a non-repatriation basis and the aggregate limit cannot exceed 10% of the total paid-up capital both on a repatriation and a non-repatriation basis. However, NRI holdings can be allowed up to 24% of the total paid-up capital both on a repatriation and a non-repatriation basis subject to a special resolution to this effect passed by the banking company's general body.

The aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (up to 74% of the paid-up share capital of our Bank).

Further, individual FPI holding is restricted to below 10% of the total paid-up capital of the company, aggregate limit for all FPIs cannot exceed 24% of the total paid-up capital of the company, which can be raised to the sectoral cap/statutory ceiling, as applicable, until March 31, 2020 (in case of private sector banks it can be raised up to 49% of the total paid-up capital of the bank) through a resolution by its board of directors followed by a special resolution to that effect by its General Body, and subject to prior intimation to RBI. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

All investments shall be subject to the guidelines prescribed for the banking sector under the Banking Regulation Act and the RBI Act. The RBI guidelines relating to acquisition by purchase or otherwise among others, shares of a private bank, if such acquisition results in any person owning or controlling 5% or more of the paid-up capital or voting rights of the private bank will apply to non-residents as well. 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, and this should be noted by potential investors.

TAX LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the tax legislations that may be applicable to the operations of our Bank include:

- Income Tax Act 1961, as amended by the Finance Act in respective years;

- Central Goods and Service Tax Act, 2017 and various state-wise legislations made thereunder;
- Indian Stamp Act, 1899 and various state-wise legislations made thereunder; and
- State-wise legislations in relation to professional tax.
- The Foreign Account Tax Compliance Act (FATCA)

LABOUR LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the labour legislations that may be applicable to the operations of our Bank include:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Equal Remuneration Act, 1976;
- Payment of Gratuity Act, 1972;
- Minimum Wages Act, 1948;
- Industrial Disputes (Banking and Insurance Companies) Act, 1947;
- Employee's Compensation Act, 1923;
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
- The Industrial Employment (Standing Orders) Act, 1946;
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act and Rules, 2013;
- Maternity Benefit Act, 1961, as amended
- Shops and Establishment Act 1963, the state-wise acts and rules made thereunder

The Code on Wages, 2019 (enacted by the Parliament of India and assented to by the President of India) will come into force on such date as may be notified in the official gazette by the Central Government. Certain provisions of this code pertaining to central advisory board, have been brought into force by the Ministry of Labour and Employment through a notification dated December 18, 2020 and other provisions of this code will be brought into force on a date to be notified by the Central Government. Once effective, it will subsume the Equal Remuneration Act, 1976, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Payment of Wages Act, 1936.[*]

The Code on Social Security, 2020 (enacted by the Parliament of India and assented to by the President of India) will come into force on such date as may be notified in the official gazette by the Central Government and different date may be appointed for different provisions of the Code on Social Security, 2020. Once effective, it will subsume, inter alia, the Employees 'Compensation Act, 1923, the Employees 'State Insurance Act, 1948, the Employees Provident Funds and Miscellaneous Provisions Act, 1952, the Maternity Benefit Act, 1961, the Unorganised Workers' Social Security Act, 2008 and the Payment of Gratuity Act, 1972 and the Building and Other Construction Workers' Welfare Cess Act, 1996. The provisions of this Code will be brought into force on a dare to be notified by the Central Government.[**]

The Occupational Safety, Health and Working Conditions Code, 2020 (enacted by the Parliament of India and assented to by the President of India) will come into force on such date as may be notified in the official gazette by the Central Government. It will thereafter subsume certain existing legislations, including the Factories Act, 1948, the Contract Labour (Regulation and Abolition) Act, 1970, the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 and the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

The Industrial Relations Code, 2020 (enacted by the Parliament of India and assented to by the President of India) will come into force on such date as may be notified in the official gazette by the Central Government. It will thereafter subsume three existing legislations, namely, the Industrial Disputes Act, 1947, the Trade Unions Act, 1926 and the Industrial Employment (Standing Orders) Act, 1946.[***]

[*] The Government of India enacted 'The Code on Wages, 2019' which received the assent of the President of India on August 8, 2019. Certain provisions of this code pertaining to central advisory board have been brought into force by the Ministry of Labour and Employment through a notification dated December 18, 2020 and other provisions of this code will be brought into force on a date to be notified by the Central Government. It proposes to subsume four separate legislations, namely, the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976.

[**] The Government of India enacted 'The Code on Social Security, 2020' which received the assent of the President of India on 28 September 2020. Section 142 of the Code on Social Security, 2020 has been brought into force from May 3, 2021 by the Ministry of Labour and Employment through a notification dated April 30, 2021 and other provisions of this code will be brought into force on a date to be notified by the Central Government. It proposes to subsume several separate legislations including the Employee's Compensation Act, 1923, the Employees' State Insurance Act, 1948, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Maternity Benefit Act, 1961, the Payment of Gratuity Act, 1972, the Building and Other Construction Workers' Welfare Cess Act, 1996 and the Unorganised Workers' Social Security Act, 2008.

[***] The Government of India enacted 'The Industrial Relations Code, 2020' which received the assent of the President of India on September 28, 2020. The provisions of this code will be brought into force on a date to be notified by the Central Government. It proposes to subsume three separate legislations, namely, the Industrial Disputes Act, 1947, the Trade Unions Act, 1926 and the Industrial Employment (Standing Orders) Act, 1946.

OTHER LEGISLATIONS

In addition to the aforementioned material legislations, our Bank is governed by the provisions of the Companies Act, SEBI Act, SCRA along with the rules, regulations and guidelines made thereunder and other key circulars and regulations as provided below:

- Central KYC Registry Operating Guidelines 2016;
- Master Circular - Disclosure in Financial Statements - Notes to Accounts dated July 1, 2015;
- Master Circular - Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002;
- Master Circular on Customer Service in Banks (2015);
- Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016;
- Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016;
- Master Direction on Frauds - Classification and Reporting by commercial banks and select FIs dated July 1, 2016 (updated as on July 3, 2017);
- Master Directions on Financial Statements Presentation and Disclosures dated August 30, 2021:
- Pension Fund Regulatory and Development Authority (Point of Presence) Regulations, 2018;
- Rationalisation of Branch Authorisation Policy- Revision of Guidelines (May 2017); and
- Unique Identification Authority of India (Authentication Division) circular number 1 of 2018, dated January 10, 2018 on Enhancing Privacy of Aadhar Holders – Implementation of Virtual ID, UID Token and Limited KYC, and other applicable circulars.

Our Bank is also required to comply with Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, Negotiable Instruments Act, 1881, Payment and Settlements Systems Act, 2007, Companies Act and various intellectual property and environment protection related legislations and other applicable statutes rules, regulations, notifications, circular, policies and guidelines for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief history of our Bank

Our Bank was incorporated as Banas Finlease Private Limited at Palanpur, Gujarat as a private limited company under the Companies Act, 1956, and a certificate of incorporation was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on April 5, 1995. The name of our Bank changed from Banas Finlease Private Limited to Disha Microfin Private Limited as a result of change in management of our Bank and a fresh certificate of incorporation consequent upon change of name was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on March 26, 2010. On October 7, 2015, our Bank was granted an in-principle approval by the RBI to convert into a small finance bank in the private sector under Section 22 of the Banking Regulation Act, 1949. Subsequently, our Bank was converted into a public limited company pursuant to a special resolution passed by our Shareholders at the EGM held on November 29, 2016, and a certificate of incorporation consequent upon conversion to public limited company was granted by the RoC on December 13, 2016. Thereafter, our Bank was granted a license by the RBI on May 12, 2017, to carry on small finance bank business in India in terms of Section 22 (1) of the Banking Regulation Act, 1949. Consequently, the name of our Bank changed from Disha Microfin Limited to Fincare Small Finance Bank Limited, and on June 14, 2017 a fresh certificate of incorporation pursuant to change of name, was granted by the RoC. Our Bank commenced its operations as a small finance bank with effect from July 21, 2017. Our Bank was included in the second schedule to the RBI Act pursuant to a notification dated March 28, 2019 issued by the RBI.

On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. Accordingly, we are unable to provide the confirmations in this section that are required to be provided from incorporation of our Bank in light of the unavailability of such corporate records. For further details, see "*Risk Factors*" on page 21.

Changes in the Registered Office

Except as disclosed below, there has been no change in registered office of our Bank since the date of incorporation.

Date of change of Registered Office	Details of change in the Registered Office	Reasons for change in the Registered Office
April 1, 2009	From First Floor, 108, Shital Shopping Centre, Cinema Road, Palanpur 385 001, Gujarat, India to 101, Mangal Tirth, 15, Sampatrao Colony, B.P.C. Road, Alkapuri, Vadodara 390 005, Gujarat, India	Administrative convenience
December 11, 2013	From 101, Mangal Tirth, 15, Sampatrao Colony, B.P.C. Road, Alkapuri, Vadodara 390 005, Gujarat, India to 404, 4th Floor, 3rd Eye Complex, Panchvati Cross Road, C.G. Road, Ahmedabad 380 006, Gujarat, India	Administrative convenience
July 28, 2016	From 404, 4th Floor, 3rd Eye Complex, Panchvati Cross Road, C.G. Road, Ahmedabad 380 006, Gujarat, India to 301-306 "Abhijeet V", Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India	Expansion of Bank's business and increase in Bank's manpower

Main objects of our Bank

The main objects contained in our Memorandum of Association are as follows:

1. *To Carry on business of banking i.e. to carry on business of accepting for the purpose of lending for investment of deposits of money from the public, Repayable on Demand, or otherwise or with drawable by cheque, draft, order or otherwise.*

2. *To engage in any one or more of the following business:*

   a. *Borrowing, Rising or tacking up of money.*

   b. *Lending or advancing of money either upon or without security.*

   c. *Drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupens, draft bills of lending, Railway-receipts, warrants, debentures, certificate, scripts and other instruments and securities wheather transferable or negotiasble or not.*

   d. *Granting and issuing of letter of credit, traveler's cheque and circular notes.*

e. *Buying and selling of and dealing in bullion and species.*

f. *Buying and selling of foreign exchange including foreign bank notes and to provide all kinds of services related thereto.*

g. *Acquiring, holding, issuing on commission, underwriting and dealing in stock, bonds, obligations, securities and investments of all kinds.*

h. *Purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others.*

i. *Negotiating of loans and advances.*

j. *Receiving of all kinds of bonds scrips or valuables on deposit or for safe custody or otherwise.*

k. *Providing of safe deposit vaults.*

l. *Collecting and transmitting of securities.*

m. *Issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the Company to carry on under law;*

n. *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.*

o. *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.*

3. *Acting as agent for any government or local authority or any other person or persons, the carrying on of agency business of any description including the clearing and forwarding of goods giving of receipts and discharges and otherwise acting as an attorney on behalf of customers but excluding the business of (Managing agent or secretary and treasurer) of a Company.*

4. *Contracting for public and private loans and negotiating and issuing the same.*

5. *Effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private of State, Municipal or other loans or of shares, stock debentures or debentures stock of any company, corporation or association and the lending of money for the purpose of any such issue.*

6. *Carrying on and transacting every kind of guarantee and indemnity business.*

7. *Managing, selling and realizing any property that may come into the possession of the Company in satisfaction or part satisfaction of any of its claims.*

8. *Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security.*

9. *Undertaking, settling and executing trusts for any purpose including Mutual Fund.*

10. *Undertaking and administration of estates as executor, trustee or otherwise.*

11. *Establishing and supporting or aiding in the establishment and support of association, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company, or the dependants or connections of such persons granting pensions and allowances and making payments towards insurance subscribing to or guaranteeing moneys for charitable or benevolent objects for any exhibition or for any public general or useful objects.*

12. *The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the Company.*

13. *Selling, improving, managing, developing, exchanging, leasing, mortgaging disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the Company.*

14. *Acquiring and undertaking the whole or any part of the business of any person, when such business is a nature enumerated or described above.*

15. *Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Company.*

16. *To take or concur in taking all such steps calculated to uphold and support the credit of the Company and to obtain and justify public confidence and to avert or minimise financial disturbance which may affect the Company.*

17. *Taking or otherwise acquiring and holding shares in any other company having objects similar to those of the Company.*

18. *To acquire by purchase or lease or otherwise any premises for the construction and/or establishment of safe-deposit vault or vaults and to maintain therein fire-proof and burglar-proof strong rooms, safes and other receptacles for deeds, securities, documents, money, jewellery and valuables of all kinds.*

19. *Acting as Debenture Trustee or other Trustees, Custodian, Depository for Shares, Stocks, Bonds, Obligations, securities or investments of all kinds or to do business of Merchant Banking, factoring in such securities.*

20. *To carry on business of Merchant Banking, leasing, factoring, hire-purchase, financial services of all kinds, consultancy or such other business as such subsidiary company may be permitted by the Reserve Bank of India to carry on.*

21. *Any other form of business which the Central Government or Reserve Bank of India may specify as a form of business in which it is lawful for the Company to engage.*

22. *To setup or participate as payment gateway for effective payment against services and trade transactions carried out by internet sites and portals, to act as enablers for Settlement of e-commerce or any other type of transactions for corporate, individuals or any other entities and to act as digital signature verification authority under the Information Technology Act 2000.*

23. *To establish, maintain and operate automated teller machines, or any other Electronic and telecommunication devices for carrying on any of the banking Businesses including, but not limited to internet banking, telephone banking, utility Bills payment for electricity, telephone, mobile phones, and any other activity that Would require the Company's banking expertise.*

24. *To act as corporate agents for insurance products for life and general insurance including but not limited to health, pension and employees benefit, fire, marine, cargo, marine hull, aviation, oil and energy, engineering, accident, liability, motor vehicles, transit and other products to carry on the business of insurance, reinsurance and risk management as an insurance agent or otherwise as may be permitted under law.*

25. *To carry out any type of Corporate Social Responsibility activities.*

26. *To establish or support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences for the benefit of past or present employees or directors of the Company or the dependents of such persons and to grant pensions, gratuities and allowances and superannuation and other benefits or insure payment of any of them by taking insurance or any other promises and occurrences as the company may undertake and subscribing to or guaranteeing monies for charitable or benevolent objects or for any exhibition or for any public, general or useful object.*

27. *To issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the company to carry on under law.'*

28. *To carry on the business of mutual fund distribution.*

The main objects as contained in our Memorandum of Association enable our Bank to carry on the business presently being carried out and proposed to be carried out by it.

Amendments to the Memorandum of Association

Set out below are the amendments to our Memorandum of Association in the last 10 years:

Date of Shareholders' resolution/ Effective date	Particulars
February 5, 2016	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹100,000,000 divided into 10,000,000 Equity Shares each to ₹370,000,000 divided into 37,000,000 Equity Shares each.
April 12, 2016	Adoption of new set of the Memorandum of Association to align with the requirements set out under the Companies Act.
November 29, 2016	MoA was amended to reflect the change of name from 'Disha Microfin Private Limited' to 'Disha Microfin Limited'.
February 25, 2017	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹370,000,000 divided into 37,000,000 Equity Shares each to ₹400,000,000 divided into 40,000,000 Equity Shares each.
May 19, 2017	Clause I of the MoA was amended to reflect the change of name from 'Disha Microfin Limited' to 'Fincare Small Finance Bank Limited'.
May 19, 2017	Clause III - A of the MoA was replaced with the following:

Date of Shareholders' resolution/ Effective date	Particulars
	1. To Carry on business of banking i.e. to say a carry on business of accepting for the purpose of lending for investment of deposits of money from the public, Repayable on Demand, or otherwise or with drawable by cheque, draft, order or otherwise. *2. To engage in any one or more of the following business:* *a. Borrowing, Rising or tacking up of money.* *b. Lending or advancing of money either upon or without security.* *c. Drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupens, draft bills of lending, Railway-receipts, warrants, debentures, certificate, scripts and other instruments and securities wheather transferable or negotiasble or not.* *d. Granting and issuing of letter of credit, traveler's cheque and circular notes.* *e. Buying and selling of and dealing in bullion and species.* *f. Buying and selling of foreign exchange including foreign bank notes and to provide all kinds of services related thereto.* *g. Acquiring, holding, issuing on commission, underwriting and dealing in stock, bonds, obligations, securities and investments of all kinds.* *h. Purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others.* *i. Negotiating of loans and advances.* *j. Receiving of all kinds of bonds scrips or valuables on deposit or for safe custody or otherwise.* *k. Providing of safe deposit vaults.* *l. Collecting and transmitting of securities.* *m. Issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the Company to carry on under law;* *n. 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.* *o. 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.* *3. Acting as agent for any government or local authority or any other person or persons, the carrying on of agency business of any description including the clearing and forwarding of goods giving of receipts and discharges and otherwise acting as an attorney on behalf of customers but excluding the business of (Managing agent or secretary and treasurer) of a Company.* *4. Contracting for public and private loans and negotiating and issuing the same.* *5. Effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private of State, Municipal or other loans or of shares, stock debentures or debentures stock of any company, corporation or association and the lending of money for the purpose of any such issue.* *6. Carrying on and transacting every kind of guarantee and indemnity business.* *7. Managing, selling and realizing any property that may come into the possession of the Company in satisfaction or part satisfaction of any of its claims.* *8. Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security.* *9. Undertaking, settling and executing trusts for any purpose including Mutual Fund.* *10. Undertaking and administration of estates as executor, trustee or otherwise.* *11. Establishing and supporting or aiding in the establishment and support of association, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company, or the dependants or connections of such persons granting pensions and allowances and making payments towards insurance subscribing to or guaranteeing moneys for charitable or benevolent objects for any exhibition or for any public general or useful objects.* *12. The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the Company.* *13. Selling, improving, managing, developing, exchanging, leasing, mortgaging disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the Company.* *14. Acquiring and undertaking the whole or any part of the business of any person, when such business is a nature enumerated or described above.* *15. Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Company.* *16. To take or concur in taking all such steps calculated to uphold and support the credit of the Company and to obtain and justify public confidence and to avert or minimise financial disturbance which may affect the Company.* *17. Taking or otherwise acquiring and holding shares in any other company having objects similar to those of the Company.* *18. To acquire by purchase or lease or otherwise any premises for the construction and/or establishment of safe-deposit vault or vaults and to maintain therein fire-proof and burglar-proof strong rooms,*

Date of Shareholders' resolution/ Effective date	Particulars
	safes and other receptacles for deeds, securities, documents, money, jewellery and valuables of all kinds. *19. Acting as Debenture Trustee or other Trustees, Custodian, Depository for Shares, Stocks, Bonds, Obligations, securities or investments of all kinds or to do business of Merchant Banking, factoring in such securities.* *20. To carry on business of Merchant Banking, leasing, factoring, hire-purchase, financial services of all kinds, consultancy or such other business as such subsidiary company may be permitted by the Reserve Bank of India to carry on.* *21. Any other form of business which the Central Government or Reserve Bank of India may specify as a form of business in which it is lawful for the Company to engage.* *22. To setup or participate as payment gateway for effective payment against services and trade transactions carried out by internet sites and portals, to act as enablers for Settlement of e-commerce or any other type of transactions for corporate, individuals or any other entities and to act as digital signature verification authority under the Information Technology Act 2000.* *23. To establish, maintain and operate automated teller machines, or any other Electronic and telecommunication devices for carrying on any of the banking Businesses including, but not limited to internet banking, telephone banking, utility Bills payment for electricity, telephone, mobile phones, and any other activity that Would require the Company's banking expertise.* *24. To act as corporate agents for insurance products for life and general insurance including but not limited to health, pension and employees benefit, fire, marine, cargo, marine hull, aviation, oil and energy, engineering, accident, liability, motor vehicles, transit and other products to carry on the business of insurance, reinsurance and risk management as an insurance agent or otherwise as may be permitted under law.* *25. To carry out any type of Corporate Social Responsibility activities.* *26. To establish or support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences for the benefit of past or present employees or directors of the Company or the dependents of such persons and to grant pensions, gratuities and allowances and superannuation and other benefits or insure payment of any of them by taking insurance or any other promises and occurrences as the company may undertake and subscribing to or guaranteeing monies for charitable or benevolent objects or for any exhibition or for any public, general or useful object.* *27. To issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the company to carry on under law.'* 28. *To carry on the business of mutual fund distribution.*
February 22, 2018	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹400,000,000 divided into 40,000,000 Equity Shares each to ₹500,000,000 divided into 50,000,000 Equity Shares each. Further, certain typographical/ numeric/ grammatical and spelling errors were corrected.
August 23, 2018	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹500,000,000 divided into 50,000,000 Equity Shares each to ₹1,000,000,000 divided into 100,000,000 Equity Shares each. Further, numerical errors were corrected.
March 25, 2021	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 each to ₹3,000,000,000 divided into 300,000,000 Equity Shares each

For details, see section *"Description of the Equity Shares and Terms of Articles of Association"* on page 393.

Major events and milestones of our Bank

The table below sets forth some of the key events in the history of our Bank:

Financial Year	Event
2022	• Received ISO 270001 Certification • Our Bank crossed 3.26 million active customers base
2021	• Our Bank has undertaken a rights issue on April 27, 2021 • Our Bank has undertaken a bonus issue on May 4, 2021
2020	Our Bank received an investment of ₹943.23 million from our Promoter, True North Fund V LLP and Lok
2019	• Our Bank received an investment of ₹2,264.65 million from our Promoter, True North Fund V LLP, Silver Leaf Oak (Mauritius) Limited and Lok • The name of our Bank was included in the second schedule of the Reserve Bank of India Act, 1934 • Our Bank crossed 1.7 million active customer base
2018	Our Bank crossed 1.06 million active customers base
2017	• Our Bank, then known as Disha Microfin Limited, received an investment of ₹3,827.67 million from our Promoter, Indium IV (Mauritius) Holdings Limited and FSSPL • Our Bank received RBI license to carry on the business of a small finance bank • The name of our Bank was changed from 'Disha Microfin Limited' to 'Fincare Small Finance Bank Limited'
2016	• Our Bank, then known as Disha Microfin Private Limited, became a subsidiary of our Promoter pursuant to a share swap with Indium

Financial Year	Event
	• Our Bank, then known as Disha Microfin Private Limited, purchased the business of FFSPL pursuant to a slump sale • The name of 'Disha Microfin Private Limited' was changed to 'Disha Microfin Limited', upon conversion into a public company
2015	Our Bank, then known as Disha Microfin Private Limited received RBI in-principle approval to convert into a small finance bank
2013	Our Bank, then known as Disha Microfin Private Limited, was registered with the RBI as a non-banking financial company – micro finance institution ("**NBFC-MFI**")
2010	• The name of our Bank was changed from 'Banas Finlease Private Limited' to 'Disha Microfin Private Limited' • Our Bank was registered as a NBFC-ND with the RBI under the name of 'Disha Microfin Private Limited'
1999	Our Bank, then known as 'Banas Finlease Private Limited', was registered as a non-deposit accepting non-banking financial institution ("**NBFC-ND**") with the RBI
1995	Incorporation of our Bank under the name of 'Banas Finlease Private Limited'

Awards, accreditations and recognitions received by our Bank

Year	Awards
2022	• Certified as a Great Place to Work by the Great Place to Work Institute • Recognised among India's Best Workplaces in BFSI, 2022 • Awarded as a "Future Ready Organisation" for 2022-2023 in the Small and Medium Enterprise category by ETHRWorld.com
2021	Certified as a Great Place to Work by the Great Place to Work Institute
2020	• "Award Winner" in the "Business Process Management" category by Dun & Bradstreet India at the BFSI Summit and Awards 2020 • "Lap D Lite" awarded under "BFSI – Category" at the 2nd edition of the BFSI InnoTribe Summit & Awards • "Brand Excellence – in Banking Sector" award from World Marketing Congress at Global Marketing Excellence Awards • "Responsible Lender" certification by Finance Industry Development Council
2019	"Celent Model Bank 2019 Financial Inclusion Award" for 'LAP (Loans Against Property) D.Lite'.
2018	• 'Customer Literacy and Capacity Building' award at MFIN Microfinance Awards, 2018 – In Pursuit of Excellence. • 'Innovative Initiative in the Rural Sector' and 'Bank with Best Technology Orientation" at ABP BFSI Awards 2018. • 'Emerging Brand Award' at the Gujarat Best Brand Awards 2018. • 'Skoch Order-of-Merit' in 'Top Ranking Banking & Finance Projects in India' category for 'LAP D.Lite'.

Time and cost over-runs

There have been no time and cost over-runs in the setting up of any of the establishments of our Bank or in respect of our business operations.

Defaults or re-scheduling of borrowings

There have been no defaults or re-scheduling/ re-structuring in relation to borrowings availed by our Bank from any financial institutions or banks.

Lock-out and strikes*

As on the date of this Draft Red Herring Prospectus, there have been no lock-outs or strikes at any time at our Bank.

Accumulated Profits or Losses of subsidiaries

As of the date of this Draft Red Herring Prospectus, our Bank has no subsidiaries.

Significant financial and strategic partners

As of the date of this Draft Red Herring Prospectus, our Bank does not have any significant financial or strategic partners.

Details of guarantees given to third parties by our Promoter Selling Shareholder

As of the date of this Draft Red Herring Prospectus, our Promoter Selling Shareholder has not given any guarantees to third parties.

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*" on page 154.

Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations, or any revaluation of assets, in the last ten 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:

Business transfer agreement dated April 13, 2016 ("Business Transfer Agreement") entered into between Future Financial Services Private Limited ("FFSPL") and our Bank, then known as 'Disha Microfin Private Limited', as amended by the supplementary agreement dated September 23, 2016 ("Supplementary Agreement")

Upon receipt of the RBI in-principle approval to operate as a small finance bank, our Bank entered into the Business Transfer Agreement, pursuant to which, on October 1, 2016 ("**Closing Date**") our Bank purchased the entire business of FFSPL by way of a slump sale. On the Closing Date, FFSPL transferred its entire business, including of providing microfinance products and services, micro enterprise and business loans together with all its business assets (including, *inter alia*, all movable assets and the loan portfolio), and business liabilities (including all indebtedness, obligation and other liabilities of FFSPL relating to the business of FFSPL) to our Bank. Pursuant to the Business Transfer Agreement, our Bank paid an amount of ₹1,370.10 million to FFSPL as consideration for the slump sale. Further, on the Closing Date, all employees in service of FFSPL stood transferred to our Bank.

Subsequently, our Bank and FFSPL entered into the Supplementary Agreement to the Business Transfer Agreement, pursuant to which our Bank undertook to inform all customers of FFSPL regarding the transfer of business and loans of FFSPL to our Bank. The Supplementary Agreement further provided that any part of the business of FFSPL that remains to be transferred to our Bank will be held by FFSPL in trust for our Bank and maintained and operated by FFSPL such that the complete benefit of such part of the business may be passed on to our Bank. Such part of the business was deemed to be beneficially owned by our Bank.

Following the Business Transfer Agreement and the Supplementary Agreement, on October 1, 2016, our Bank and FFSPL entered into an agreement for the assignment of loan portfolio of FFSPL to our Bank ("**Assignment Agreement**"). Pursuant to the Assignment Agreement, our Bank became the sole and absolute owner of portfolio loans of FFSPL, including receivables from such loans. The Assignment Agreement further provided that our Bank will not be liable for any losses, claims or demands raised by any party in relation to the loan portfolio, which may have arisen due to an act or omission of FFSPL.

Holding Company

Our Promoter is our holding company. For details of our Promoter, see *"Our Promoter and Promoter Group"* on page 230.

Our Subsidiaries

As of the date of this Draft Red Herring Prospectus, our Bank has no subsidiaries.

Joint Venture

As of the date of this Draft Red Herring Prospectus, our Bank has no joint ventures.

Shareholders' agreements and other agreements

Except as set out below, there are no other agreements, deeds of assignment, acquisition agreements, shareholders' agreements, inter-se agreements, any agreements between the Promoter and its shareholders or among its shareholders, agreements of like nature and clauses/ covenants which are material to the Bank. Further, there are no other clauses/covenants which are adverse or prejudicial to the interest of the public shareholders of the Bank.

Share purchase and share subscription agreement dated January 9, 2017 ("SPSSA"), as amended by agreement dated February 27, 2017 ("First Amendment Agreement")

On January 9, 2017, our Promoter entered into the SPSSA with (i) Indium IV (Mauritius) Holdings Limited and Acts Mahila Mutually Aided Cooperative Thrift Society Limited (together, "**Sellers**"); (ii) IVF Trustee Company Private Limited, Wagner Limited, Kotak Mahindra Life Insurance Company Limited, TATA Capital Financial Services Limited, Edelweiss Tokio Life Insurance Company Limited, Omega TC Holdings Pte. Limited, Ecap Equities Ltd., LeapFrog Rural Inclusion (India) Ltd, Ashokkumar Sobhagmal Patni and Vasundhara Apoorva Patni (together, "**Investors**"); and (iii) the shareholders of our Promoter as of the date of the SPSSA (together, "**Existing Shareholders**"), in relation to the sale of equity shares of our Promoter from the Sellers to the Investors, and the subscription of equity shares of our Promoter by the Investors. Subsequently, on February 27, 2017, the parties to the SPSSA, and certain new investors, namely, Religare Health Insurance, Mahesh Krishnamurthy, Ashish Karamchandani and S.M. Sundaram (together, "**New Investors**"), entered into the First Amendment Agreement, pursuant to which Acts Mahila Mutually Aided Cooperative Thrift Society Limited ceased to be a party to the SPSSA, and the New Investors became parties to the SPSSA.

Pursuant to the meeting of the shareholders of our Promoter dated April 30, 2021 (which were subsequently amended pursuant to the meeting of the shareholders of our Promoter dated September 28, 2021), our Promoter's articles of association have been amended to ensure that certain rights of the shareholders of our Promoter in relation to our Bank are either waived or amended to facilitate the Offer.

For details of the Articles of Association of our Bank, see section *"Description of the Equity Shares and Terms of Articles of Association"* on page 393.

Key terms of other subsisting material agreements

Except as disclosed below our Bank has not entered into any material agreements other than in the ordinary course of business carried on by our Bank.

License agreement dated December 14, 2016 entered into between our Promoter and our Bank (in the name and style of Disha Microfin Limited) ("License Agreement")

Our Promoter has granted to our Bank, a non-exclusive, worldwide, royalty free, irrevocable right and license to use the intellectual property owned by our Promoter to conduct its daily business activities including but not limited to providing services, products and related promotional activities as per its business objectives or any other purpose conveyed in writing by our Bank to our Promoter. The License Agreement may be considered terminated for a specific mark, in case the Promoter and our Bank together decide to discontinue the use of that specific mark.

Agreements with Key Managerial Personnel, Directors, the Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Director or the 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

Board of Directors

In terms of the Articles of Association and the Companies Act, our Bank is required to have not less than three Directors and not more than fifteen Directors. As on the date of this Draft Red Herring Prospectus, our Board comprises of 12 Directors including one Executive Director, four Non-Executive, Non-Independent Directors (including three Nominee Directors) and seven Independent Directors. Two of our Independent Directors, are women Directors.

The following table sets forth details regarding our Board of Directors as of the date of this Draft Red Herring Prospectus:

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships
1.	**Pramod Kabra** ***Designation:*** Part-time Chairman and Non-Executive Director ***Address:*** T4/2101, Planet Godrej, K K Marg,Jacob Circle, Mumbai 400 011, Maharashtra, India ***Occupation:*** Service ***Date of birth:*** October 20, 1959 ***Nationality:*** Indian ***Period:*** Director since September 19, 2013 ***Term***: For a period of three years with effect from June 24, 2020 ***DIN:*** 02252403	62	• Atria Convergence Technologies Limited; • Kelp Systems Pte. Ltd.; and • Shree Digvijay Cement Co. Limited
2.	**Rajeev Yadav** ***Designation:*** MD & CEO ***Address:*** Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devara Beesana Halli, Bellandur, Bangalore 560 103, Karnataka, India ***Occupation:*** Service ***Date of birth:*** July 13, 1969 ***Nationality:*** Indian ***Period:*** Director since July 17, 2017 ***Term:*** For a period of three years with effect from July 17, 2020 ***DIN:*** 00111379	53	Nil
3.	**Aarthi Sivanandh** ***Designation:*** Independent Director ***Address:*** Flat E G R N Sri Kripa Apartments No. 36 East Abhiramapuram, 2nd Street, Mylapore, Chennai 600 004, Tamil Nadu, India ***Occupation:*** Lawyer ***Date of birth:*** July 4, 1977 ***Nationality:*** Indian ***Period:*** Director since April 28, 2021	45	Tata Technologies Limited

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships
	***Term**:* For a period of five years with effect from April 28, 2021, i.e., until April 27, 2026 and is not liable to retire by rotation ***DIN**:* 00140141		
4.	**Alok Prasad** ***Designation**:* Independent Director ***Address**:* 144, Vista Villas, Opposite Unitech Cyber Park, Sector 45, Gurgaon 122 001, Haryana, India ***Occupation**:* Service ***Date of birth**:* September 8, 1952 ***Nationality**:* Indian ***Period**:* Director since July 20, 2017 Term: For a period of three years with effect from July 19, 2022 and is not liable to retire by rotation ***DIN**:* 00080225	69	• Arman Financial Services Limited; • Gang-Jong Development Finance Private Limited; and • Muthoot Microfin Limited
5.	**Divya Sehgal** ***Designation**:* Nominee Director* ***Address**:* Flat No 1307 & 1308, Wing A, 13th Floor, Ashok Tower, Dr. Ambebkar Road, Parel, Mumbai 400 012, Maharashtra, India ***Occupation**:* Service ***Date of birth**:* October 20, 1972 ***Nationality**:* Indian ***Period**:* Director since October 13, 2021 ***Term***: Liable to retire by rotation ***DIN**:* 01775308	49	• Home First Finance Company India Limited; and • Niva Bupa Health Insurance Company Limited;
6.	**Dhiraj Poddar** ***Designation*****:** Nominee Director* ***Address*****:** G – 001, Springs, GD Ambedkar Marg, Near Wadala, Telephone Exhange, Dadar East, Mumbai 400 014, Maharashtra India ***Occupation*****:** Service ***Date of birth*****:** November 3, 1974 ***Nationality*****:** Indian ***Period*****:** Director since September 27, 2021 ***Term***: Liable to retire by rotation ***DIN*****:** 01946905	47	• Accion Labs Holdings Inc. • Atria Convergence Technologies Limited; • e-Zest Digital Solutions Private Limited; • IndiaIdeas Com Limited; • Indira IVF Hospital Private Limited; • Loyalty Rewardz Management Private Limited; • OmniActive Health Technologies Limited; • Prudent Corporate Advisory Services Limited; and • Zifo Technologies Private Limited.
7.	**Nanda Sameer Dave** ***Designation*****:** Independent Director ***Address*****:** Paras Emperor A-703, Bawadia Kalan, Hazur,	61	Kisetsu Saison Finance (India) Private Limited

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships
	Trilanga, Bhopal 462 039, Madhya Pradesh, India ***Occupation*: **Consultant ***Date of birth*: **August 31, 1960 ***Nationality*: **Indian ***Period:*** Director since June 21, 2021 ***Term*: **For a period of five years with effect from June 21, 2021 and is not liable to retire by rotation ***DIN*: **08673208		
8.	**Narayanan Rajagopalan Nadadur** ***Designation*: **Additional Director (*Independent*) ***Address*: **A – 503, Gulmohar Apartments, Ceaser Road, Amboli, Andheri West, Mumbai 400 058, Maharashtra, India ***Occupation*: **Service ***Date of birth*: **August 3, 1962 ***Nationality*: **Indian ***Period:*** Director since August 6, 2022 ***Term*: **With effect from August 6, 2022 till the conclusion of the next general meeting of our Bank. Final term with effect from August 6, 2022 for a period of five years is subject to approval of the Shareholders at the next general meeting of our Bank ***DIN*: **07877022	60	Indostar Home Finance Private Limited
9.	**Sameer Yogesh Nanavati** ***Designation:*** Nominee Director* ***Address:*** 901/E, Safal Parivesh, Prahladnagar, Satelite Ahmedabad City, Ahmedabad, Manekbag 380 015, Gujarat, India ***Occupation:*** Service ***Date of birth:*** October 3, 1971 ***Nationality:*** Indian ***Period:*** Director since June 24, 2017 ***Term:*** Liable to retire by rotation ***DIN:*** 00157693	50	• Barefoot Organics Private Limited; • Fincare Community Development Foundation; and • ILIFE Clinics and Research Private Limited
10.	**Sunil Satyapal Gulati** ***Designation:*** Independent Director ***Address:*** Flat No. 703, Sterling Sea Face, Dr. A B Road, Near Poonam Chambers, Worli, Mumbai 400 018, Maharashtra, India ***Occupation:*** Consultant ***Date of birth:*** July 28, 1961	61	• Arthan Finance Private Limited; • Empays Payment Systems India Private Limited; • Merisis Advisors Private Limited; • Perfios Account Aggregation Services Private Limited • PNB Metlife India Insurance Company Limited;

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships
	Nationality: Indian ***Period:*** Director since July 20, 2017 ***Term***: For a period of three years with effect from July 19, 2022 and is not liable to retire by rotation ***DIN:*** 00016990		• Samunnati Financial Intermediation & Services Private Limited; • SBI Mutual Fund Trustee Company Private Limited; • Tapstart Capital Private Limited; • Varthana Finance Private Limited; • Visage Holdings and Finance Private Limited; and • White Wizard Capital Private Limited
11.	**Varun Sabhlok** ***Designation:*** Independent Director ***Address:*** 237, Arcadia Road, #01-01, The Arcadia Singapore 289 844 ***Occupation:*** Consultant and Advisor ***Date of birth:*** September 16, 1955 ***Nationality:*** Indian ***Period:*** Director since August 31, 2017 ***Term:*** For a period of five years with effect from August 31, 2017, i.e., until August 30, 2022 and is not liable to retire by rotation ***DIN:*** 07704720	66	Nil
12.	**Vinay Baijal** ***Designation:*** Independent Director ***Address:*** 701, Lodha Grandeur, Sayani Road, Near Parel S. I. Depot, Prabhadevi, Mumbai 400 025, Maharashtra, India ***Occupation:*** Service ***Date of birth:*** June 15, 1951 ***Nationality:*** Indian ***Period:*** Director since February 25, 2017 ***Term***: For a period of three years with effect from February 24, 2022 and is not liable to retire by rotation ***DIN:*** 07516339	71	• Aye Finance Private Limited; • Dreamplug Paytech Solutions Private Limited; and • Peridot Financial Services (India) Private Limited.

**Dhiraj Poddar, Divya Sehgal and Sameer Yogesh Nanavati are Nominee Directors of our Promoter, on our Board.*

Relationship between our Directors

None of our Directors are related to each other.

Brief Biographies of Directors

Pramod Kabra is the Part-time Chairman and Non-Executive Director of our Bank. He holds a bachelor’s degree in commerce from Jodhpur University. He is also a chartered accountant with the Institute of Chartered Accountants of India. He is currently associated with True North Managers LLP.

Rajeev Yadav is the MD & CEO of our Bank. He holds a bachelor’s degree in technology from the Indian Institute of Technology, Kanpur, and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He was previously the chief executive officer of G.E. Money Financial Services Private Limited.

Alok Prasad is an Independent Director of our Bank. He holds a master's degree in arts from the University of Delhi. He was previously the chief executive officer of Microfinance Institutions Network (MFIN), the chairperson and director of South Asia Micro-entrepreneurs Network (SAMN) and has worked with the Reserve Bank of India and the National Housing Bank.

Aarthi Sivanandh is an Independent Director of our Bank. She holds a bachelor's degree in commerce from the University of Madras, a bachelor's degree in law from The Tamil Nadu Dr. Ambedkar Law University and a master's degree in law from Tulane University. She is enrolled with the Bar Council of Tamil Nadu. She was the co-founder of Vichar Partners, an independent legal firm, which subsequently merged with J. Sagar and Associates. She is presently an equity partner with J. Sagar Associates. She also serves as an independent director on the board of directors of Tata Technologies Limited.

Nanda Sameer Dave is an Independent Director of our Bank. She holds a bachelor's degree in science from the University of Lucknow and a master's degree in business administration from the University of Lucknow. She has previously worked with the Reserve Bank of India, from where she retired as an executive director.

Dhiraj Poddar is a Nominee Director of our Bank. He is a member of the Institute of Chartered Accountants of India and holds a Post Graduate Diploma in management from the Indian Institute of Management, Ahmedabad. He has previously been associated with, Gujarat Heavy Chemicals Limited, Bharti Telenet Limited, ICICI Securities Limited, Progeon Limited and Standard Chartered Bank. He is presently the head of India operations at TA Associates Advisory Private Limited.

Sameer Yogesh Nanavati is a Nominee Director of our Bank. He holds a master's degree in business administration (marketing management) from the Sardar Patel University, Gujarat. He is a co-founder of our Bank. He has been a director on the board of ILIFE Clinics and Research Private Limited, Barefoot Organics Private Limited and Fincare Community Development Foundation since their inception.

Divya Sehgal is a Nominee Director of our Bank. He has a bachelor's degree in electrical engineering from the Indian Institute of Technology, Delhi and a Post Graduate Diploma in management from the Indian Institute of Management, Bangalore. He has previously been the chief operating officer of Apollo Health Street Private Limited. He is currently associated with True North Managers LLP.

Sunil Satyapal Gulati is an Independent Director of our Bank. He holds a bachelor's degree in technology from the Indian Institute of Technology, Delhi, and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has previously worked with Bank of America, RBL Bank Limited, Yes Bank Limited, GE Capital Services India and ING Vysya Bank Limited.

Varun Sabhlok is an Independent Director of our Bank. He holds a bachelor's degree in arts from the University of Bombay, bachelor's degree in science (Economics) from the London School of Economics and Political Science and is an associate of the Institute of Chartered Accountants in England and Wales. He was the founder of AVS Asia Ventures, a management consulting services and has previously worked with Safeguard Real Estate Management Pte. Limited.

Vinay Baijal is an Independent Director of our Bank. He holds a master's degree in science from University of Allahabad. He is an associate of the Indian Institute of Bankers. He was previously associated with the Reserve Bank of India, from where he retired as the chief general manager, Department of Banking Operations and Development. He has also previously worked with the International Monetary Fund, Mizuho Bank Limited, Paypal Payments Private Limited, and Experian Services India Private Limited. He is currently an advisor to BSR & Company, LLP. He has been a member of the MFIN Enforcement Committee, Committee on Investment Pattern for Insurance and Pension Sector, Ministry of Finance, GoI and the Financial Action Task Force, Ministry of Finance, GoI.

Narayanan Rajagopalan Nadadur is an Additional Director (Independent) of our Bank. He holds a bachelor's degree in engineering from the University of Roorkee and a post graduate diploma in management from the Indian Institute of Management, Bangalore. He has previously been associated with ICICI Bank Limited from April 17, 2000 to August 31, 2021 where his last held designation was Head – Secured Assets, Debt Service Management Group and Construction Funding.

Confirmations

None of our Directors is, or was a director of any listed company during the last five years preceding the date of this Draft Red Herring Prospectus, whose shares have been, or were suspended from being traded on any of the stock exchanges during the term of their directorship in such company.

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms or companies in which they are interested by any person either to induce them to become or to help them qualify as a Director, or otherwise for services rendered by them or by the firm or company in which they are interested, in connection with the promotion or formation of our Bank.

None of our Directors is or was a director of any listed company which has been, or was delisted from any stock exchange during the term of their directorship in such company.

Except as disclosed in this DRHP, there are no other nominee directors, KMPs or other persons etc., appointed by any of the shareholders of the Bank.

Terms of appointment of Directors

1. **Remuneration to Executive Director:**

Rajeev Yadav was appointed as the MD & CEO of our Bank vide a board resolution dated June 24, 2017, and Shareholders' resolution dated July 10, 2017. His appointment was approved by RBI pursuant to letter dated July 17, 2017. The Board passed a resolution dated January 22, 2020 for re-appointing him as the MD & CEO. His re-appointment as MD & CEO was approved by the RBI pursuant to letter dated July 6, 2020. The re-appointment was approved by the Shareholders' at their meeting held on July 31, 2020.

During Fiscal 2022, Rajeev Yadav was paid a total remuneration of ₹38.57 million which included the fixed pay of ₹29.50 million, as approved by the RBI pursuant to its letter dated August 20, 2021 read with the letter dated January 14, 2020 and approval dated July 28, 2022. The Board and Shareholders of our Bank, pursuant to their resolutions dated February 1, 2022 and February 24, 2022, respectively, approved the revised remuneration for the MD & CEO for a period of three years commencing from April 1, 2020 to March 31, 2023, amounting up to ₹72 million in each Financial Year, (comprising of fixed pay and variable pay which includes the cash and non-cash component) and other perquisites (the remuneration disclosed here does not include post-retirement benefits). This is subject to submission to the RBI for its approval and ceilings prescribed under Section 197 of the Companies Act for each Financial Year.

However, pursuant to the RBI letter dated January 14, 2020, read with approval dated July 6, 2020 provided by the RBI and subsequent letters dated January 12, 2022, March 15, 2022 and July 28, 2022, set out below are details of remuneration governing his appointment as on the date of this Draft Red Herring Prospectus:

Particulars	Remuneration (₹ in million)
Fixed Pay	₹ 29.50 million*
Allowances (included in the fixed pay)	House rent allowance, vehicle allowance, professional development allowance, leave travel allowance, food allowance, communication allowance and gift allowance

* *The fixed pay is approved for Financial Year 2021 by the RBI pursuant to its letters dated January 12, 2022 and July 28, 2022. The aforementioned letters further approve variable pay of ₹ 19.90 million (comprising of cash component of ₹ 9.90 million and non-cash component of ₹ 10 million) for Financial Year 2021. His appointment as on date is governed by fixed pay approved for Financial Year 2021. The remuneration proposal for total pay for Financial Year 2022 is yet to be submitted to the RBI.*

2. **Remuneration to Non-Executive Directors:**

Our Part-time Chairman and Non-Executive Director, Pramod Kabra, is not entitled to any remuneration from our Bank. Accordingly, he was not paid any amount in Fiscal 2022.

Independent Directors

Pursuant to a circular resolution of the Board dated July 1, 2021, each Independent Director is entitled to receive sitting fees of approximately ₹0.10 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of committees of the Board, within the limits prescribed under the Companies Act, 2013, and the rules made thereunder. Further, the aggregate sitting fees for attending Board and Board committee meetings during a financial year shall be limited to an amount of ₹2 million per Director and such limit shall be applicable on pro-rata basis to the period of engagement with the Bank during a particular financial year.

The details of remuneration paid to our Independent Directors during Fiscal 2022 are as follows:

S. No.	Name of Director	Sitting fees paid (₹ in million)
1.	Alok Prasad	2.00
2.	Sunil Satyapal Gulati	2.00
3.	Varun Sabhlok	2.00
4.	Vinay Baijal	2.00
5.	Aarthi Sivanandh*	1.66
6.	Nanda Sameer Dave*	1.50
7.	Narayanan Rajagopalan Nadadur**	-

**Aarthi Sivanandh and Nanda Sameer Dave were appointed as Independent Directors with effect from April 28, 2021 with effect from June 21, 2021, respectively.*
** *Narayanan Rajagopalan Nadadur was appointed as an Additional Director (Independent) on August 6, 2022.*

Nominee Directors

Pursuant to the circular resolution of the Board dated July 1, 2021, Sameer Yogesh Nanavati, the Nominee Director of our Promoter on our Board, is entitled to receive sitting fees of approximately ₹0.10 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of committees of the Board. Further, the aggregate sitting fees for attending Board and Board committee meetings during a financial year shall be limited to an amount of ₹ 2 million per Director and such limit shall be applicable on pro-rata basis to the period of engagement with the Bank during a particular financial year. He was paid a total of ₹ 2.00 million as sitting fees during Fiscal 2022.

Dhiraj Poddar and Divya Sehgal, Nominee Directors of our Promoter on our Board are not entitled to any remuneration from our Bank. Accordingly, they were not paid any amount in Fiscal 2022.

Arrangement or understanding with major Shareholders, customers, suppliers or others

Except for Sameer Yogesh Nanavati, Dhiraj Poddar and Divya Sehgal, Nominee Directors of our Promoter on the Board of our Bank, who have been nominated pursuant to the SPSSA and our AoA, there is no other arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a director. For details, see "*History and Certain Corporate Matters - Key terms of subsisting shareholders' agreements*" on page 201.

Our Promoter, i.e. FBSL, has the right to appoint nominee directors on the board of directors of the Bank. Further, there are no other arrangements or understandings with the shareholders of the Bank pursuant to which any shareholder of our Bank has a right to appoint nominee directors on the board of directors of the Bank.

Shareholding of Directors in our Bank

As per our Articles of Association, our Directors are not required to hold any qualification shares.

Other than as disclosed below, none of our Directors hold any Equity Shares or employee stock options of our Bank:

Sr. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
Directors					
1.	Sameer Yogesh Nanavati	162,213	0.07	Nil	[●]
2.	Rajeev Yadav	336	Negligible	781,038*	[●]

** Pursuant to approval from the RBI vide letter dated February 10, 2021, the Bank has made a grant of 48,188 employee stock options pertaining to Financial Year 2018 and 75,296 employee stock options pertaining to Financial Year 2019 to Rajeev Yadav, the MD & CEO. This has been accounted in the Restated Financial Statements for Financial Year 2021. Subsequently, our Nomination and Remuneration Committee and our Board in their meetings dated May 30, 2021 and May 31, 2021, respectively, adjusted number of employee stock option granted under ESOP 2018 in light of the bonus issue of Equity Shares dated May 4, 2021. Accordingly, an adjustment to the number of employee stock options from 123,484 to 370,452 employee stock options, at an exercise price of ₹88.33 per employee stock option for 144,564 employee stock options pertaining to Fiscal 2018 and ₹97 per employee stock option for 225,888 employee stock options pertaining to Fiscal 2019, under the ESOP Scheme 2018. Further, in accordance with approval from the RBI dated August 20, 2021 and July 28, 2022, our Bank has made a grant of 196,298 employee stock options at an exercise price of ₹ 93.33 pertaining to Financial Year 2020 and 214,288 stock options at an exercise price of ₹ 106.91 pertaining to Financial year 2021, respectively, to Rajeev Yadav, our MD & CEO*

Shareholding of Directors in subsidiaries and associate companies

Our Bank does not have any subsidiaries or associate companies.

Interests of Directors

All Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Bank. Further, our Directors (excluding our Independent Directors) are entitled to participate in the ESOP 2018.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Offer. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares held by them, as well as to the extent of any employee stock options granted to them.

Other than Sameer Yogesh Nanavati, who is one of the founders of our Bank and one of the Nominee Directors of our Promoter on our Board, and Dhiraj Poddar and Divya Sehgal, who are Nominee Directors of our Promoter on our Board, none of our Directors have any interest in the promotion or formation of our Bank. Further, Sameer Yogesh Nanavati holds 1,906,710 equity shares in our Promoter.

None of our Directors have any interest in any property acquired or proposed to be acquired of the Bank or by the Bank or transaction for acquisition of land, construction of building and supply of machinery etc.

Except as disclosed in "*Other Financial Information - Related party transactions*" on page 313 of this Draft Red Herring Prospectus and this section, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors except the normal remuneration for services rendered as Directors.

No loans have been availed by our Directors from our Bank.

None of the beneficiaries of loans, advances and sundry debtors are related to the Directors of our Bank.

None of the Directors is party to any bonus or profit-sharing plan of our Bank other than the performance linked incentives given to each of the Directors in accordance with the terms of their appointment.

Except as disclosed in "*Other Financial Information - Related party transactions*" on page 313 of this Draft Red Herring Prospectus and this section, our Directors do not have any interest in the Bank or its business.

Changes in the Board in the last three years

Name	Date of Appointment/ Change/Cessation	Reason
Narayanan Rajagopalan Nadadur	August 6, 2022	Appointment as an Additional Director (Independent)
Sunil Gulati	July 19, 2022	Re-appointment as an Independent Director
Alok Prasad	July 19, 2022	Re-appointment as an Independent Director
Vinay Baijal	February 24, 2022	Re-appointment as an Independent Director
Nanda Sameer Dave	November 8, 2021	Re-designated as an Independent Director
Divya Sehgal	October 13, 2021	Appointment as a Nominee Director
Ravindran Lakshmanan	October 5, 2021	Cessation as Nominee Director due to withdrawal of nomination for representing FBSL
Dhiraj Poddar	September 27, 2021	Appointment as a Nominee Director
Nanda Sameer Dave	June 21, 2021	Appointment as an Additional Director (Independent)
Aarthi Sivanandh	May 1, 2021	Re-designated as an Independent Director
Aarthi Sivanandh	April 28, 2021	Appointment as an Additional Director (Independent)
Anisha Motwani	April 15, 2021	Resignation as an Independent Director
Anisha Motwani	March 31, 2020	Re-designated as an Independent Director
Anisha Motwani	December 7, 2020	Appointment as an Additional Director (Independent)
Susan Thomas	December 7, 2020	Resignation as an Independent Director
Rajeev Yadav	July 17, 2020	Re-appointment as MD & CEO
Pramod Kabra	June 24, 2020	Re-appointment as Non-Executive Director and Part time Chairman

Borrowing Powers of Board

Pursuant to a special resolution passed by the Shareholders of our Bank in their meeting held on December 28, 2016 and subject to the Companies Act, 2013 or any amendment or modification thereof, our Board is authorised to raise or borrow from time to time such sum or sums as they deem appropriate for the purposes of our Bank from financial institutions, non-banking finance companies, co-operative banks, investment institutions, banks, mutual funds, and other body corporates in Indian rupees or equivalent thereof in any foreign currency(ies), whether by way of advances, loans, issue of debentures/ bonds/ and/ or any other instruments, any sum of moneys on such terms and conditions and with our without security as our Board may thing fit which together with the money already borrowed by our Bank (apart from temporary loans obtained or to be obtained from our Bank's bankers in the ordinary course of business), may exceed the aggregate of its paid-up share capital and free reserves, provided however, the total amount so borrowed shall not exceed ₹25,000 million.

Corporate Governance

The corporate governance provisions of the Listing Regulations 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 including constitution of the Board and committees thereof and formulation of policies, to the extent applicable. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board committees, as required under law.

Our Board has been constituted in compliance with the Companies Act, the Listing Regulations, guidelines issued by the RBI from time to time, and in accordance with best practices in corporate governance. The Board of Directors functions either as a full board or through various committees constituted to oversee specific operational areas. The executive management provides the Board of Directors detailed reports on its performance periodically.

The composition of our Board is also in compliance with the Banking Regulation Act, SFB Licensing Guidelines and conditions stipulated by the RBI Final Approval.

Pursuant to RBI approval dated July 17, 2017, read with RBI approval dated June 22, 2020, Pramod Kabra was appointed as the Part-time Chairman and Non-Executive Director of our Bank for a period of three years with effect from June 24, 2020. Thereafter, pursuant to RBI approval dated July 17, 2017, read with RBI approval dated July 6, 2020, Rajeev Yadav was appointed as the MD & CEO of our Bank for a period of three years with effect from July 17, 2020.

Committees of the Board

Audit Committee

The members of the Audit Committee are:

1. Vinay Baijal, *Chairperson*;
2. Dhiraj Poddar;
3. Alok Prasad;
4. Sameer Yogesh Nanavati;
5. Sunil Gulati;
6. Varun Sabhlok; and
7. Nanda Sameer Dave

The Audit Committee was constituted by our Board of Directors at their meeting held on April 15, 2011. The Audit Committee was last reconstituted on October 27, 2021. The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013, the Listing Regulations and the guidelines issued by the RBI from time to time. The terms of reference of the Audit Committee include the following:

A. Audit-related functions

a. Recommending to the Board, the appointment, re-appointment, terms of reference and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

b. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

c. Reviewing and monitoring the statutory and internal auditors' independence and performance, and effectiveness of audit process.

d. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

e. Review of compliance with the inspection and audit reports of Reserve Bank of India, review of the findings of internal investigations, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults.

f. A consolidated review of cases of fraud, dacoity, robbery etc., detected during the year containing information such as area of operations where such attempts were made, effectiveness of new processes and procedures put in place during the year, trend of such cases during the last three years, need for further change in processes and procedures, if any, etc. as on March 31 every year should be put up to the ACB within three months of the end of the relative year.

B. Financial Statements

1. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

(i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;

(ii) Changes, if any, in accounting policies and practices and reasons for the same;

(iii) Major accounting entries involving estimates based on the exercise of judgment by management;

(iv) Significant adjustments made in the financial statements arising out of audit findings;

(v) Compliance with legal requirements relating to financial statements;

(vi) Disclosure of any related party transactions; and

(vii) Qualifications in draft Audit report.

2. Reviewing, with the management, the half-yearly financial statements before submission to the Board for approval; and

3. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

C. Internal audit related functions

1. Reviewing with management the adequacy of the internal control systems;

2. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

3. Discussing with internal auditors any significant findings and follow up there on; and

4. Reviewing 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 the Board.

D. Related Party Transactions

a. Prior approval of all related party transactions or any subsequent material modification of transactions of the Bank with related parties. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.
b. Defining “material modifications”.

E. Others

a. Reviewing, 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 monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter.

b. In relation to a monitoring agency appointed to monitor the utilisation of proceeds of a public or rights issue, the monitoring report of such agency shall be placed before the audit committee on a quarterly basis, promptly upon its receipt.

c. Evaluation of internal financial controls and risk management systems;

d. To appoint valuers for valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a Bank or liability of the Bank under the provision of the Companies Act, 2013.

e. To undertake and / or approve of valuation of undertakings or assets of the Bank, wherever it is necessary;

f. To scrutinize inter-Bank loans and investments;

g. To review guidelines for investing surplus funds of the Bank.

h. To review investment proposals before submission to the Board of Directors

i. To review proposal for mergers, demergers, acquisitions, carve-outs, sale, transfer of business / real estate and its valuation report and fairness opinion, if any, thereof.

j. Pre-approval or any subsequent modification of transactions of the Bank with related parties

k. To ensure proper system of storage, retrieval, display, or printout of the electronic record.

l. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

m. To review the functioning of the Whistle Blower I vigil mechanism. The procedures should ensure adequate safeguards against victimization of persons using such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

n. Any other requirement in accordance with the applicable provisions of Companies Act, or any re-enactment, amendment or modification thereto from time to time.

o. To review findings and report of Fraud Monitoring Committee on periodic basis on the cases of attempted fraud and any other findings.

p. Review the KYC/Anti-Money Law1dering (AML) / Counter - Financing of Terrorism CFT) policy annually and review the implementation of the Bank’s AML / CFT programme.

q. The Committee will perform any other duties and responsibilities that are consistent with the Committee's purpose, Articles of Association as the Board or Committee deems necessary or appropriate.

r. To approve appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate.

s. Carrying out any other function as is mentioned in the terms of reference of the audit committee

t. 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 existing as on the date of coming into force of this provision

u. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc.

F. Disclosure

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. The Committee shall take note of required disclosures on significant changes m internal controls over financial reporting during the year;

3. The Audit Committee shall mandatorily review the following information:

   (i) Management discussion and analysis of financial condition and results of operations;

   (ii) Management letters of internal control weaknesses issued by the statutory auditors;

   (iii) Internal audit reports relating to internal control weaknesses;

   (iv) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and

   (v) Statement of deviations:

      a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.

      b. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice.

      c. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of the Listing Regulations.

In order to perform its roles and responsibilities and to investigate any activity within its terms of reference, the Audit Committee shall have the power to seek information from any employee, to obtain outside legal or other professional advice and to secure attendance of outsiders with relevant expertise, if it considers necessary.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

1. Alok Prasad, *Chairperson*;

2. Sunil Gulati;

3. Pramod Kabra; and

4. Vinay Baijal

The Nomination and Remuneration Committee was first constituted by a meeting of our Board of Directors held on April 15, 2011 and last reconstituted on October 27, 2021. The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013, guidelines issued by the RBI from time to time, and the Listing Regulations. The terms of reference of the Nomination and Remuneration Committee include:

1. Formulating the criteria for determining qualifications, compliance with the fit and proper criteria as required under the Reserve Bank of India Guidelines for Licensing of Small Finance Banks in the Private Sector, positive attributes and independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees;

2. The Nomination and Remuneration Committee, while formulating the above policy, should ensure that —

   (i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Bank successfully;

   (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals

3. Formulating criteria for evaluation of performance of independent directors and the Board of Directors;

4. To review the performance of each existing Director and consider the results of such review when determining whether or not to recommend the nomination of such Director for the next year;

5. Devising a policy on diversity of Board of Directors;

6. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;

7. Extending or continuing the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

8. Recommending to the board, all remuneration, in whatever form, payable to senior management;

9. Determine the Bank's policy on specific remuneration packages for Whole-time Directors / Executive Directors including pension rights and any compensation payment;

10. Decide the actual Salary, Salary Grades, Overseas Allowance, Perquisites, Retirals and Increment of Whole-time Directors;

11. Define and implement the performance linked incentive scheme and evaluate the performance and determine the amount of incentive of the Whole-time Directors for that purpose;

12. Administering, monitoring and formulating detailed terms and conditions of the Employees Stock Option Scheme of the Bank;

13. Periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view performance of the Bank, standards prevailing in the industry, Norms specified by RBI, statutory guidelines, etc;

14. Carrying out any other function as is mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be applicable;

15. The Committee shall plan for CEO/ Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit a report to the Board to nominate potential successors to CEO/ Senior Management personnel;

16. To ensure that a Deed of Covenant and a declaration and undertaking in Bank's favor, as may be specified by RBI is obtained from every Director;

17. To ensure that an annual declaration is obtained from its Directors that the information provided has not undergone change and where there is any change, requisite details from them has been obtained forthwith;

18. To scrutinize Deed of Covenant and declaration and undertaking submitted by each of its Directors and on a continuing basis perform due diligence in respect of each of its Directors and shall report to the Reserve Bank if any of its directors fails to fulfil the 'fit and proper' criteria as specified by Reserve Bank from time to time. The Committee shall review and assess its performance on an annual basis;

19. Oversee the Director succession planning process for ensuring the right mix of Directors on the Board;

20. In cases where Director provides any services to the Bank in any other capacity, evaluating whether the Director possesses the requisite qualification for the practice of such profession;

21. 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:

    (i) use the services of an external agencies, if required;
    (ii) consider candidates from a wide range of backgrounds, having due regard to diversity; and
    (iii) consider the time commitments of the candidates.

22. Develop an Orientation (new Directors) and Continuing Education Program (CEP) for the Board and individual Directors so as to keep abreast of changes in the Bank and the environment in which it operates; and

23. Performing such other functions as may be necessary or appropriate for the performance of its duties.

Stakeholders' Relationship Committee

The members of the Stakeholders' Relationship Committee are:

1. Dhiraj Poddar, *Chairperson*

2. Sameer Yogesh Nanavati;

3. Rajeev Yadav;

4. Alok Prasad; and

5. Divya Sehgal.

The Stakeholders' Relationship Committee was first constituted by our Board of Directors at their meeting held on April 26, 2021 and last reconstituted on October 27, 2021. The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013 and the Listing Regulations. The terms of reference of the Stakeholders' Relationship Committee are as follows:

1. To resolve the grievances of the security holders of the 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. and assisting with quarterly reporting of such complaints;

2. To review of measures taken for effective exercise of voting rights by shareholders;

3. To review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;

4. To review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Bank;

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

6. To redress of shareholders' and investors' complaints/ grievances such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc;

7. To approve, register, refuse to register transfer or transmission of shares and other securities;

8. To sub-divide, consolidate and or replace any share or other securities certificate(s) of the Bank;

9. Allotment and listing of shares, approval of transfer or transmission of shares, debentures or any other securities;

10. To authorise affixation of common seal of the Bank;

11. To approve the transmission of shares or other securities arising as a result of death of the sole/ any joint shareholder;

12. To dematerialize or rematerialize the issued shares;

13. To Ensure proper and timely attendance and redressal of investor queries and grievances;

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

15. To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s).

Corporate Social Responsibility Committee

The members of the Corporate Social Responsibility Committee are:

1. Divya Sehgal, *Chairperson*;

2. Sameer Yogesh Nanavati;

3. Varun Sabhlok; and

4. Aarthi Sivanandh

The Corporate Social Responsibility Committee was first constituted by a meeting of our Board of Directors held on May 27, 2015 and last reconstituted on October 27, 2021. The terms of reference of the Corporate Social Responsibility Committee of our Bank include the following:

1. Formulation of a corporate social responsibility policy to the Board, indicating the activities to be undertaken by the Bank in areas or subject specified in the Companies Act, 2013. The activities should be within the list of permitted activities specified in the Companies Act, 2013 and the rules thereunder;

2. Recommending the amount of expenditure to be incurred, amount to be at least 2% of the average net profit of the Bank in the three immediately preceding financial years;

3. Recommending to the Board, the amount of expenditure to be incurred on the activities pertaining to CSR. (Prescribed in Schedule VII) and monitor the same;

4. Review and monitor the corporate social responsibility activities of the Bank on behalf of the Board to ensure that the Bank is in compliance with appropriate laws and legislations;

5. Instituting a transparent monitoring mechanism for implementation of the corporate social responsibility projects or programs or activities undertaken by the Bank;

6. Monitoring the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;

7. Identifying corporate social responsibility policy partners and corporate social responsibility policy programmes;

8. Review management's position on key stakeholder expectations involving corporate social responsibility and provide perspectives for Board's consideration;

9. Identifying and appointing the corporate social responsibility team of the Bank including corporate social responsibility manager, wherever required;

10. Review management-identified opportunities to optimize the use of technology for the use of CSR activities; and

11. Performing such other duties and functions as the Board may require the corporate social responsibility committee to undertake to promote the corporate social responsibility activities of the Bank.

Risk Management Committee

The members of the Risk Management Committee are:

1. Sunil Gulati, *Chairperson*;

2. Rajeev Yadav;

3. Alok Prasad; and

4. Varun Sabhlok

The Risk Management Committee was first constituted by a meeting of our Board of Directors held on April 15, 2011 and last reconstituted on October 27, 2021. The terms of reference of the Risk Management Committee of our Bank include the following:

A. Risk Management

1. To formulate a detailed risk management policy which shall include:

    a. A framework for identification of internal and external risks specifically faced by the listed entity, 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 committee.
    b. Measures for risk mitigation including systems and processes for internal control of identified risks.
    c. Business continuity plan.

2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Bank;

3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management system;

4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

6. The appointment, removal and terms of remuneration of the chief risk officer (if any) shall be subject to review by the committee;

7. 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 the board of directors;

8. To ensure that all the current and future material risk exposures of the Bank are assessed, identified, quantified, appropriately mitigated and managed;

9. To establish a framework for the risk management process and to ensure its implementation in the Bank;

10. To ensure that the Bank is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;

11. Review and recommend changes, from time to time, to the Risk Management plan and/ or associated frameworks, processes and practices of the Bank;

12. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;

13. To verify adherence to various risk parameters and prudential limits for treasury operations and to review its risk monitoring system.

14. Perform other activities related to this charter as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.

15. To develop an integrated framework for charting / categorizing various types of loans, to determine implications on quality and review of returns and reports to the Reserve Bank of India pertaining to the Risk Monitoring function.

16. Evaluate overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank.

17. To review management's formulation of procedures, action plans and strategies to mitigate risks on short term as well as long term basis;

18. To review the credit and liquidity stress test results on a quarterly basis

19. Identify, monitor and measure the risk profile of the bank.

20. To ensure that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified.

21. Develop policies and procedures, verify the models that are used for pricing complex products, review the risk models

as development takes place in the markets and also identify new risks.

22. Design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures.

23. Monitor compliance of various risk parameters by operating Departments.

24. Review the outsourcing functions of the Bank

25. Review of risk management practices, procedures and systems to ensure that same are adequate to limit all potential risks, faced by the bank to prudent levels (Annually). (Risk Management Framework to be reviewed for adequacy).

26. Limit Management Framework to be defined by outlining of the tolerance limits. Any exceptions and breaches to be reported on a quarterly basis.

27. Reviewing adequacy of insurance policies taken by Management to cover risks/ transfer risk exposures.

28. To ensure compliance with Banks Group policy and regulatory requirement.

B. Liquidity Management

1. To ensure compliance with Banks Group policy and regulatory requirement

2. To set local targets and review assumptions used for forecasting cash flows

3. Review and approve contingency plans for liquidity and realisability assumption

4. To review and manage concentration risk arising from both borrowers and depositors

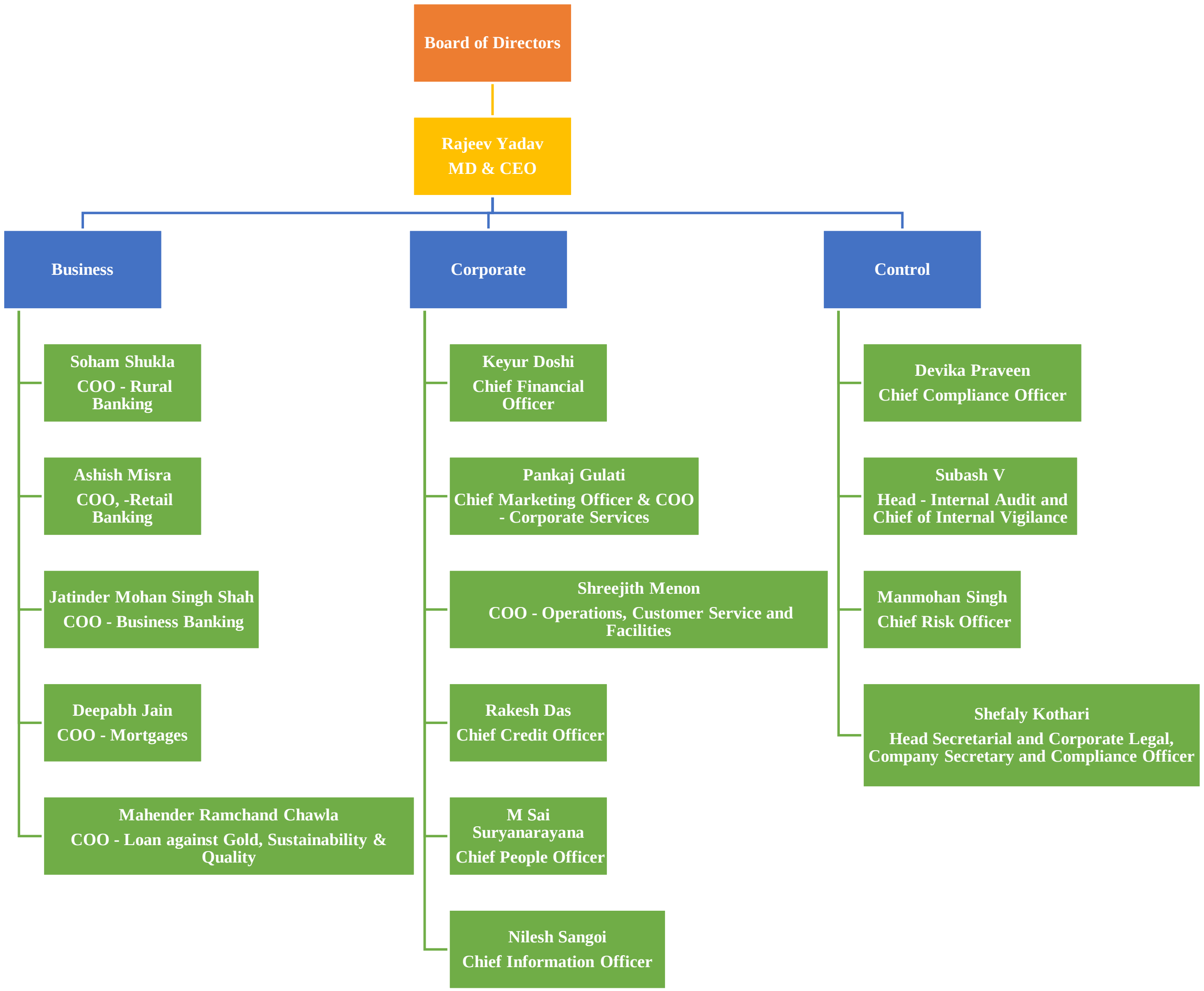
5. To ensure business activity is consistent with the structural integrity of the balance sheet, including capital consumption

6. To ensure that risks inherent in local payment systems are evaluated, quantified and managed.

Other committees of our Bank

In addition to the committees mentioned–in " - *Committees of the Board*" on page 216 of this Draft Red Herring Prospectus, our Bank has constituted various other committees, such as, the credit approval committee, fraud monitoring committee, IT strategy committee, special committee to investigate Sambandh Fraud, wilful defaulter identification review committee and customer service committee to oversee and govern various internal functions and activities of our Bank.

Management Organisation Chart



Key Managerial Personnel

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

Rajeev Yadav is the MD & CEO of our Bank. For further details in relation to Rajeev Yadav, see "*– Brief Biographies of Directors*" on page 212 of this Draft Red Herring Prospectus. For details of compensation paid to him, see "*-Terms of Appointment of Directors*" on page 214 of this Draft Red Herring Prospectus.

Keyur Doshi is the Chief Financial Officer of our Bank. He has a bachelor's degree in science (mathematics) from Maharaja Sayajirao University, Baroda and master's in business administration from University of Pune. He is one of the founders of our Bank. He was previously a partner at Disha Support Services. He joined our Bank with effect from February 3, 2009 and has been our Chief Financial Officer with effect from May 1, 2017. During Fiscal 2022, he received a remuneration of ₹13.73 million (this does not include post-retirement benefits).

Shefaly Kothari is the Head – Secretarial and Corporate Legal, Company Secretary and the Compliance Officer of our Bank. She holds a bachelor's degree in commerce from the University of Mumbai and a bachelor's degree in law from the Shreemati Nathibai Damodar Thackersey Women's University, Mumbai. She is a fellow member of the Institute of Company Secretaries of India. She has previously worked with Rathi & Associates, Aditya Birla Insurance Brokers Limited and Birla Sun Life Insurance Company Limited. She joined our Bank with effect from August 11, 2016. During Fiscal 2022, she received a remuneration of ₹3.16 million (this does not include post-retirement benefits).

Ashish Mishra is the Chief Operating Officer – Retail Banking of our Bank. He holds a bachelor's degree in commerce from the University of Delhi and a post graduate diploma in business administration from K.J. Somaiya Institute of Management Studies and Research, Mumbai. He has previously worked with ICICI Bank Limited, IndusInd Bank Limited and the Royal Bank of Scotland N.V. He joined our Bank with effect from August 16, 2017. During Fiscal 2022, he received a remuneration of ₹15.78 million.

Deepabh Jain is the Chief Operating Officer – Mortgages of our Bank. He holds a bachelor's degree in technology (electrical) from the Banaras Hindu University and a post graduate diploma in management from the Indian Institute of Management, Calcutta. He has previously worked with TATA Capital Financial Services Limited. He joined our Bank with effect from July 2, 2018. During Fiscal 2022, he received a remuneration of ₹11.78 million.

Jatinder Mohan Singh Shah is the Chief Operating Officer – Business Banking of our Bank. He holds a post graduate diploma in management (system and marketing) from the Symbiosis Institute of Management Studies, Pune. He has previously worked with Clix Capital Services Private Limited, GE Money Financial Services Limited, ICICI Bank Limited, Neo Growth Credit Private Limited, Religare Finvest Limited and ABN-AMRO Bank. He joined our Bank with effect from April 9, 2021. During Fiscal 2022, he received a remuneration of ₹8.33 million.

Mahender Ramchand Chawla is the Chief Operating Officer – Loan against Gold, Sustainability & Quality of our Bank. He is an associate of the Institute of Cost Accountants of India and has passed his final examination conducted by the Institute of Company Secretary of India.He has previously worked with HSBC Limited. He joined our Bank with effect from March 1, 2016. During Fiscal 2022, he received a remuneration of ₹9.34 million.

Soham Shukla is the Chief Operating Officer – Rural Banking of our Bank. He holds a bachelor's degree in engineering (electronics) and a master's in business administration (marketing management) from the Sardar Patel University, Gujarat. He is one of the founders of our Bank. He has previously worked with Core Healthcare Limited, Network Limited and Tata Metals and Strips Limited. He joined our Bank with effect from July 3, 2017. During Fiscal 2022, he received a remuneration of ₹13.21 million.

M Sai Suryanarayana is the Chief People Officer of our Bank. He holds a post graduate diploma in personnel management from the Xavier Institute of Social Service, Ranchi. He has previously worked with Bharat Earth Movers Limited, GlaxoSmithKline Pharmaceuticals Limited, AU Small Finance Bank Limited, ING Vysya Bank Limited, ITC Limited, TI Cycles of India and Toyota Financial Services India Limited. He joined our Bank with effect from March 4, 2021. During Fiscal 2022, he received a remuneration of ₹6.64 million.

Nilesh Sangoi is the Chief Information Officer of our Bank. He holds a diploma in audio and video engineering from the Radio Electric Institute, Mumbai. He has previously worked with Meru Mobility Tech Private Limited. He joined our Bank with effect from December 23, 2019. During Fiscal 2022, he received a remuneration of ₹13.23 million.

Pankaj Gulati is the Chief Marketing Officer and Chief Operating Officer – Corporate Services of our Bank. He holds a bachelor's degree in science from the University of Delhi, post graduate diploma in business management (finance) from the Sardar Patel College of Communication and Management, New Delhi and has completed the executive general management programme from the Indian Institute of Management, Bangalore. He has previously worked with MetLife India Insurance Company Limited. He joined India Finserve Advisors Private Limited with effect from December 20, 2010, which amalgamated with our Promoter pursuant to a scheme of amalgamation. Subsequently, he stood transferred to our Bank. During Fiscal 2022, he received a remuneration of ₹9.74 million.

Rakesh Das is the Chief Credit Officer of our Bank. He holds a post graduate diploma in rural development from the Xavier Institute of Social Service, Ranchi. He has previously worked with Arohan Financial Services Limited, Indian Grameen Services and IFMR Capital Finance Private Limited. He joined our Bank with effect from August 1, 2016. During Fiscal 2022, he received a remuneration of ₹5.90 million.

Shreejith Menon is the Chief Operating Officer – Operations, Customer Service and Facilities of our Bank. He is a member of the Institute of Chartered Accountants of India. He has previously worked with PMAM IT Services Private Limited., Citicorp Finance (India) Limited, Fullerton India Credit Company Limited, RBL Bank Limited & IDFC First Bank Limited. He joined our Bank with effect from July 12, 2021. During Fiscal 2022, he received a remuneration of ₹5.87 million.

Devika Praveen is the Chief Compliance Officer of our Bank. She holds a bachelor's degree in science and a master's degree in business administration from the University of Mysore. She has previously worked with Kotak Mahindra Bank Limited. She joined our Bank with effect from June 8, 2017. During Fiscal 2022, she received a remuneration of ₹5.44 million.

Manmohan Singh is the Chief Risk Officer of our Bank**.** He holds a provisional degree in bachelor's of commerce form University of Delhi. He is a member of the Institute of Chartered Accountants of India. He has also completed a post qualification course in information systems audit from the Institute of Chartered Accountants of India and a certification programme in IT and Cyber Security for CXOs from the institute for development and research in banking technology. He has previously worked with Bank of Punjab Limited, HDFC Bank Limited, YES Bank Limited & IDFC First Bank Limited. He joined our Bank with effect from June 17, 2022, accordingly, did not receive any remuneration from our Bank in Fiscal 2022.

Subash V. is the Head – Internal Audit and Chief of Internal Vigilance of our Bank. He holds a master's degree in business administration (international business) from the Indian Institute of Foreign Trade, Delhi. He has previously worked with Kotak Mahindra Bank Limited. He joined our Bank with effect from September 4, 2017. During Fiscal 2022, he received a remuneration of ₹3.79 million.

Relationship between our Key Managerial Personnel and other Key Managerial Personnel and Directors

None of the Key Managerial Personnel are related to each other or to the Directors. For details of the attrition rate of our Key Managerial Personnel, please see "*Risk Factors – Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons*." on page 21.

Shareholding of Key Managerial Personnel

Except as disclosed below, none of our Key Managerial Personnel hold any Equity Shares or employee stock options as of the date of this Draft Red Herring Prospectus:

Sr. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding*	Percentage of the post-Offer of Equity Share Capital (%)
1.	Keyur Doshi	245,946	0.11	132,300	[●]
2.	Pankaj Gulati	131,976	0.06	89,000	[●]
3.	Mahender Ramchand Chawla	86,730	0.04	73,400	[●]
4.	Soham Shukla	71,823	0.03	132,300	[●]
5.	Deepabh Jain	43,860	0.02	80,700	[●]
6.	Rakesh Das	26,850	0.01	36,000	[●]
7.	Nilesh Sangoi	15,270	0.01	128,000	[●]
8.	Devika Praveen	14,910	0.01	25,300	[●]
9.	Subash V	4,017	Negligible	10,440	[●]
10.	Rajeev Yadav	336	Negligible	781,038 **	[●]
11.	Shefaly Kothari	Nil	Nil	13,230	[●]
12.	Ashish Mishra	Nil	Nil	98,800	[●]
Total		**641,718**	**0.29**	**16,00,508**	[●]

** The Nomination and Remuneration Committee and the Board in their meeting dated May 30, 2021 and May 31, 2021, respectively, adjusted the number of employee stock options granted under ESOP 2018 in light of the bonus issue of Equity Shares dated May 4, 2021.*

*** Pursuant to approval from the RBI vide letter dated February 10, 2021, the Bank has made a grant of 48,188 employee stock options pertaining to Financial Year 2018 and 75,296 employee stock options pertaining to Financial Year 2019 to Rajeev Yadav, the MD & CEO. This has been accounted in the Restated Financial Statements for Financial Year 2021. Subsequently, our Nomination and Remuneration Committee and our Board in their meetings dated May 30, 2021 and May 31, 2021, respectively, adjusted number of employee stock option granted under ESOP 2018 in light of the bonus issue of Equity Shares dated May 4, 2021. Accordingly, an adjustment to the number of employee stock options from 123,484 to 370,452 employee stock options, at an exercise price of ₹88.33 per employee stock option for 144,564 employee stock options pertaining to Fiscal 2018 and ₹97 per employee stock option for 225,888 employee stock options pertaining to Fiscal 2019, under the ESOP Scheme 2018. Further, in accordance with approval from the RBI dated August 20, 2021 and July 28, 2022, our Bank has made a grant of 196,298 employee stock options at an exercise price of ₹ 93.33 pertaining to Financial Year 2020 and 214,288 stock options at an exercise price of ₹ 106.91 pertaining to Financial year 2021, respectively, to Rajeev Yadav, our MD & CEO*

Bonus or Profit-Sharing Plans of the Key Managerial Personnel

Our Bank had a wealth share plan which was instituted during Financial Year 2017 ("**Wealth Share Plan**") pursuant to which, certain bands of employees of our Bank are eligible to receive performance linked incentives in addition to their salary. Except for Shefaly Kothari, who is one of our Key Managerial Personnel and a party to this Wealth Share Plan, no other Key Managerial Personnel is a party to any bonus or profit-sharing plan of our Bank. The Wealth Share Plan was terminated in March 2019. For details of the incentives paid to employees under the Wealth Share Plan, please see "*Other Financial Information – Related Party Transactions*" on page 313 of this Draft Red Herring Prospectus.

Status of Key Managerial Personnel

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

Interests 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 their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel may also be deemed to be interested to the extent of their shareholding or the shareholding of their relatives in the Bank and any dividend payable to them and other distributions in respect of Equity Shares held in our Bank, if any. Some of our KMPs are entitled to employee stock options and equity shares resulting from the exercise of options issued by our Bank and our Promoter.

Except as stated below, no other KMP holds equity shares in FBSL, our Promoter, and is interested to the extent of the equity shares held by them in our Promoter.

S. No.	Name	No. of equity shares*
1.	Keyur Doshi	2,071,540
2.	Pankaj Gulati	685,670
3.	Mahender Ramchand Chawla	520,170
4.	Soham Shukla	724,580
5.	Deepabh Jain	70,000
6.	Rakesh Das	20,000
7.	Nilesh Sangoi	10,000
8.	Devika Praveen	2,500
9.	Rajeev Yadav	1,080
10.	Ashish Mishra	46,500

**Based on the beneficiary position statement dated July 29, 2022*

*** Please note that there are certain transactions that have taken place in respect of the equity shares of FBSL, which are yet to be recorded by the board of directors of FBSL.*

Except for loans of ₹0.60 million and ₹0.20 million extended to M Sai Suryanarayana and Subash V, respectively, none of the Key Managerial Personnel have been paid any consideration of any nature from our Bank on whose rolls they are employed, other than their remuneration.

Except as disclosed above, none of our Key Managerial Personnel have availed any loan from our Bank.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel was selected as member of senior management.

Changes in the Key Managerial Personnel

Except as disclosed in "*Changes in the Board in the last three years*" on page 216, the changes in the Key Managerial Personnel in the last three years are as follows:

Name	Designation	Date of change	Reason for change
Manmohan Singh	Chief Risk Officer	July 1, 2022	Appointment
Shefaly Kothari	Head – Secretarial and Corporate Legal, Company Secretary and Compliance Officer	July 1, 2022	Change in designation from Vice President – Secretarial and Corporate Legal, Company Secretary and Compliance Officer
Devika Praveen	Chief Compliance Officer	May 4, 2022	Re-designation from Head – Compliance
Jatinder Mohan Singh Shah	Chief Operating Officer – Business Banking	April 4, 2022	Re-designation from COO – SME Lending
M Sai Suryanarayana	Chief People Officer	May 19, 2022	Re-designation from Chief People Officer & Head – Facilities
Rakesh Das	Chief Credit Officer	May 4, 2022	Re-designation from Head – Credit
Mahender Ramchand Chawla	Chief Operating Officer – Loan against Gold, Sustainability & Quality	May 9, 2022	Re-designation from COO – Loan against Gold, Quality & ESG

Name	Designation	Date of change	Reason for change
Pankaj Gulati	Chief Marketing Officer and Chief Operating Officer – Corporate Services	May 4, 2022	Re-designation from Head – CEO Office & Chief Marketing Officer
Shreejith Menon	Chief Operating Officer – Operations, Customer Service & Facilities	May 19, 2022	Re-designation from COO – Operations, Customer Service & Contact Center
Nilesh Sangoi	Chief Information Officer	September 1, 2021	Re-designation from Chief Digital Officer & Head – Data Analytics
Mahender Ramchand Chawla	Chief Operating Officer – Operations and Loan against Gold, Quality & ESG	July 12, 2021	Re-designation from Chief Operating Officer – Operations and Loan against Gold to Chief Operating Officer – Loan against Gold, Quality and ESG
Shreejith Menon	Chief Operating Officer – Operations, Customer Service and Contact Center	July 12, 2021	Appointment
M Sai Suryanarayana	Chief People Officer and Head – Facilities	June 1, 2021	Re-designation from Chief People Officer to Chief People Officer and Head – Facilities
Deepabh Jain	Chief Operating Officer – Mortgages	April 1, 2021	Re-designation from Chief Operating Officer – LAP and Affordable Housing Loan to Chief Operating Officer - Mortgages
Subash V	Head – Internal Audit and Chief of Internal Vigilance	April 1, 2021	Re-designation from General Manager – Internal Audit/ Vice President – Internal Audit
M Sai Suryanarayan	Chief People Officer	March 4, 2021	Appointment
Pankaj Gulati	Head – CEO Office and Chief Marketing Officer	March 4, 2021	Re-designation from Chief People Officer/ Chief Marketing Officer to Head – CEO Office and Chief Marketing Officer
Mahender Ramchand Chawla	Chief Operating Officer – Operations and Loan against Gold	May 7, 2020	Re-designation from Chief Operating Officer – Channel Operations to Chief Operating Officer – Operations and Loan against Gold
Raghavendra Rao T. S.	Chief compliance officer	December 20, 2019	Resignation

Service Contracts with Directors and Key Managerial Personnel

Other than statutory benefits upon termination of their employment in our Bank on retirement, no officer of our Bank, including our Directors and the Key Managerial Personnel has entered into a service contract with our Bank pursuant to which they are entitled to any benefits upon termination of employment.

Contingent and deferred compensation payable to our Director and Key Managerial Personnel

Other than the deferred bonus compensation and variable pay payable to our KMPs, there is no contingent or deferred compensation payable to our Directors and KMPs, which does not form a part of their remuneration.

Payment or benefit to Key Managerial Personnel

Except for Shefaly Kothari, who is one of our Key Managerial Personnel and a party to the Wealth Share Plan, and except for loans extended to M Sai Suryanarayana and Subash V by our Bank as disclosed in this section above, no other Key Managerial Personnel has been paid or given any non-salary amount or benefit within the two preceding years of the date of this Draft Red Herring Prospectus. Further, our Key Managerial Personnel are entitled to be variable pay determined on the basis of performance against parameters defined at bank, function and individual level. For details in relation to the non-salary amounts paid to the Bank's officers during the two preceding years from the date of this Draft Red Herring Prospectus, see "*Other Financial Information – Related Party Transactions*" on page 313 of this Draft Red Herring Prospectus.

Employees Stock Options

For details of our employee stock options, see "*Capital Structure – ESOP 2018*" on page 73 of this Draft Red Herring Prospectus.

OUR PROMOTER AND PROMOTER GROUP

Fincare Business Services Limited is the Promoter of our Bank.

As on the date of this Draft Red Herring Prospectus, our Promoter holds 173,489,568 Equity Shares aggregating to 78.58% of the pre-Offer issued, subscribed and paid-up equity share capital of our Bank. For further details, see "*Capital Structure*" on page 73.

Details of our Promoter

Fincare Business Services Limited

Corporate Information

Our Promoter was incorporated as 'Fincare Business Services Private Limited' on August 1, 2014 at Bengaluru as a private limited company under the Companies Act, 2013. Subsequently, our Promoter was converted from a private limited company to a public limited company pursuant to a special resolution passed by the shareholders of our Promoter at the EGM held on October 5, 2016. Consequent to the conversion to a public limited company, a fresh certificate of incorporation was issued by the Registrar of Companies, Karnataka at Bangalore on November 23, 2016 and the name of our Promoter was changed to 'Fincare Business Services Limited'. Subsequently, RBI granted a certificate of registration dated February 2, 2017 to our Promoter as an NBFC-CIC-ND-SI to commence/carry on the business as a non-banking financial institution without accepting public deposit.

The registered office of our Promoter is located at 301 & 302, Abhijeet - V Opp. Mayor Bunglow, Law Garden Road, Mithakhali, Ahmedabad, 380 006 Gujarat, India. The CIN of our Promoter is U74900GJ2014PLC132578.

Our Promoter is a professionally managed company and does not have an identifiable promoter either in terms of the SEBI ICDR Regulations, or in terms of the Companies Act.

The main objects of our Promoter are:

"1. To carry on the business as a core investment company and for that purpose to acquire and hold either in the name of the company or in that of any nominee, shares, stocks, debentures, debenture stock, bond, notes and to invest or to deposit or to hold funds in such group companies or other companies where the group companies have substantial interest or acquire, buy, purchase, sell or otherwise deal in shares, stocks, bonds, debentures, obligations or other securities of any company with an intention to acquire the controlling interest in the company by itself or together with any of the group companies.

2. To invest in, acquire, hold, underwrite, sell or otherwise deal in shares, stocks, debenture stocks, bonds, negotiable instruments, securities of any company, Government, Public Body or authority, Municipal and Local Bodies, whether in India or abroad and also to invest, buy, sell, transfer deal in and dispose of any shares, stocks, debentures, whether perpetual or redeemable debentures, stocks, securities of any Government, Local, Authority, Bonds and Certificates.

3. To carry on the business of an investment company and invest in the purchase of or upon the security of and to buy, sell or otherwise deal in shares, stocks, units, debentures, debenture stock bonds, mortgages, obligations, and securities of any kind issued or guarantee by any company, corporation or undertaking of whatever nature whether incorporated or otherwise.

4. To form, promote, subside and assist companies having similar objects and partnerships, to promote and acquire any concern as a running business or otherwise or purchase any part of the assets of any concern or company or any interest or share thereto and to pay for the same including its goodwill either in cash/or by issue of shares or otherwise and invest the moneys of the company for the said purposes.

5. To acquire, purchase, takeover and/or amalgamate business or undertakings of companies or firms which under existing circumstances, from time to time, may conveniently or advantageously be combined with the business of the Company, to amalgamate or merge with companies whose business are so acquired, purchased or taken over and/or to enter into any agreement with the object of acquisition of such undertaking and/or business.

6. To carry on the business as financial advisors and to advise and assist in all financial, costing, accounting, internal control and other similar matters to advise and assist in the preparation of all revenue and capital budgets, development of funds, long term planning or utilization of resources, procuring bank and institutional finance including cash, credit facilities, overdraft facilities, subscription of debentures and term loans, to assess the needs of short and long term credit facilities and raising of resources, long term planning of utilization of resources for rehabilitation, to advise and assist in the formulation of procedures for prevention of fraud, wastage, financial and cost accounting procedures and other connected matters to advise and assist in formulating long term financial policies and control their executions, and generally to advise and assist in all financial, fiscal and revenue matters.

7. *To act as investment consultants, stock brokers, underwrites and to invest or subscribe for purchase or otherwise, acquire and sell, dispose of exchange, hold and otherwise deal in shares or other securities issued by any authority Central, State, Municipal, Local or otherwise and to carry on the business generally carried on by investment companies.*

Board of directors of our Promoter

The board of directors of our Promoter comprises of the following:

1. Dasarathareddy Gunnamreddy;
2. Satyaki Rastogi;
3. Bhavya Gulati;
4. Maninder Singh Juneja;
5. Nandini Jashwantlal Parekh; and
6. Peravali Satyanarayana

Shareholding pattern of our Promoter

As on the date of this Draft Red Herring Prospectus, the authorised share capital of our Promoter is ₹1,155,000,000 divided into ₹1,055,000,000 equity shares of face value of ₹1 each and 10,000,000 preference shares of ₹10 each. The issued and paid-up share capital of our Promoter is ₹329,750,096 divided into 329,750,096 equity shares of face value ₹1 each.

The shareholding pattern of the equity shares of our Promoter as on August 5, 2022 (based on the beneficiary position statement as of August 5, 2022) is as follows:

S. No.	Name of the shareholder	No. of equity shares	Shareholding (%)
1	Wagner Limited	58,535,040	17.75
2	True North Fund V LLP	54,385,595	16.49
3	Indium IV (Mauritius) Holdings Limited	54,085,980	16.40
4	Omega TC Holdings Pte. Ltd	27,772,330	8.42
5	LeapFrog Rural Inclusion (India) Ltd	16,218,090	4.92
6	Kotak Mahindra Life Insurance Company Limited	15,796,130	4.79
7	Edelweiss Tokio Life Insurance Company Limited	14,464,810	4.39
8	Small Industries Development Bank of India	12,517,880	3.80
9	Dasarathareddy Gunnamreddy	9,333,270	2.83
10	Vistra ITCL (India) Ltd - Business Excellence Trust III, India Business Excellence Fund III	7,913,921	2.40
11	Acts Mahila Mutually Aided Co Op Thrift Society	7,326,520	2.23
12	Bharti Axa Life Insurance Company Limited	5,660,000	1.72
13	Silver Leaf Oak (Mauritius) Limited	4,308,560	1.31
14	ICICI Lombard General Insurance Company Limited	3,055,277	0.93
15	Edelweiss General Insurance Company Limited	2,503,580	0.76
16	Care Health Insurance Company Limited	1,788,260	0.54
17	Other minority shareholders*	34,084,853	10.33
Total		**329,750,096**	**100.00**

**This includes an aggregate of 384 shareholders other than insurance companies, each holding less than 1% of the issued and paid up equity share capital of our Promoter*

Changes 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 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.

Interests of our Promoter

Our Promoter is interested in our Bank to the extent it is the Promoter of our Bank and to the extent of its shareholding in the Bank and dividend payable, if any, and other distributions in respect of the Equity Shares held by it. For details, see "*Capital Structure"* on page 73.

Further, our Promoter is also interested in our Bank pursuant to the License agreement dated December 14, 2016 with respect to the use of intellectual property rights. For more information, see "*History and Certain Corporate Matters - Key terms of other subsisting material agreements"* on page 201.

Our Promoter has granted employee stock options under its employee stock option plan to certain employees and KMPs of our Bank, pursuant to which, such individuals are entitled to the equity shares of our Promoter.

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

No sum has been paid or agreed to be paid to our Promoter or to the firms or companies in which our Promoter is interested as a member in cash or shares or otherwise by any person, either to induce them to become or to qualify them, as directors or promoters or otherwise for services rendered by such Promoter or by such firms or companies in connection with the promotion or formation of our Bank.

Except as disclosed in "*Other Financial Information – Related party transactions*" on page 313 and this section, our Promoter does not have any interest in the Bank.

Payment of benefits to our Promoter or our Promoter Group

No amount or benefit has been paid or given to our Promoter 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, except as disclosed in "*Other Financial Information – Related Party Transactions*" on page 313.

Change in the control of our Bank

Our Promoter is not the original promoter of our Bank. For details in relation to the history of our incorporation, see "*History and Certain Corporate Matters*" on page 201.

Our Promoter was incorporated in 2014 and our Bank became a subsidiary of our Promoter in Fiscal 2016. For details in relation to the build-up of our Promoter's shareholding in our Bank, see "*Capital Structure – Notes to the Capital Structure – 5. History of the Equity Share capital held by our Promoter*" on page 73.

Our Promoter became the holding company of our Bank, in accordance with the requirements set under the RBI In-Principle Approval in relation to restructuring of the shareholding of our Bank. For details, see "*History and Certain Corporate Matters – Major events and milestones of our Bank*", "*History and Certain Corporate Matters – Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last ten years*", "*Capital Structure – Notes to the Capital Structure – 1. Share Capital History of our Bank*" and "*Capital Structure – Notes to the Capital Structure – 5. History of the Equity Share capital held by our Promoter*" on pages 205, 206, 73 and 81, respectively.

Material guarantees given by our Promoter to third parties with respect to Equity Shares of our Bank

As of the date of this Draft Red Herring Prospectus, our Promoter has not given any guarantees to third parties with respect to Equity Shares of our Bank.

Companies or firms with which our Promoter have disassociated in the last three years

Our Promoter has not disassociated, sold or transferred its stake in any company or firm in the three years immediately preceding the date of this Draft Red Herring Prospectus.

Our Promoter Group

Other than our Promoter, our Bank does not have any natural persons or entities who are part of the 'promoter group', as defined under the SEBI ICDR Regulations.

Founders of our Bank

The founders of our Bank are Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla.

OUR GROUP COMPANY

Pursuant to a resolution dated July 29, 2022, our Board has noted that in accordance with the SEBI ICDR Regulations and for the purpose of disclosure in this Draft Red Herring Prospectus, group companies of our Bank shall include (i) the companies with which there were related party transactions as disclosed in the Restated Financial Statements during any of the last three Fiscals; or (ii) such other company as deemed material by our Board.

Based on the parameters outlined above, as on the date of this Draft Red Herring Prospectus, the Board has determined that, there are no companies which are considered material by the Board to be identified as group companies.

DIVIDEND POLICY

The declaration and payment of dividends is recommended by the Board of Directors and approved by the Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and regulations and guidelines made thereunder, the Articles of Association and other applicable law, including the Companies Act, 2013. The dividend, if any, depends on a number of factors, including but not limited to profit earned during the financial year, past dividend trends, optimal capital adequacy ratio subject to regulatory minimum of total and tier I capital adequacy ratio, additional regulatory requirements of capital in near future cost of raising funds from alternative sources, reinvestment opportunities and any other applicable criteria from the legal or regulatory framework applicable to our Bank. Our Bank may also, from time to time, pay interim dividends. We may retain all our future earnings, if any, for use in the operations and expansion of our business.

Our Bank has not declared any dividends for Fiscals 2022, 2021 and 2020. Further, our Bank has not declared 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 being written off. Our Bank has no formal dividend policy.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Restated Financial Information 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. These Non-GAAP financial measures are not required by or presented in accordance with IGAAP and are supplemental measures of our performance and liquidity. 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. These Non-GAAP financial measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, Ind AS, IFRS or US GAAP. In addition, these non GAAP 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 financial services industry, are not standardised terms. Hence a direct comparison of these Non-GAAP Measures with financial measures and statistical information of similar nomenclature that may be computed and presented by other NBFCs, NBFC-MFIs, SFBs and other financial services companies may not be possible. Other companies may calculate these Non-GAAP Measures differently from us, limiting its usefulness as a comparative measure

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 Information included in this Draft Red Herring Prospectus.

YEARS ENDED MARCH 31, 2020 AND 2021 AND 2022

Average Balance Sheet and Net Interest Margin

The tables below present the average balances for our interest-earning assets and interest-bearing liabilities 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 (except that investments include equity investments). 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 Information:

Particulars	Year ended March 31, 2020			Year ended March 31, 2021			Year ended March 31, 2022		
	Average Balance(1)	Interest Income(2) (3) / interest expended(4)	Average Yield / Cost of funds(5) (%)	Average Balance(1)	Interest Income(2) (3) / interest expended(4)	Average Yield / Cost of funds(5) (%)	Average Balance(1)	Interest Income(2) (3) / interest expended(4)	Average Yield / Cost of funds(5) (%)
Interest-earning assets									
Advances	38,314.15	9,445.78	24.65%	50,297.35	11,482.82	22.83%	60,304.01	13,233.84	21.95%
Investments	7,282.73	499.37	6.86%	12,170.44	685.15	5.63%	18,843.57	943.50	5.01%
Other interest-earning assets(6)	7,841.81	757.41	9.66%	8,545.01	342.34	4.01%	400.92	281.39	70.18%
Total interest-earning assets (A)	**53,438.69**	**10,702.56**	**20.03%**	**71,012.80**	**12,510.31**	**17.62%**	**79,548.50**	**14,458.73**	**18.18%**
Non-interest earning assets									
Fixed Assets	365.09	-	-	367.07	-	-	383.80	-	-
Other non-interest earning assets(7)	3,063.90	-	-	4,839.03	-	-	12,348.96	-	-
Total non-interest earning assets (B)	**3,428.99**	-	-	**5,206.10**	-	-	**12,732.76**	-	-
Total Assets (A+B)	**56,867.68**	-	-	**76,218.90**	-	-	**92,281.26**	**14,458.73**	**15.67%**

Particulars	Year ended March 31, 2020			Year ended March 31, 2021			Year ended March 31, 2022		
	Average Balance(1)	Interest Income(2) (3) / interest expended(4)	Average Yield / Cost of funds(5) (%)	Average Balance(1)	Interest Income(2) (3) / interest expended(4)	Average Yield / Cost of funds(5) (%)	Average Balance(1)	Interest Income(2) (3) / interest expended(4)	Average Yield / Cost of funds(5) (%)
Demand Deposits (i)	93.47	-	-	320.06	-	-	479.51	-	-
Savings bank deposits (ii)	3,595.02	210.91	5.87%	7,984.84	467.31	5.85%	17,206.97	1032.42	6.00%
Term Deposits (iii)	30,499.98	2,808.57	9.21%	42,669.70	3,692.86	8.65%	39,960.50	3,179.22	7.96%
Total Deposits (i + ii + iii)	**34,188.47**	**3,019.48**	**8.83%**	**50,974.60**	**4,160.17**	**8.16%**	**57,646.98**	**4,211.64**	**7.31%**
Borrowings(8)	12,523.02	1,489.37	11.89%	12,306.33	1,340.31	10.89%	19,661.69	1,486.18	7.56%
Total interest-bearing liabilities	**46,711.49**	**4,508.85**	**9.65%**	**63,280.93**	**5,500.48**	**8.69%**	**77,308.67**	**5,697.82**	**7.37%**
Capital	586.44	-	-	636.10	-	-	1,973.68	-	-
Reserves and surplus	7,204.64	-	-	9,159.01	-	-	10,313.06	-	-
Other liabilities and provisions(9)	2,365.11	-	-	3,142.84	-	-	3,114.85	-	-
Total non-interest bearing liabilities	**10,156.19**	-	-	**12,937.95**	-	-	**15,401.59**	-	-
Total Liabilities	**56,867.68**	-	-	**76,218.88**	-	-	**92,710.16**	**5,697.82**	**6.15%**
Interest spread(10)	-	-	10.38%	-	-	8.92%	-	-	10.81%

(1) Average Balances are defined as the average month end balances for the items listed in the table.

(2) Interest Income on advances includes interest/discount on advances/bills. It includes income from securitization/assignment of loans.

(3) Other Interest Income includes interest on RBI / inter-bank borrowings, interest income on fixed deposits, interest income on money market instruments and interest income on tri-party repo lending.

(4) Interest expended on borrowings includes interest on RBI / inter-bank borrowings and interest expended – others.

(5) Cost of funds is the ratio of interest expended during the year to the average interest-bearing liabilities for the year.

(6) Other interest-earning assets includes money at call and short notice, balances with banks in other deposits and balances in reverse Repo – LAF.

(7) Other non-interest earning assets includes cash and balances with the RBI, balances with other banks, interest accrued on advances, deferred tax asset and other assets.

(8) Borrowings includes borrowings as per the Restated Summary Statement of Assets and Liabilities.

(9) Other liabilities and provisions includes interest accrued on borrowings/deposits, provision for income tax and other liabilities.

(10) "Interest spread" means the difference between the average yield on total interest-earning assets and average cost of total interest-bearing liabilities

Yields, Spreads and Margins

(₹ in millions, unless otherwise stated)

Particulars	Year ended March 31,		
	2020	2021	2022
Average interest-earning advances(1)	38,314.15	50,297.35	60,304.01
Average interest-earning assets(1)	53,438.69	71,012.80	79,548.50
Average interest-bearing liabilities(1)	46,711.49	63,280.93	77,308.67
Average total assets or average liabilities (including equity and reserves and surplus)(1)	56,867.68	76,218.88	92,710.16
Average interest-earning assets as a percentage of average total assets (%)(1)	93.97%	93.17%	86.20%
Average interest-bearing liabilities as a percentage of average total assets (%)(1)	82.14%	83.03%	83.78%
Average Balance of interest-earning assets as a percentage of Total Average Interest-Bearing Liabilities(1)	114.40%	112.22%	102.90%
Average Interest-Earning Advances as a percentage of average total assets(1)	67.37%	65.99%	65.35%
Yield on average interest-earning assets (%)(1) (2)	20.03%	17.62%	18.18%
Yield on average interest-earning advances (1) (3)	24.65%	22.83%	21.95%
Cost of deposits (%)(4)	8.83%	8.16%	7.31%
Cost of borrowing (%)(5)	11.89%	10.89%	7.56%
Cost of subordinate debt (%)(6)	11.82%	12.19%	12.25%
Cost of refinance borrowing (%)(7)	9.33%	8.61%	7.38%
Cost of funds (%)(1) (8)	9.65%	8.69%	7.37%
Cost of funds (%) incl. IBPC borrowings(8)	9.60%	8.27%	7.09%
Cost of funds (%) (includes Equity and Current Deposit)(9)	8.27%	7.53%	6.36%
Cost of funds (%) (includes Equity and Reserves & Surplus including IBPC Borrowings)(9)	7.51%	6.92%	6.16%
Interest Spread (%)(1) (10)	10.38%	8.92%	10.81%
Net Interest Margin(11)	11.59%	9.87%	11.01%

(1) Average Balances are defined as the average month end balances for the items listed in the table.

(2) Yield on interest-earning assets is interest earned divided by total average interest-earning assets.

(3) Yield on Average Interest-Earning Advances is calculated as ratio of interest earned on advances divided by Average Interest-Earning Advances.
(4) Cost of deposits are the ratio of interest expended on deposits during the year to the average month end balance of total deposits.
(5) Cost of borrowing is the ratio of interest expensed on borrowings to the average month end balances of borrowings.
(6) Cost of subordinate debt is the ratio of interest expended on subordinated debt to the average month end balances of subordinated debt.
(7) Cost of refinance borrowing is the ratio of interest expended on refinance borrowings to the average month end balances of refinance borrowings.
(8) Calculated as total interest expended divided by the average month end balance of interest-bearing liabilities (includes cost of deposits).
(9) Calculated as total interest expended divided by the average month end balance of interest-bearing liabilities, equity and reserves and surplus.
(10) Calculated as Yield on average interest-earning assets less cost of funds.
(11) Calculated as Net Interest Income divided by average interest-earning assets.

Financial and Operational Metrics and Ratios

The following table sets forth, as of and for the years indicated, certain financial and operational metrics and ratios:

(₹ in millions, unless otherwise stated)

Particulars	Year ended March 31,		
	2020	2021	2022
Gross Loan Portfolio(1)	53,418.25	60,722.00	75,995.80
Average Gross Loan Portfolio(2)	43,576.96	54,266.47	67,077.44
Average Gross Loan Portfolio Growth (%)(3)	56.00%	24.53%	23.61%
On-book advances(4)	48,155.76	53,011.20	70,363.74
Average balance of on-book advances(5)	38,314.15	50,297.35	60,911.75
Average on-book advances growth (%)	79.70%	31.28%	21.10%
Outstanding value of loans securitized(6)	666.84	574.38	571.19
Deposits	46,539.33	53,184.98	64,555.80
Retail deposits(7)	35,789.27	48,597.56	53,011.00
Bulk deposits	11,915.20	6,761.20	11,544.80
Average Deposits	34,188.47	50,974.60	57,646.98
Average Deposits growth (%)	158.17%	49.10%	13.09%
Disbursements(8)	49,497.11	46,564.57	68,565.35
Disbursements Growth (%)(9)	53.67%	(5.92)%	46.58%
CASA	5,550.60	12,635.78	23,431.49
CASA (%) of Deposits	11.93%	23.76%	36.30%
CASA growth (%)	148.10%	127.65%	85.44%
Shareholder's equity(10)	9,037.67	10,179.01	12,018.61
Total assets	71,171.28	79,670.73	109,059.03
Borrowings	13,681.62	14,004.34	29,435.43
Retail Term Deposit to Total Term deposit ratio	70.93%	83.33%	71.93%
Retail deposits (Retail Term Deposits + CASA) to total deposit ratio(7)	74.40%	87.29%	82.12%
Total Income(11)	12,140.92	13,767.10	16,476.48
Total interest earned	10,702.56	12,510.31	14,458.72
Interest/ discount on advances/ bills(12)	9,445.78	11,482.82	13,233.84
Other Income	1,438.36	1,256.79	2,017.76
Interest expended(13)	4,508.85	5,500.48	5,697.82
Net Interest Income(14)	6,193.71	7,009.83	8,760.90
Net Interest Margin (%)	11.59%	9.87%	11.01%
Operating Income (Net Interest Income + Other Income)(15)	7,632.07	8,266.62	10,778.66
Total Expenses(16)	8,776.38	10,133.29	12,165.78
Operating Expense(17)	4,267.53	4,632.81	6,467.96
Operating Expense / Average Gross Loan Portfolio (%)	9.79%	8.54%	9.67%
Cost to Income Ratio(18)	55.92%	56.04%	60.01%
Pre-provisioning operating profit	3364.54	3633.81	4,310.69
Pre-provisioning operating profit / Average Gross Loan Portfolio(23)	7.72%	6.70%	6.43%
Provisions and write-offs(19)	1,337.29	2,169.62	4,253.24
Additional contingency provision	851.80	(261.03)	67.00
Provisions for non-performing assets (includes bad debts written-off)	424.42	2,096.08	3,660.99
Provisions for standard assets	935.28	(297.94)	(513.61)
Provisions and write-offs / Average Gross Loan Portfolio (%)	3.12%	4.02%	6.28%
Credit cost(20)	3.12%	4.02%	6.28%
Profit before tax(21)	2,027.25	1,464.19	57.46
Profit before tax – adjusted for COVID-19 related provisions (net of utilization)	2,879.05	1,202.18	124.48
Net profit for the year(22)	1,434.49	1,131.39	88.71
Net profit for the year – adjusted for COVID-19 related provisions (net of utilization)	2,071.91	936.06	138.86

(1) *Gross Loan Portfolio represents the total portfolio of loans outstanding (gross i.e. without netting-off the related provisioning) held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization as at the end of the relevant year. It does not include interest accrued and due on advances at the end of the relevant year.*
(2) *Average Gross Loan Portfolio is the average month end balances of our Gross Loan Portfolio outstanding during the relevant year.*
(3) *Gross Loan Portfolio Growth represents percentage growth in Average Gross Loan Portfolio for the relevant year over Average Gross Loan Portfolio of the previous year.*
(4) *On-book advances represents the total portfolio of loans outstanding that we hold, net of IBPC and NPA provisions.*
(5) *Average balance of on-book advances represents the average month end balances of the total portfolio of loans outstanding that we hold, net of IBPC and NPA provisions.*
(6) *Outstanding value of loans securitized represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for our loan portfolio that has been transferred by us by way of securitization and is outstanding as of the last day of the relevant year.*
(7) *Retail deposits are deposits sourced primarily by our banking outlets and include staff deposits, CASA and Retail Term Deposits.*
(8) *Disbursements represent the aggregate of all loan amounts extended to our borrowers in the relevant year.*
(9) *Disbursements Growth represents percentage growth in Disbursements for the relevant year over Disbursements of the previous year.*
(10) *Average shareholder's equity is the aggregate of the average month end balances of capital and reserves and surplus during the year.*
(11) *Total Income represents our restated total income for the year and is the sum of total interest earned and other income.*
(12) *Interest on advances excludes income from securitization/assignment of loans.*
(13) *Interest expended represents our restated interest expended for the year, comprising interest on deposits, interest on RBI and inter-bank borrowings and interest on other borrowings.*
(14) *Net Interest Income represents interest earned for the relevant year reduced by interest expended in such year.*
(15) *Operating income is calculated as the sum of net interest income and other income. Other income is computed as difference of interest earned and interest expended.*
(16) *Total Expenses represents our restated total expenses for the relevant year. Total Expenses comprises interest expended, operating expenses, which includes employee benefits expenses, depreciation and amortization and other operating expenses. It does not include provisions and contingencies.*
(17) *Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses.*
(18) *Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income.*
(19) *Provisions and write-offs represent the aggregate of provisions and write-offs (excluding provision for taxes).*
(20) *Credit cost is calculated as the ratio of provisions and write-offs (excluding provision for contingencies) to our average Gross Loan Portfolio outstanding during the relevant year.*
(21) *Profit before tax represents our restated profit before tax.*
(22) *Net profit for the year represents our restated profit for the year from continuing operations.*
(23) *Pre-provisioning operating profit / Average Gross Loan Portfolio is calculated as the ratio of our pre-provisioning operating profit to the sum of our Gross Loan Portfolio.*

Productivity Ratios

The following table sets forth, as of and for the years indicated, certain productivity ratios for us:

Particulars	Year ended March 31,		
	2020	2021	2022
Number of banking outlets (including BC outlets)[1]	711	809	919
Number of BC outlets	202	259	246
Number of ATMs (including cash recyclers)	108	108	125
Number of employees[2]	7,363	8,850	11,733
Number of loan officers[3]	3,412	4,687	5,729
Number of active loan accounts[4]	2,273,474	2,263,448	2,745,353
Gross Loan Portfolio per banking outlet[5] (₹ in million)	75.13	75.06	82.69
Gross Loan Portfolio per loan officer[13] (₹ in million)	15.96	12.96	12.06
Gross Loan Portfolio per employee[6] (₹ in million)	7.25	6.86	6.48
Gross Loan Portfolio per active loan account[7] (₹)	23,496.31	26,827.21	27,681.59
Disbursement per banking outlet[8] (₹ in million)	69.62	57.56	74.61
Disbursement per employee[9] (₹ in million)	6.72	5.26	5.84
Disbursement per loan officer[10] (₹ in million)	14.51	9.93	11.97
Deposits per employee[11] (₹ in million)	6.32	6.01	5.50
Deposits per banking outlet[12] (₹ in million)	65.46	65.74	70.25

(1) *Number of banking outlets represents our aggregate number of banking outlets (including BC outlets) as of the last day of the relevant year.*
(2) *Number of employees represents our aggregate number of employees as of the last day of the relevant year.*
(3) *Number of loan officers represents our aggregate number of officers in sales and collections (including relationship officers) as of the last day of the relevant year.*
(4) *Number of active loan accounts represents the aggregate number of all loan assets under management which includes loan assets held by us as of the last day of the relevant year as well as loan assets which have been transferred by us by way of securitization or assignment and are outstanding as of the last day of the relevant year.*
(5) *Gross Loan Portfolio per banking outlet represents Gross Loan Portfolio as of last day of the relevant year divided by number of banking outlets.*
(6) *Gross Loan Portfolio per employee represents Gross Loan Portfolio as of the last day of the relevant year divided by number of employees.*
(7) *Gross Loan Portfolio per active loan accounts represents Gross Loan Portfolio as of the last day of the relevant year divided by number of active loan accounts.*
(8) *Disbursement per banking outlet represents Disbursements in the relevant year divided by number of banking outlets as of the last day of the relevant year.*

(9) *Disbursement per employee represents Disbursements in the relevant year divided by number of employees as of the last day of the relevant year.*
(10) *Disbursement per loan officer represents Disbursements in the relevant year divided by number of loan officers as of the last day of the relevant year.*
(11) *Deposits per employee represents deposits in the relevant year divided by number of employees as of the last day of the relevant year.*
(12) *Deposits per banking outlet represents deposits in the relevant year divided by number of banking outlets as of the last day of the relevant year.*
(13) *Gross Loan Portfolio per loan officer represents Gross Loan Portfolio as of the last day of the relevant year divided by number of loan officers.*

Analysis of Changes in Interest Income and Interest Expenses Volume and Rate Analysis

The following tables set forth, for the years indicated, the allocation of the changes in our interest income and interest expended between average volume and changes in average rates. The changes in Net Interest Income between years have been reflected as attributed to either volume or rate changes.

(₹ in millions, unless stated otherwise)

Particulars	Year ended March 31, 2020 vs Year ended March 31, 2021			Year ended March 31, 2021 vs Year ended March 31, 2022		
	Net changes in interest	Change in average volume[1]	Change in average rate[2]	Net changes in interest	Change in average volume[1]	Change in average rate[2]
Interest Income						
- Advances[3]	2,037.04	2,954.28	(917.24)	1,751.02	2,284.51	(533.49)
- Investments	185.78	335.14	(149.36)	258.35	375.67	(117.32)
- Other Interest Income[4]	(415.07)	67.92	(482.99)	(60.96)	(326.27)	265.31
Total Interest Income	1,807.75	3,357.34	(1,549.59)	1,948.41	2,333.91	385.50
Interest Expended						
- Total Deposits	1,140.69	1,482.53	(341.84)	51.47	544.55	(493.08)
- Borrowings[5]	(149.07)	(25.77)	(123.29)	145.87	801.09	(655.22)
Total Interest Expended	991.63	1,456.76	(465.13)	197.34	1,345.64	(1,148.30)
Net Interest Income	816.12	1,900.58	(1,084.46)	1,751.07	988.27	762.80

(1) *Change in average volume is computed as the increase in average balances for the year multiplied by yield/cost of the base year.*
(2) *Change in average rate represents the change in rates during the year multiplied by average balance for the current year.*
(3) *Interest Income on advances includes interest/discount on advances/bills.*
(4) *Other Interest Income includes interest from interest-earning assets, interest on RBI / inter-bank borrowings, interest income on fixed deposit and other interest income.*
(5) *Interest expended on borrowings includes interest on borrowings, interest on RBI / inter-bank borrowings and interest expended – others.*

Return on Equity and Assets and Other Financial Ratios

(₹ in millions, unless otherwise stated)

Particulars	Year ended March 31,		
	2020	2021	2022
Average total assets[1]	56,867.68	76,218.90	92,281.26
Average shareholders' equity[2]	7,791.08	9,795.11	12,286.74
Return on equity (Net profit for the year to average shareholders' equity) (%)	18.41%	11.55%	0.72%
Return on equity (Net profit for the year to average shareholders' equity) (%) – Pro forma (excluding additional contingency provision)	26.59%	9.56%	1.13%
Return on assets (Net profit for the year to average assets) (%)	2.52%	1.48%	0.10%
Return on assets (Net profit for the year to average total assets) (%) – Pro forma (excluding additional contingency provision)	2.72%	1.23%	0.15%
Average shareholders' equity[3] as a percentage of average total assets (%)	13.70%	12.85%	13.31%
Tier I capital adequacy ratio (%)	23.46%	24.91%	19.48%
Tier II capital adequacy ratio (%)	5.82%	4.65%	2.84%
Total capital adequacy ratio (%)	29.28%	29.56%	22.32%
Credit-to-deposit ratio (%)[4]	103.47%	99.67%	109.00%
Other income to operating income ratio (%)[5]	18.85%	15.20%	18.72%
Operating profit to average total assets (%)[6]	5.92%	4.77%	4.67%
Basic Earnings per share (₹)[7]	7.03	5.55	0.38
Diluted Earnings per share (₹)[8]	7.03	5.55	0.38
Net asset value per share[9]	135.76	149.57	50.22

(1) *Average total assets are calculated on the basis of the average month end balance.*
(2) *Average shareholder's equity referred to in the above table is defined as the average of month end balances of capital and reserves and surplus.*
(3) *Average shareholder's equity is the aggregate of the average month end balances of capital and reserves and surplus during the year.*
(4) *Credit-to -deposit ratio is computed as the ratio of advances (net of provisions) to total deposits. Advances (net of provisions) represents the total portfolio of loans outstanding that we hold, net of IBPC and NPA provisions.*

(5) *Calculated as the ratio of Other Income to Operating Income.*
(6) *Calculated as profit before provisions and contingencies and taxes divided by average total assets.*
(7) *Calculated as restated profit after tax during the year divided by the weighted average number of shares outstanding during the year.*
(8) *Calculated as restated profit after tax during the year divided by the weighted average number of dilutive shares outstanding during the year.*
(9) *Calculated as our net worth divided by the number of shares outstanding as on the date.*

Funding

Our funding operations are designed to optimize the cost of funding and effective liquidity management. The primary source of funding is deposits accepted from our customers.

Deposits

(₹ in millions, except percentages)

Particulars	Year ended March 31,		
	2020	2021	2022
Year end balance	46,539.33	53,184.98	64,555.80
Average balance during the year[1]	34,188.47	50,974.60	57,646.98
Interest expended during the year on deposits	3,019.48	4,160.17	4,211.64
Interest for savings accounts	210.91	467.31	1032.42
Interest for term deposit	2,808.57	3,692.86	3,179.22
Average interest rate during the year (%)[2]	8.83%	8.16%	7.31%
Average interest rate at year end (%)[3]	6.49%	7.82%	6.52%
Average interest rate for the new term deposits raised during the year (%)[4]	8.19%	6.39%	6.29%
Average balance of retail term deposits[5]	17,536.35	35,604.53	34,341.65
CASA (%) of Deposits	11.93%	23.76%	36.30%

(1) *Average balance represents average month end balances for the items listed in the table.*
(2) *Calculated as interest expended during the year over the average month end balances of total deposits during the year.*
(3) *Calculated as interest expended over year end balances of total deposits.*
(4) *Average interest rate for the new term deposits raised during the year is calculated based on interest cost accrued only for the new deposits raised during the year divided by the daily average balance of new term deposits raised.*
(5) *Average balance of retail term deposits represents the average of month end balances of Retail Term Deposits.*

Category of deposits

The following table sets forth, as of the dates indicated, our categories and costs of deposits:

(₹ in millions, except percentages)

Particulars	Year ended March 31,								
	2020			2021			2022		
	Amount	%	Average Cost(1)	Amount	%	Average Cost(1)	Amount	%	Average Cost(1)
Demand deposits	299.52	0.64%	-	560.27	1.05%	-	936.60	1.45%	0.00%
Savings deposits	5,251.08	11.28%	5.87%	12,075.52	22.70%	5.86%	22,494.89	34.85%	6.00%
Retail Term Deposits(2)	29,073.53	62.47%	8.24%	33,788.00	63.53%	8.55%	29,579.50	45.82%	8.19%
Bulk Term Deposits(3)	11,915.20	25.60%	10.52%	6,761.20	12.71%	9.16%	11,544.81	17.88%	6.54%
Total	**46,539.33**	**100.00%**	**8.83%**	**53,184.98**	**100.00%**	**8.16%**	**64,555.80**	**100.00%**	**7.37%**

(1) *Average Cost represents interest expended over average month end balances during the year.*

(2) *Retail Term Deposits are deposits below ₹ 20 million.*

(3) *Bulk Term Deposits are deposits of ₹ 20 million and above. Bulk deposits include deposits from financial institutions, banks (including co-operative banks), TASC and government offices.*

The following table sets forth, as of the dates indicated, the average ticket size of deposits by category:

(Amount in ₹)

Particulars	Year ended March 31,		
	2020	2021	2022
Demand deposits	106,947.36	138,871.44	146,753.60
Savings deposits	2,396.20	4,585.40	6,233.36
Retail Term Deposits(1)	246,882.60	141,193.33	36,976.84
Bulk Term Deposits(2)	52,184,647.64	62,841,298.25	9,308,482.55
Total Average	**20,086.89**	**18,388.62**	**14,374.30**

(1) *Retail Term Deposits are deposits below ₹ 20 million.*

(2) *Bulk Term Deposits are deposits of ₹ 20 million and above. Bulk deposits include deposits from financial institutions, banks (including co-operative banks), TASC and government offices.*

The following table sets forth, as of the dates indicated, the geographical spread of our deposits by state and Union Territory:

(₹ in millions, except percentages)

Particulars	As of March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Andhra Pradesh	1,526.16	3.28%	2,243.23	4.22%	3,256.15	5.04%
Chandigarh	84.99	0.18%	336.98	0.63%	369.58	0.57%
Chhattisgarh	9.13	0.02%	12.58	0.02%	43.00	0.07%
Gujarat	6,002.69	12.90%	7,669.99	14.42%	8,431.69	13.06%
Haryana	1,684.26	3.62%	2,446.73	4.60%	3,519.33	5.45%
Karnataka	5,621.61	12.08%	5,312.83	9.99%	6,345.44	9.83%
Kerala	7,419.90	15.94%	8,894.36	16.72%	9,910.92	15.35%
Madhya Pradesh	1,072.35	2.30%	1,116.88	2.10%	1,353.54	2.10%
Maharashtra	6,381.01	13.71%	4,628.67	8.70%	6,828.67	10.58%
NCT of Delhi	2,895.14	6.22%	3,498.06	6.58%	4,838.11	7.49%

Particulars	As of March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Puducherry	256.82	0.55%	418.80	0.79%	401.88	0.62%
Rajasthan	4,734.99	10.17%	4,072.00	7.66%	3,890.04	6.03%
Tamil Nadu	4,825.96	10.37%	7,710.94	14.50%	8,020.79	12.42%
Telangana	854.76	1.84%	1,437.33	2.70%	2,273.39	3.52%
Uttar Pradesh	3,169.57	6.81%	3,385.50	6.37%	3,921.15	6.07%
Bihar	-	-	-	-	52.91	0.08%
Punjab	-	-	-	-	1,099.21	1.70%
Total	**46,539.33**	**100.00%**	**53,184.88**	**100.00%**	**64,555.80**	**100.00%**

The following table sets forth, as at the dates indicated, our outstanding deposits based on how they were sourced:

(₹ in millions)

Particulars	As of March 31,		
	2020	2021	2022
	Amount	Amount	Amount
Deposits sourced through our own network(1)	46,532.42	53,176.34	64,547.59
Deposits sourced through BC network	6.91	8.54	8.21
Total	46,539.33	53,184.88	**64,555.80**

(1) All deposits from individuals are digitally sourced.

Borrowings

(₹ in millions)

Particulars	Year ended March 31,		
	2020	2021	2022
Year end balance	13,681.62	14,004.34	29,435.43
Average balance during the year(1)	12,523.02	12,306.33	19,661.69
Interest on RBI / inter-bank borrowings and other interest expended	1,489.37	1,340.31	1,486.18
Cost of Borrowings (%)(2)	11.89%	10.89%	7.56%
Average interest rate at year end (%)(3)	10.89%	9.57%	5.05%

(1) Average balance is the average of month end balances during the year.

(2) Cost of Borrowings includes interest on RBI / inter-bank borrowings and other interest expended over average month end balances of borrowings during the year.

(3) Average interest rate includes interest on RBI / inter-bank borrowings and other interest expended over the year end balance.

Source of funding

The following table sets forth, as of the dates indicated, our sources of funding:

(₹ in millions, except percentages)

Particulars	Year ended March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Deposits	46,539.33	77.28%	53,184.98	79.16%	64,555.80	68.68%
Borrowings	13,681.62	22.72%	14,004.34	20.84%	29,435.43	31.32%
Total	**60,220.95**	**100.00%**	**67,189.32**	**100.00%**	**93,991.23**	**100.00%**

Classification of investments (net)

(₹ in millions, except percentages)

Particulars	Year ended March 31,		
	2020	2021	2022
Held to maturity(1)	5,816.44	8,654.16	11,102.47
Available for sale(2)	4,253.16	4,139.43	10,413.82
Held for trading(3)	-	-	-
Total	10,069.60	12,793.59	21,516.29

(1) Held to maturity are investments that we intend to hold to maturity.

(2) Available for sale are investments that are not classified as either held to maturity or held for trading.

(3) Held for trading are investments that are held principally for resale within 90 days from the date of purchase.

Loan Portfolio

Gross Loan Portfolio

The following table sets forth, as of the dates indicated, our asset products and outstanding portfolio as well as respective share:

(₹ in millions, except percentages)

Asset products and outstanding portfolio	As at March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Microloans	42,852.74	80.22%	48,431.30	79.76%	58,243.14	76.64%
Loan Against Property	5,320.88	9.96%	6,526.24	10.75%	9,051.94	11.91%
Affordable Housing Loan	203.40	0.38%	830.61	1.37%	3,868.42	5.09%
Loan Against Gold	1,838.32	3.44%	3,522.75	5.80%	4,183.32	5.50%
Two-wheeler Loan	104.65	0.20%	63.76	0.10%	19.38	0.03%
Institutional Finance	2,553.32	4.78%	903.11	1.49%	273.80	0.36%
Other(1)	544.94	1.02%	967.00	0.83%	355.77	0.47%
Total	**53,418.25**	**100.00%**	**60,722.00**	**100.00%**	**75,995.80**	**100.00%**

(1) Other comprises overdraft against property, loans to staff, rural loans against property and other loans.

The following table sets forth, as of the dates indicated, our product-wise disbursements as well as respective share:

(₹ in millions, except percentages)

Product-wise disbursements(1)	Year ended March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Microloans	40,219.03	81.26%	36,103.58	77.53%	53,356.92	77.82%
Loan Against Property	2,914.10	5.89%	2,159.62	4.64%	3,979.55	5.80%
Affordable Housing Loans	209.65	0.42%	672.07	1.44%	3,215.30	4.69%

Product-wise disbursements[(1)]	Year ended March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Loan Against Gold	3,372.47	6.81%	7,316.33	15.71%	7,538.12	10.99%
Two-wheeler Loan	121.88	0.25%	-	-	-	-
Institutional Finance	2,293.00	4.63%	300.00	0.64%	200.00	0.29%
Other[(2)]	366.98	0.74%	12.97	0.03%	275.45	0.40%
Total	**49,497.11**	**100.00%**	**46,564.57**	**100.00%**	**68,565.35**	**100.00%**

(1) Product-wise disbursements excludes overdraft given against fixed deposits.

(2) Other comprises overdraft against property, loans to staff, rural loans against property and other loans.

The following table sets forth, as of the dates indicated, our product-wise average ticket size of loans disbursed:

(Amount in ₹)

Product-wise average ticket size[(1)]	Year ended March 31,		
	2020	2021	2022
Microloans	29,424.46	33,750.47	29488.55
Loan Against Property	542,663.86	490,376.13	721670.72
Affordable Housing Loan	623,946.05	674,766.25	1,155,694.50
Loan Against Gold	82,788.56	114,948.13	88493.33
Two-wheeler Loan	57,005.30	-	-
Institutional Finance	81,892,857.14	150,000,000.00	100,000,000.00

(1) Average ticket size represents total disbursements in a particular year divided by the number of loans disbursed in that particular year.

The following table sets forth, as of the dates indicated, our product-wise average weighted tenor (in days):

Product-wise average weighted tenor[(1)]	Year ended March 31,		
	2020	2021	2022
Microloans	737	737	753
Loan Against Property	2,534	2,628	2,767
Affordable Housing Loan	4,831	4,915	4,799
Loan Against Gold	259	176	192
Two-wheeler Loan	920	-	-
Institutional Finance	605	639	731

(1) Average weighted tenor is calculated as the original tenor of each loan product weighted by disbursements.

The following table sets forth, as of the dates indicated, our product-wise average yields:

Product-wise average yields[(1)]	Year ended March 31,		
	2020	2021	2022
Microloans	23.60%	22.26%	20.75%
Loan Against Property	19.49%	18.00%	18.14%
Affordable Housing Loan	12.52%	13.12%	12.73%
Loan Against Gold	17.24%	16.87%	16.73%
Two-wheeler Loan	24.89%	24.10%	16.35%
Institutional Finance	13.57%	12.94%	10.40%

(1) Average yield is calculated as interest/discount on advances/bills plus income from securitization/assignment of loans during the year divided by the average month end balances of Gross Loan Portfolio outstanding during the year.

Geographical spread of loan accounts

The following table sets forth, as of the dates indicated, the geographical spread of our loan accounts by State and Union Territory:

(Number of loan accounts and percentages)

Particulars	Year ended March 31,					
	2020		2021		2022	
	Count	%	Count	%	Count	%
Andhra Pradesh	74,373	3.27%	141,510	6.25%	258,962	9.43%
Bihar	-	-	-	-	26,444	0.96%
Chandigarh	5	-	30	-	36	0.00%
Chhattisgarh	5,466	0.24%	5,839	0.26%	19,203	0.70%
Gujarat	436,570	19.20%	407,095	17.99%	382,783	13.94%
Haryana	13,203	0.58%	19,576	0.86%	23,267	0.85%
Karnataka	368,737	16.22%	340,302	15.03%	392,125	14.28%
Kerala	61	-	166	0.01%	317	0.01%
Madhya Pradesh	306,737	13.49%	274,144	12.11%	305,564	11.13%
Maharashtra	159,841	7.03%	151,459	6.69%	206,545	7.52%
NCT of Delhi	302	0.01%	423	0.02%	426	0.02%

Particulars	Year ended March 31,					
	2020		2021		2022	
	Count	%	Count	%	Count	%
Puducherry	20,646	0.91%	19,220	0.85%	21,620	0.79%
Rajasthan	211,957	9.32%	202,589	8.95%	201,239	7.33%
Tamil Nadu	607,622	26.73%	553,922	24.47%	607,359	22.12%
Telangana	38,024	1.67%	90,729	4.01%	185,571	6.76%
Uttar Pradesh	29,930	1.32%	56,444	2.49%	113,857	4.15%
Punjab	-	-	-	-	35	0.00%
Total	**2,273,474**	**100.00%**	**2,263,448**	**100.00%**	**2,745,353**	**100.00%**

Geographical spread of Gross Loan Portfolio

The following table sets forth, as of the dates indicated, the geographical spread of our Gross Loan Portfolio by State and Union Territory:

(₹ in millions, except percentages)

Particulars	Year ended March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Andhra Pradesh	2,169.94	4.06%	4,375.85	7.21%	9,015.08	11.86%
Bihar	-	-	-	-	711.51	0.94%
Chandigarh	0.30	-	2.21	-	3.01	0.00%
Chhattisgarh	129.51	0.24%	127.74	0.21%	481.45	0.63%
Gujarat	11,213.74	20.99%	12,506.77	20.60%	12,953.96	17.05%
Haryana	404.39	0.76%	468.49	0.77%	545.26	0.72%
Karnataka	10,068.97	18.85%	9,445.98	15.56%	10,445.75	13.75%
Kerala	7.67	0.01%	32.90	0.05%	30.19	0.04%
Madhya Pradesh	5,533.67	10.36%	5,938.76	9.78%	6,944.55	9.14%
Maharashtra	3,156.46	5.91%	3,708.94	6.11%	5,369.43	7.07%
NCT of Delhi	30.50	0.06%	61.90	0.10%	47.51	0.06%
Puducherry	609.35	1.14%	627.96	1.03%	646.79	0.85%
Rajasthan	4,309.57	8.07%	4,726.42	7.78%	4,649.26	6.12%
Tamil Nadu	13,991.98	26.19%	15,327.02	25.24%	16,510.69	21.73%
Telangana	940.04	1.76%	2,011.59	3.31%	4,912.97	6.46%
Uttar Pradesh	852.17	1.60%	1,359.48	2.24%	2,725.77	3.59%
Punjab	-	-	-	-	2.61	0.00%
Total	**53,418.25**	**100.00%**	**60,722.00**	**100.00%**	**75,995.80**	**100.00%**

The following table sets forth, as of the dates indicated, the regional spread of our Gross Loan Portfolio by metropolitan, urban, semi-urban and rural areas:

(₹ in millions, except percentages)

Particulars	Year ended March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Metropolitan(1)	6,242.36	11.69%	7,250.37	11.94%	8,947.84	11.77%
Urban(2)	12,440.90	23.29%	14,230.24	23.44%	18,476.82	24.31%
Semi-urban(3)	29,021.14	54.33%	33,005.52	54.36%	41,100.95	54.08%
Rural(4)	5,713.86	10.70%	6,235.87	10.27%	7,470.19	9.83%
Total	**53,418.25**	**100.00%**	**60,722.00**	**100.00%**	**75,995.80**	**100%**

(1) Metropolitan is defined as a population of 1,000,000 and above.

(2) Urban is defined as a population of 100,000 to 999,999.

(3) Semi-urban is defined as a population of 10,000 to 99,999.

(4) Rural is defined as a population of less than 10,000.

Geographical spread of deposits

The following table sets forth, as of the dates indicated, the regional spread of our deposits by metropolitan, urban, semi-urban and rural areas:

(₹ in millions, except percentages)

Particulars	Year ended March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Metropolitan(1)	28,363.18	60.94%	27,904.14	52.47%	35,292.75	54.67%
Urban(2)	15,760.92	33.87%	22,231.68	41.80%	24,824.83	38.45%
Semi-urban(3)	2,265.45	4.87%	2,811.21	5.29%	4,118.52	6.38%
Rural(4)	149.78	0.32%	237.85	0.45%	319.70	0.50%

Particulars	Year ended March 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Total	**46,539.33**	**100.00%**	**53,184.88**	**100.00%**	**64,555.80**	**100.00%**

(1) Metropolitan is defined as a population of 1,000,000 and above.

(2) Urban is defined as a population of 100,000 to 999,999.

(3) Semi-urban is defined as a population of 10,000 to 99,999.

(4) Rural is defined as a population of less than 10,000.

Geographical spread of banking outlets and BC outlets

The following table sets forth, as of the dates indicated, the geographical spread of our banking outlets and BC outlets by state and Union Territory:

Particulars	Year ended March 31,					
	2020		2021		2022	
	Count	%	Count	%	Count	%
Andhra Pradesh	134	18.85%	155	19.16%	155	16.87%
Bihar	-	-	-	-	11	1.20%
Chandigarh	1	0.14%	1	0.12%	1	0.11%
Chhattisgarh	7	0.98%	7	0.87%	15	1.63%
Gujarat	92	12.94%	94	11.62%	104	11.32%
Haryana	3	0.42%	4	0.49%	4	0.44%
Karnataka	81	11.39%	81	10.01%	89	9.68%
Kerala	4	0.56%	55	6.80%	69	7.51%
Madhya Pradesh	63	8.86%	63	7.79%	75	8.16%
Maharashtra	55	7.74%	53	6.55%	64	6.96%
NCT of Delhi	4	0.56%	4	0.49%	5	0.54%
Puducherry	3	0.42%	3	0.37%	3	0.33%
Rajasthan	40	5.63%	38	4.70%	45	4.90%
Tamil Nadu	109	15.33%	111	13.72%	117	12.73%
Telangana	111	15.61%	136	16.81%	131	14.25%
Uttar Pradesh	4	0.56%	4	0.49%	29	3.16%
Punjab	-	-	-	-	2	0.22%
Total	**711**	**100.00%**	**809**	**100.00%**	**919**	**100.00%**

The following table sets forth, as of the dates indicated, the regional spread of our banking outlets by metropolitan, urban, semi-urban and rural areas:

Particulars(5)	Year ended March 31,					
	2020		2021		2022	
	Count	%	Count	%	Count	%
Metropolitan(1)	52	7.31%	58	7.17%	57	6.20%
Urban(2)	114	16.03%	126	15.57%	153	16.65%
Semi-urban(3)	385	54.15%	576	71.20%	635	69.10%
Rural(4)	160	22.50%	49	6.06%	74	8.05%
Total	**711**	**100.00%**	**809**	**100.00%**	**919**	**100.00%**

(1) Metropolitan is defined as a population of 1,000,000 and above.

(2) Urban is defined as a population of 100,000 to 999,999.

(3) Semi-urban is defined as a population of 10,000 to 99,999.

(4) Rural is defined as a population of less than 10,000.

(5) The categorisation of loan accounts is based on the branches to which the customer is mapped.

Priority sector advances

The following table sets forth, as of and for the years indicated, our priority sector advances:

(₹ in millions, except percentages)

Particulars	Year ended March 31,					
	2020		2021		2022	
	Advances(1)	% of ANBC(1)	Advances(1)	% of ANBC(1)	Advances(1)	% of ANBC(1)
Agriculture advances	23,271.54	105.33%	29,235.03	73.27%	37,400.31	72.47%
Small-scale industry (SME)	8,627.09	39.21%	7,800.89	20.33%	706.04	1.37%
Others	2,558.33	11.72%	6,831.52	15.85%	19,380.17	37.55%
Total priority Sector (Gross)	34,456.96	156.25%	43,867.44	109.45%	57,486.52	111.39%
Less: PSLC	16,007.50	-	12,125.00	-	16,637.50	-
Priority sector advance (net of PSLC)	18,449.46	86.91%	31,742.44	82.49%	40,849.02	79.15%

(1) Advances and ANBC are quarterly averages for the Fiscal 2020, 2021 and 2022.

Product line break up of Gross NPAs

The following table sets forth, as of and for the years indicated, our Gross NPAs by product line:

(₹ in millions, except percentages)

Particulars	Year ended March 31,					
	2020		2021		2022	
	Gross NPAs	% of Gross Advances	Gross NPAs	% of Gross Advances	Gross NPAs	% of Gross Advances
Microloans	270.77	0.72%	2,659.42	5.49%	4,953.04	8.50%
Loan Against Property	165.52	3.13%	573.65	8.79%	607.89	6.72%
Affordable housing loans	-	-	10.77	1.03%	21.83	0.56%
Loan Against Gold	0.80	0.04%	143.63	4.08%	65.02	1.55%
Two-wheeler Loan	0.05	0.04%	4.96	7.79%	10.50	54.19%
Institutional finance	-	-	120.35	13.33%	22.68	8.28%

Interest sensitivity analysis

The following table sets forth the interest rate sensitivity analysis of certain items of assets and liabilities as at March 31, 2022 and is prepared/compiled based on guidelines provided by the RBI:

(₹ in millions)

	Up to Three Months	Over Three Months to One Year	Over One Year to Five Years	Over Five Years	Non-Sensitive	Total
Cash and Balances with RBI	9,690.00	-	-	-	1,477.86	11,167.86
Balances with Other Banks	1,063.78	3.155	0.00	-	124.69	1,191.62
Investments	596.92	6,131.56	9,521.03	5,266.72	-	21,516.23
Advances	11,594.76	28,273.17	28,097.44	2,398.38	-	70,363.75
Other assets(1)	-	-	-	-	4,819.53	4,819.53
Total Assets	**22,945.45**	**34,407.88**	**37,618.47**	**7,665.11**	**6,422.08**	**109,058.99**
Capital and reserves	-	-	-	-	12,018.83	12,018.83
Borrowings	5,083.73	6,039.04	18,235.78	76.88	-	29,435.43
Deposits	7,395.06	21,421.78	35,599.58	139.42	-	64,555.80
Other liabilities(2)	-	-	-	-	3,048.89	3,048.89
Total Liabilities	**12,478.79**	**27,460.82**	**53,835.36**	**216.30**	**15,067.72**	**109,058.99**

(1) *Other assets include, among others, fixed assets, net inter-office adjustments, interest accrued, net tax paid in advance/tax deduced at source, security deposits and net deferred tax assets.*

(2) *Other liabilities include, among others, bills payable, net inter-office adjustments, interest accrued and others, including provisions for standard assets, provision for gratuity, TDS payable and provision for tax.*

Size and concentration of advances and deposits

As of Fiscal 2022, our single largest borrowing accounted for 0.14% of our total advances. Our ten largest borrowers (including groups of related individuals and companies) accounted for 0.46% of our total advances and our twenty largest borrowers (including groups of related individuals and companies) accounted for 0.53% of our total advances. Our ten largest deposit holders (including groups of related individuals and companies) accounted for 10.82% of our total deposits and twenty largest deposit holders (including groups of related individuals and companies) accounted for 17.78% of our total deposits.

The following table sets forth, as of the dates indicated, our largest borrowings as a percentage of our total advances and our largest deposits as a percentage of our total deposits:

Particulars	Year ended March 31,		
	2020	2021	2022
Borrowings			
Single largest borrower	0.30%	0.22%	0.14%
Ten largest borrowers	2.54%	1.20%	0.46%
Twenty largest borrowers	4.32%	1.68%	0.53%
Deposits			
Single largest deposit holder	1.73%	1.42%	1.89%
Ten largest deposit holders	11.86%	10.33%	10.82%
Twenty largest deposit holders	18.05%	16.20%	17.78%

Secured and unsecured advances

The following table sets forth our secured and unsecured advances, classified (in the case of secured loans) according to the type of security:

(₹ in millions)

Particulars	Year ended March 31,		
	2020	2021	2022
Secured %	25.54%	29.44%	25.48%
Total Secured	**12,297.98**	**15,608.35**	**17,928.57**
Unsecured %	74.46%	70.56%	74.52%
Total Unsecured	**35,857.81**	**37,402.85**	**52,435.17**

Classification of Assets

Classification policy

Advances are classified into performing (or standard) and non-performing advances ("**NPAs**") as per the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI.

As per IRAC norms prescribed by the RBI, a loan or an advance is classified as NPA where the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or where the account remains "out of order" in respect of an overdraft/cash credit facility.

In the case of microfinance loans, rural loans against property, loans against gold, two-wheeler loans and CASA accounts with debit balances, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. In case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. In the case of loans against property with a registered mortgage, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. "Overdue" refers to interest and / or instalment remaining unpaid from the day it becomes receivable.

Loss assets

A loss asset is is one where loss has been identified by the Bank but the amount has not been written off entirely. Such an asset is considered uncollectable and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value. All assets involving frauds would generally be treated as loss assets.

Provisioning

General provision for standard assets made in accordance with RBI Guidelines is included under "Other Liabilities and Provision". Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on our management's best estimates, subject to minimum provisioning level prescribed by the RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies. NPAs that have been fully provided for are written off, based on our management's estimate and as per our NPA provisioning and write-off policy. Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under provision and contingency.

Standard Assets

Asset classification of Advances (including IBPC)

The following table provides a breakdown of our Advances (including IBPC) by asset classification as at the dates indicated:

(₹ in millions)

Asset Classification	Year ended March 31,		
	2020	2021	2022
	Amount		
Loan Outstanding (gross)			
Standard Assets	47,958.32	51,527.01	67,865.40
Sub-Standard Assets	241.04	2,202.65	5,283.69
Doubtful Assets	43.88	123.16	361.17
Loss assets	162.26	1,210.04	87.39
Total Loan Outstanding (gross)[(1)]	**48,405.50**	**55,062.86**	**73,597.65**

(1) *Total Loan Outstanding (gross) represents Advances per the Restated Summary Statement of Assets and Liabilities plus NPA provisions and IBPC. It does not include interest accrued and due on advances at the end of the relevant year.*

Non-Performing Assets

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 net of cumulative provisions. 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. Any recoveries in the non-performing advances account will be first appropriated to fees/charges outstanding if any, then interest outstanding and then principal outstanding except in those cases where bank has a specific agreement with a borrower with regards to appropriation of recoveries.

The following table sets forth, as at the dates indicated, certain information about our NPAs:

(₹ in millions)

Particulars	Year ended March 31,		
	2020	2021	2022
Gross NPAs	447.18	3,535.85	5,732.25
Net NPAs	197.47	1,484.10	2,498.27
Provisions(1)	249.71	2,051.75	3,233.98

(1) Provisions represents provision for NPAs as on the year end.

The following table sets forth, as at the dates indicated, certain information about our DPD movement:

(₹ in millions)

Particulars(1)	Year ended March 31,		
	2020	2021	2022
31 to 60 DPD	199.05	1,177.90	1,518.72
61 to 90 DPD	134.83	790.00	1,349.99
91+DPD	1,092.41	3,615.00	4,211.34

(1) The above table represents respective "Days Past Due" buckets for our Total Gross Loan Portfolio.

We define Net NPAs as Gross NPAs less our loan loss provisions. The following table sets forth, as at the dates indicated, certain information about our non-performing loan portfolio:

(₹ in millions, unless stated otherwise)

Particulars	As at / Year ended March 31,		
	2020	2021	2022
Opening balance of Gross NPAs at the beginning of the year	358.92	447.18	3,535.85
Additions during the year	743.30	3,571.17	10,984.62
Less: Reductions during the period on account of recovery	41.34	14.27	822.21
Less: Reductions during the period on account of write-offs (technical + prudential)	454.36	339.31	3,683.97
Less: Write-offs other than technical and prudential write-offs	-	-	11.11
Less: Upgradation	159.34	128.92	4,270.93
Gross NPAs at the close of the year	447.18	3,535.85	5,732.25
Gross Advances(1)	48,405.50	55,062.86	73,597.72
Advances (net of provisions)(2)	48,155.79	53,011.20	70,363.74
Gross NPAs / Gross Advances (%)	0.92%	6.42%	7.79%
Gross NPA / Gross Advances (including IBPC) (%)(3)	0.85%	5.86%	7.58%
Net NPA (%)(4)	0.41%	2.80%	3.55%
Net NPA / Net Advances (including IBPC)	0.38%	2.55%	3.45%
NPA provisions	249.71	2,051.75	3,233.98
Voluntary Provisions(5)	825.00	590.77	67.00
Total of NPA provisions and Voluntary Provisions(6)	1,074.71	2,642.52	3,300.98
Total provisions (including provisions towards standard assets)(7)	1,310.72	3,167.89	3,768.19
Total provisions (including provisions towards standard assets) held as percentage of Gross Advances(7)	2.71%	5.75%	5.12%
Provision Coverage Ratio(11)	91.14%	73.68%	78.16%
Provision Coverage Ratio (including additional COVID provisions)(8)	246.32%	74.73%	78.65%
Provision Coverage Ratio (including additional COVID provisions and standard provisions)(9)	293.11%	89.59%	83.32%
Gross Advances (including IBPC)(10)	52,773.50	60,307.86	75,597.65

(1) *Gross Advances, or total outstanding advances, represents Advances per the Restated Summary Statement of Assets and Liabilities plus NPA provisions.*
(2) *Net Advances represents Advances as on the year end as per the Restated Summary Statement of Assets and Liabilities.*
(3) *Calculated as Gross NPA over Gross Advances inclusive of IBPC portfolio.*
(4) *Calculated as Net NPAs over Net Advances.*
(5) *Voluntary Provisions represents COVID-19 related provisions outstanding as on the year end.*
(6) *Total of NPA provisions and Voluntary Provisions represents the aggregate of NPA provisions and COVID-19 related provisions outstanding as on the year end.*
(7) *Total provisions are created on advances. Provisions towards standard assets are inclusive of COVID-19 related provisions.*
(8) *Provision Coverage Ratio (including additional COVID provisions net of utilization) is calculated as NPA provisions plus additional COVID-19 provisions net of utilization divided by Gross NPAs.*
(9) *Provision Coverage Ratio (including additional COVID provision and standard assets) is calculated as NPA provisions plus additional COVID-19 provisions net of utilization and standard provisions divided by Gross NPAs.*
(10) *Gross Advances (including IBPC) represents Advances per the Restated Summary Statement of Assets and Liabilities plus NPA provisions and IBPC.*
(11) *Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical Write off. See "- Reconciliation of Provision Coverage Ratio" below.*

Movement in NPA provisions

(₹ in millions)

Particulars	Year ended March 31,		
	2020	2021	2022
Opening balance at the beginning of the year	263.99	249.71	2051.75
Addition during the year	484.62	2,110.78	7,687.70
Less reductions during the period on account of recovery and write-offs	498.90	308.74	6,505.47
Provisions at the close of the year	249.71	2,051.75	3,233.98

Info related to digital banking channels

Particulars[1]	Year ended March 31,		
	2020	2021	2022
Total debit cards issued	22,02,776	2,749,279	3,603,200
Number of active debit cards	21,85,495	2,357,371	2,843,791
Number of debit card transactions	81,23,605	6,570,524	8,065,776
Value of debit card transactions (₹ in millions)	39,704.55	25,880.67	35,229.38
Number of internet banking transactions	40,680	109,783	444,190
Value of internet banking transactions (₹ in millions)	2,666.65	7,688.06	21,666.55
Number of mobile banking transactions	6,02,823	1,586,647	1,677,608
Value of mobile banking transactions (₹ in millions)	11,124.21	18,320.86	21,878.95
Number of RTGS transactions	10,065	21,638	45,074
Value of RTGS transactions (₹ in millions)	12,246.36	22,203.55	53,499.43
Number of NEFT transactions	27,650	85,777	107,445
Value of NEFT transactions (₹ in millions)	1,283.19	3,868.98	7,054.56
Number of IMPS transactions	4,24,928	943,834	608,788
Value of IMPS transactions (₹ in millions)	3,655.76	7,848.45	9,636.12
Number of UPI transactions	16,21,207	11,508,915	23,170,569
Value of UPI transactions (₹ in millions)	1,463.44	11,042.50	20,203.01

(1) *Number and value of digital transactions in any mode represents "Debit only" transactions in customer accounts of that mode.*

Largest NPAs

As of Fiscal 2022, our ten largest NPAs accounted for 0.06% of our total advances, 0.76% of our Gross NPAs and 0.73% of our Net NPAs.

Particulars	Year ended March 31,		
	2020	2021	2022
Ten largest NPAs as a % of our total advances	0.05%	0.23%	0.06%
Ten largest NPAs as a % of our Gross NPAs	5.50%	4.01%	0.76%
Ten largest NPAs as a % of our Net NPAs	12.46%	3.07%	0.73%

Cash Flow Mismatch

The table below sets forth our structural liquidity gap position as of the financial year ended March 31, 2022, based on contractual undiscounted cash flows:

(₹ in millions, unless stated otherwise)

Particulars	1-30 days	31 days to 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Cash and balances with the RBI/interbank	11,325.20	46.90	109.21	243.30	580.99	51.27	2.62	12,359.48
Advances(1)	3,554.75	7,832.74	10,938.80	17,309.72	20,587.97	4,888.19	5,251.56	70,363.74
Investments(2)	5,856.79	435.12	1,573.25	7,760.77	5,390.34	475.67	24.28	21,516.23
Other assets	2,908.61	931.53	6.31	77.29	472.44	0.00	423.35	4,819.53
Total Assets	23,645.36	9,246.29	12,627.58	25,391.09	27,031.74	5,415.14	5,701.81	109,058.99
Borrowings	4,680.43	403.30	1,834.68	4,204.36	14,914.74	3,321.04	76.88	29,435.43
Deposits	4,859.54	2,535.52	5,331.29	16,090.49	33,725.69	1,873.89	139.42	64,555.80
Other liabilities and provisions	1,527.17	90.84	824.14	264.91	341.83	0.00	0.00	3,048.89
Capital and reserves	-	-	-	-	-	-	12,018.84	12,018.84
Total Liabilities	11,067.14	3,029.66	7,990.11	20,559.76	48,982.26	5,194.93	12,235.13	109,058.99
Liquidity gap	12,578.22	6,216.62	4,637.46	4,831.33	(21,950.51)	220.20	(6,533.32)	-
Cumulative liquidity gap	12,578.22	18,794.84	23,432.30	28,263.63	6,313.12	6,533.32	0.00	-
Cumulative liabilities	11,067.14	14,096.80	22,086.92	42,646.67	91,628.93	96,823.86	109,058.99	-
Cumulative liquidity gap as a % of cumulative liabilities	113.65%	133.33%	106.09%	66.27%	6.89%	6.75%	0.00%	-

(1) *Advances represents Advances as on the year end as per the Restated Summary Statement of Assets and Liabilities.*
(2) *Investments include Repo but exclude reverse Repo.*

Capital Adequacy

The following table sets forth certain details regarding our capital under Basel II as of the dates indicated:

(₹ in millions except percentages)

Particulars	Year ended March 31,		
	2020	2021	2022
Tier 1 capital	8,485.81	9,404.93	10,848.82
Tier 2 capital	2,103.34	1,755.63	1,579.85
Total capital	**10,589.15**	**11,160.56**	**12,428.67**
Total risk weighted assets and contingents	**36,167.66**	**37,757.04**	**55,693.63**
Capital Adequacy Ratios			
Tier 1 capital ratio (%)	23.46%	24.91%	19.48%
Tier 2 capital ratio (%)	5.82%	4.65%	2.84%
CRAR (%)	29.28%	29.56%	22.32%

Customer Base

The following table sets forth certain information relating to our customer base**:**

ss	As of March 31,		
	2020	2021	2022
Only Borrowers	2,291,720	2,286,199	2,769,934
Only Depositors	2,198,617	2,370,116	2,857,595
Both Borrowers and Depositors	**2,543,726**	2,709,223	3,261,765
Of Only Depositors:			
Only CASA Customers	2,188,248	2,360,469	2,845,813
Only Term Deposit Customers	74,970	198,808	647,054
Both CASA and TD	2,198,617	2,370,116	2,857,595

Reconciliation of non-GAAP measures

Reconciliation for the following non-GAAP measures included in this Draft Red Herring Prospectus – credit-to-deposit ratio, cost of funds, net worth, Net Interest Income, Cost to Income Ratio, Net Interest Margin, credit cost, Operating Income, other income to operating income ratio, operating profit to average total assets ratio, book value per share, CASA ratio, return on equity ("**ROE**"), return on assets ("**ROA**"), total deposit compounded annual growth rate ("**CAGR**"), yield on advances and average cost of deposits, among others, are given below:

Reconciliation of credit-to-deposit ratio

Credit-to -deposit ratio is computed as the ratio of advances (net of provisions) to total deposits:

Particulars	As of March 31		
	2020	2021	2022
	(₹ million, except percentages)		
i. Advances	48,155.79	53,011.20	70,363.74
ii. Deposits	46,539.33	53,184.98	64,555.80
iii. Credit-to-deposit ratio (i/ii)%	**103.47%**	**99.67%**	**109.00%**

Reconciliation of cost of funds

Cost of funds is the ratio of interest expended during the year to the average interest-bearing liabilities for the year:

Particulars	As of March 31		
	2020	2021	2022
	(₹ million, except percentages)		
i. Interest expended	4,508.85	5,500.48	5,697.82
ii. Average borrowings	46,711.49	63,280.93	77,308.67
iii. Cost of funds (i/ii)%	9.65%	8.69%	7.37%

Reconciliation of net worth

Net worth represents sum of capital, including employee stock options outstanding, reserve excluding capital reserve, and deferred tax asset (net).

Particulars	As of March 31		
	2020	2021	2022
	(₹ million)		
i. Paid up share capital	636.10	636.10	2,207.80
ii. Reserves and surplus	8,401.55	9,532.94	9,747.00
iii. ESOP outstanding	-	9.97	63.81
iv. Total Shareholders equity (i+ii+iii)	**9,037.65**	**10,179.01**	**12,018.61**
v. Deferred Tax Asset	401.86	665.05	930.18
vi. Net worth (iv-v)	**8,635.79**	**9,513.96**	**11,088.43**

Reconciliation of Net Interest Income

Net Interest Income represents interest earned for the relevant year reduced by interest expended in such year:

Particulars	Fiscal		
	2020	2021	2022
	(₹ million)		
i. Interest earned	10,702.56	12,510.31	14,458.72
ii. Interest expended	4,508.85	5,500.48	5,697.82
Net Interest Income (i-ii)	**6,193.71**	**7,009.83**	**8,760.90**

Reconciliation of Cost to Income Ratio

Cost to Income Ratio is calculated as the ratio of Operating Expense to the sum of Net Interest Income and Other Income:

Particulars	Fiscal		
	2020	2021	2022
	(₹ million, except percentages)		
i. Operating expenses	4,267.53	4,632.81	6,467.96
ii. Interest earned	10,702.56	12,510.31	14,458.72
iii. Interest expended	4,508.85	5,500.48	5,697.82
iv. Net Interest Income (ii-iii)	**6,193.71**	**7,009.83**	**8,760.90**
v. Other income	1,438.36	1,256.79	2,017.76
vi. Cost to Income Ratio (i)/(iv+v)	**55.92%**	**56.04%**	**60.01%**

Reconciliation of Net Interest Margin

Net Interest Margin is calculated as Net Interest Income divided by average interest-earning assets for the relevant year:

Particulars	Fiscal		
	2020	2021	2022
	(₹ million, except percentages)		
i. Interest earned	10,702.56	12,510.31	14,458.72
ii. Interest expended	4,508.85	5,500.48	5,697.82
iii. Net Interest Income (i-ii)	**6,193.71**	**7,009.83**	**8,760.90**
iv. Average interest earning assets	53,438.69	71,012.80	79,548.50
v. Net Interest Margin (iii/iv)	**11.59%**	**9.87%**	**11.01%**

Reconciliation of credit cost

Credit cost is calculated as the ratio of provisions and write-offs (excluding provision for contingencies) to average Gross Loan Portfolio outstanding during the relevant year:

Particulars	As of March 31		
	2020	2021	2022
	(₹ million, except percentages)		
i. Provision for NPA including write-off	424.42	2,096.08	3,660.99
ii. Provision for standard assets	935.28	(297.94)	(513.61)
iii. Provision for restructured assets	(0.62)	381.38	1,067.24
iv. Provisions (i+ii+iii)	**1,359.08**	**2,179.52**	**4,214.62**
v. Average Gross Loan Portfolio	43,576.96	54,266.47	67,077.44
vi. Credit cost (iv/v)	**3.12%**	**4.02%**	**6.28%**

Reconciliation of operating income

Operating income is calculated as income from interest earning assets plus other income including securitization income net of cost expended on interest-bearing liabilities:

Particulars	Fiscal		
	2020	2021	2022
	(₹ million)		
i. Interest earned	10,702.56	12,510.31	14,458.72
ii. Interest expended	4,508.85	5,500.48	5,697.82
iii. **Net Interest Income (i-ii)**	**6,193.71**	**7,009.83**	**8,760.90**
iv. Other income	1,438.36	1,256.79	2,017.76
v. Operating income (iii+iv)	**7,632.07**	**8,266.62**	**10,778.66**

Reconciliation of other income to operating income ratio

Other income to operating income ratio is calculated as the ratio of Other Income to Operating Income:

Particulars	Fiscal		
	2020	2021	2022
	(₹ million, except percentages)		
i. Other income	1,438.36	1,256.79	2,017.76
ii. Interest earned	10,702.56	12,510.31	14,458.72
iii. Interest expended	4,508.85	5,500.48	5,697.82
iv. **Net Interest Income (ii-iii)**	**6,193.71**	**7,009.83**	**8,760.90**
v. Operating income (i+iv)	7,632.07	8,266.62	10,778.66
vi. Other income to operating income ratio (i/v)%	**18.85%**	**15.20%**	**18.72%**

Reconciliation of operating profit to average total assets ratio

Operating profit to average total asset ratio is calculated as profit before provisions and contingencies and taxes divided by average total assets for the relevant year:

Particulars	Fiscal		
	2020	2021	2022
	(₹ million, except percentages)		
i. Net Profit after tax as per Restated Financials	1,434.49	1,131.39	88.71
ii. Tax	592.76	332.81	(31.25)
iii. Provision for NPA including Write off	424.42	2,096.08	3,660.99
iv. Provision for Standard Assets	935.28	(297.94)	(513.61)
v. Provision for Restructured Assets	(0.62)	381.38	1,067.24
vi. Provision for other contingencies	(21.79)	(9.90)	38.63

Particulars	Fiscal		
	2020	2021	2022
	(₹ million, except percentages)		
vii. Operating profit (i+ii+iii+iv+v+vi)	**3,364.54**	**3,633.82**	**4,310.69**
viii. Average assets	56,867.67	76,218.90	92,281.26
ix. Operating profit to average total assets ratio (vii/viii)%	**5.92%**	**4.77%**	**4.67%**

*Reconciliation of Current Account and Saving Account ("**CASA**") and CASA ratio*

CASA is the sum of demand deposit and savings bank deposits. CASA ratio is the ratio of CASA to total deposits:

Particulars	As of March 31		
	2020	2021	2022
	(₹ million, except percentages)		
i. Demand deposit	299.52	560.26	936.60
ii. Savings deposit	5,251.08	12,075.52	22,494.89
iii. Term deposit	40,988.73	40,549.20	41,124.31
iv. CASA (i)+(ii)	**5,550.60**	**12,635.78**	**23,431.49**
v. Deposits (i)+(ii)+(iii)	**46,539.33**	**53,184.98**	**64,555.80**
vi. CASA Ratio (iv/v)	**11.93%**	**23.76%**	**36.30%**

Reconciliation of yield on advances

Yield on advances is interest on advances divided by average balance of advance for the relevant year:

Particulars	As of March 31		
	2020	2021	2022
	(₹ million, except percentages)		
i. Interest income	9,445.78	11,482.82	13,233.84
ii. Average advances	38,314.15	50,297.35	60,304.01
iii. Yield on advances (i/ii)	**24.65%**	**22.83%**	**21.95%**

*Reconciliation of return on equity ("**ROE**")*

ROE is the ratio of the net profit for the relevant year to the shareholders' equity (sum of monthly/ quarterly average of capital and reserves and surplus)

Particulars	Fiscal		
	2020	2021	2022
	(₹ million, except percentages)		
i. Net profit for the year	1,434.49	1,131.39	88.71
ii. Capital	586.44	636.10	1,973.68
iii. Reserves and surplus	7,204.64	9,159.01	10,313.06
iv. ROE (i/(ii+iii))%	**18.41%**	**11.55%**	**0.72%**

*Reconciliation of return on assets ("**ROA**")*

ROA is the ratio of net profit for the year to the monthly average of total assets for the year.

Particulars	Fiscal		
	2020	2021	2022
	(₹ million, except percentages)		
i. Net profit for the year	1,434.49	1,131.39	88.71
ii. Average assets	56,867.67	76,218.90	92,281.26
iii. ROA (i/ii)%	**2.52%**	**1.48%**	**0.10%**

Reconciliation of average cost of deposits

Average cost of deposits is the ratio of interest expended during the year to the monthly average of deposit for the year*:*

Particulars	As of March 31		
	2020	2021	2022
	(₹ million, except percentages)		
i. Interest expended	3,019.48	4,160.17	4,211.64
ii. Average deposits	34,188.47	50,974.60	57,646.98
iii. Average cost of deposits (i/ii)%	**8.83%**	**8.16%**	**7.31%**

Reconciliation of CAGR of total deposits

Particulars	Fiscal 2020 (₹ million)	Fiscal 2022 (₹ million)	CAGR (%)
Total deposits	46,539.33	64,555.80	17.78%

** CAGR (as a %): (End Year Value - Fiscal 2022 / Base Year Value - Fiscal 2020) ^ [1/No. of years between Base year (Fiscal 2020) and End year (Fiscal 2022] – 1 [^ denotes 'raised to']*

Reconciliation of net asset value per share

Net asset value per share is calculated as net worth divided by the number of equity shares outstanding as on the respective dates:

Particulars		As of March 31		
		2020	2021	2022
i.	Capital (in ₹ million)	636.10	636.10	2,207.80
ii.	Reserves and surplus (in ₹ million)	8,401.55	9,532.94	9,747.00
iii.	ESOP outstanding	-	9.97	63.81
iv.	**Total shareholders' equity (i+ii+iii)**	**9,037.65**	**10,179.01**	**12,018.61**
v.	Deferred tax asset (in ₹ million)	401.86	665.05	930.18
vi.	**Net worth (iv+v)** (in ₹ million)	**8,635.79**	**9,513.97**	**11,088.43**
vii.	Number of equity shares	63,610,481	63,610,481	220,779,720
viii.	**Net asset value per share (vi/vii)**	**135.76**	**149.57**	**50.22**

Reconciliation of total provisions as a percentage of gross advances

Particulars	As of / for the		
	Financial Year ended March 31, 2020	Financial Year ended March 31, 2021	Financial Year ended March 31, 2022
	(₹ in million, except percentages)		
i. Standard Asset Provision	1,061.02	1,116.14	534.21
ii. NPA Provision	249.71	2,051.75	3,233.98
iii. Total Provision (i+ii)	**1,310.72**	**3,167.89**	**3,768.19**
iv. Advances (net of provisions)	48,155.79	53,011.20	70,363.74
v. Gross Advances (ii+iv)	**48,405.50**	**55,062.86**	**73,597.72**
vi. Total Provisions to Gross Advances (iii/v)	**2.71%**	**5.75%**	**5.12%**

Reconciliation of Net Profit as percentage of Gross Advances

Particulars	As of / for the		
	Financial Year ended March 31, 2020	Financial Year ended March 31, 2021	Financial Year ended March 31, 2022
	(₹ in million, except percentages)		
i. Net Profit	1,434.49	1,131.39	88.71
ii. NPA Provision	249.71	2,051.75	3,233.98
iii. Advances (net of total provisions)	48,155.79	53,011.20	70,363.74
iv. Gross Advances (ii+iii)	**48,405.50**	**55,062.86**	**73,597.72**
v. Net Profit as a percentage of gross advances (i/iv)	**2.96%**	**2.05%**	**0.12%**

Reconciliation of EBITDA

Particulars		As of / for the		
		Financial Year ended March 31, 2020	Financial Year ended March 31, 2021	Financial Year ended March 31, 2022
		(₹ in million)		
i.	Profit after Tax	1,434.49	1,131.39	88.71
ii.	Depreciation	169.04	170.08	201.19
iii.	Current tax	791.89	595.99	233.85
iv.	Deferred tax (credit)/charge	(304.99)	(263.19)	(265.11)
v.	MAT credit entitlement	105.86	0.00	0.00
vi.	**EBITDA (i+ii+iii+iv+v)**	**2,196.29**	**1,634.28**	**258.64**

Reconciliation of Provision Coverage Ratio

Provision Coverage Ratio is the ratio of NPA provision including Technical Write off and Gross NPA, including Technical Write off

Particulars	**As of / for the**		
	Financial Year ended March 31, 2020	**Financial Year ended March 31, 2021**	**Financial Year ended March 31, 2022**
	(₹ million)		
i. Gross NPA	447.18	3,535.85	5,732.25
ii. Technical Write off	1,781.36	2,103.68	5,705.15
iii. NPA Provision	249.71	2,051.75	3,233.98
iv. Technical Write off	1,781.36	2,103.68	5,705.15
v. Provison Coverage Ratio (iii+iv)/(i+ii)	**91.14%**	**73.68%**	**78.16%**

Reconciliation of pre-provisioning operating profit

Particulars	**As of / for the**		
	Financial Year ended March 31, 2020	**Financial Year ended March 31, 2021**	**Financial Year ended March 31, 2022**
	(₹ million)		
i. Interest Earned	10,702.56	12,510.31	14,458.72
ii. Other Income	1,438.36	1,256.79	2,017.76
iii. Total Operating Income (i+ii)	**12,140.92**	**13,767.10**	**16,476.48**
iv. Interest Expended	4,508.85	5,500.48	5,697.82
v. Operating Expenses	4,267.53	4,632.81	6,467.96
vi. Pre-provision operating profit (iii-(iv+v))	3,364.54	3,633.81	4,310.69

Reconciliation of return on net worth

Particulars	**As of / for the**		
	Financial Year ended March 31, 2020	**Financial Year ended March 31, 2021**	**Financial Year ended March 31, 2022**
	(₹ million, other than percentages)		
i. Restated Profit after tax	1,434.49	1,131.39	88.71
ii. Paid up share capital	636.10	636.10	2,207.80
iii. Reserves and surplus	8,401.55	9,532.94	9,747.00
iv. ESOP outstanding	-	9.97	63.81
v. Total shareholders equity (ii+iii+iv)	**9,037.65**	**10,179.02**	**12,018.61**
vi. Deferred tax asset	401.86	665.05	930.18
vii. Net worth (v-iv)	**8,635.79**	**9,513.97**	**11,088.43**
viii. Return on net worth (i/vii)	**16.61%**	**11.89%**	**0.80%**

Reconciliation of ratio of our deposits to the aggregate of our deposits and borrowings

Particulars	**As of / for the**		
	Financial Year ended March 31, 2020	**Financial Year ended March 31, 2021**	**Financial Year ended March 31, 2022**
	(₹ million, except percentages)		
i. Deposits	46,539.33	53,184.98	64,555.80
ii. Borrowings	13,681.62	14,004.34	29,435.43
iii. Total (i+ii)	**60,220.95**	**67,189.32**	**93,991.23**
iv. Deposit to total of deposit and borrowing (i/iii)	**77.28%**	**79.16%**	**68.68%**

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai - 400 028, India
Tel: +91 22 6819 8000

Independent Auditor's Examination Report on the restated summary statement of assets and liabilities as at March 31, 2022, March 31, 2021 and 2020 and restated summary statement of profit and loss and cash flows for each of the years ended March 31, 2022, 2021 and 2020, the summary statement of significant accounting policies, and other explanatory information of Fincare Small Finance Bank Limited (collectively, the "Restated Summary Statements")

The Board of Directors
Fincare Small Finance Bank Limited
5th Floor, Bren Mercury
Kaikondanahalli, Sarjapur Main Road
Bengaluru, 560035, India

Dear Sirs / Madams,

1. We have examined the attached Restated Summary Statements of Fincare Small Finance Bank Limited (the "Bank") as at March 31, 2022, 2021 and 2020 and for each of the years ended March 31, 2022, 2021 and 2020 annexed to this report and prepared by the Bank for the purpose of inclusion in the Draft Red Herring Prospectus (referred to as the "Offer Document") in connection with its proposed offering of equity shares of face value of Rs.10 each of the Bank (the "Offering"). The Restated Summary Statements, which have been approved by the Board of Directors of the Bank, have been prepared by the Bank in accordance with 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 (the "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").

Management's Responsibility for the Restated Summary Statements

2. The Bank's management is responsible for the preparation of the Restated Summary Statements for the purpose of inclusion in the Offer Document to be filed with Securities and Exchange Board of India ("SEBI"), the BSE Limited ("BSE"), the National Stock Exchange of India Limited ("NSE") and the Registrar of Companies, Gujarat in connection with the Offering. The Restated Summary Statements have been prepared by the management of the Bank on the basis of preparation stated in Note 5.2 of Annexure 5 to the Restated Summary Statements. The management's responsibility includes designing, implementing and maintaining adequate internal controls relevant to the preparation and presentation of the Restated Summary Statements. The management is also responsible for identifying and ensuring that the Bank complies with the Act, the ICDR Regulations and the Guidance Note.

Auditors' Responsibilities

3. We have examined such Restated Summary Statements taking into consideration:

   a) the terms of reference and terms of our engagement agreed with you vide our engagement letter dated in July 20, 2022 requesting us to carry out the assignment, in in connection with the Offering;

   b) The Guidance Note also requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI;

   c) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Summary Statements; 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 Offering.

Restated Summary Statements as per audited financial statements

4. These Restated Summary Statements have been compiled by the management of the Bank from:

   a. the audited financial statements as at and for each of the years ended March 31, 2022, 2021 and 2020 which have been approved by the Board of Directors at their meetings held on May 26. 2022, June 14, 2021 and June 08, 2020, respectively. These audited financial statements as at and for each of the years ended March 31, 2022, 2021 and 2020 were prepared by the Bank in accordance with the requirements prescribed under the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and guidelines and directions issued by Reserve Bank of India from time to time.

Auditors Report

5. For the purpose of our examination, we have relied on the

   a. Auditors' Report issued by us dated May 26, 2022 on the Financial Statements of the Bank as at and for year ended March 31, 2022 as referred in Para 4a above which included the following Emphasis of Matter paragraph (as refer Annexure 4.2(a) of the Restated Summary Statements:

      Financial year ended March 31, 2022

      "We draw attention to note 2.1(ii) of Schedule 17 to the financial statements, which describes the extent to which Covid-19 pandemic that continues to impact the Bank's operations and its financial metrics including provisions which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter."

   b. Auditor's Report issued by the Bank's previous auditor (the "Previous Auditor") dated June 14, 2021 and June 08, 2020 on the audited financial statements as at and for the years ended March 31, 2021 and 2020, as referred in Paragraph 4a above which included the following Emphasis of Matter paragraphs (as refer Annexure 4.2(a) of the Restated Summary Statements:

      Financial year ended March 31, 2021
      "We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of Covid-19 pandemic. In view of these uncertainties, the impact of the pandemic on the Bank's operations and financial metrics will
      depend on future developments which are uncertain at this time. Our opinion is not modified in respect of this matter."

      Financial year ended March 31, 2020

      "We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time. Our opinion is not modified in respect of this matter."

6. In respect of examination performed by Previous Auditor, the audits for the financial years ended March 31, 2021 and 2020 were conducted by the Bank's Previous Auditor, and accordingly reliance has been placed on the restated statement of assets and liabilities as at March 31, 2021 and 2020 and the restated profit and loss accounts and restated cash flow statements for the years ended March 31, 2021 and 2020, the Summary Statement of Significant Accounting Policies, and other explanatory information and (collectively, the "2021 and 2020 Restated Financial Information") examined by them for the said years. The examination report included for the said years is based solely on the examination report submitted by the Previous Auditor. They have also confirmed that the 2021 and 2020 Restated Financial Information:

   i. 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;

ii. have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

7. Based on our examination, and according to the information and explanations given to us and also as per the reliance placed on examination reports submitted by the Previous Auditor as at and for year ended March 31, 2021 and March 31, 2020 and in accordance with the requirements of Section 26 of Part I of Chapter III of the Act, the ICDR Regulations and the Guidance Note, we report that Restated Summary Statements of the Bank:

   a) have been arrived at after incorporating adjustments for the changes in accounting policies, material errors and regrouping/ reclassifications retrospectively in the financial years ended March 31, 2021 and March 31, 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 and more fully described in Annexure 4 – Restated Statement of Material Adjustments and Regroupings.

   b) There are no qualifications in the auditors' report on the audited financial statements of the Bank as at and for each of the years ended March 31, 2022, 2021 and 2020, which require any adjustments to the Restated Summary Statements.

   c) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

8. We have not audited any financial statements of the Bank as of any date or for any period subsequent to March 31, 2022. Accordingly, we express no opinion on the financial position, results of operations and cash flows of the Bank as of any date or for any period subsequent to March 31, 2022.

9. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit report issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. The Restated Summary Statements do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the audited financial statements as mentioned in paragraph 4a above.

11. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

12. Our report is intended solely for use of the Board of Directors for inclusion in the Offer Document to be filed with SEBI, BSE, NSE and the Registrar of Companies, Gujarat in connection with the Offering and is not to be used, referred to or distributed for any other purpose. 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.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration number: 101049W/E300004

____
per Sarvesh Warty
Partner
Membership No.: 121411
UDIN: 22121411ANWNQF1525
Place of Signature: Mumbai
Date: July 29, 2022

Annexure - 1: Restated Summary Statement of Assets and Liabilities

(All amounts in ₹ million except otherwise stated)

	Annexure	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Capital & Liabilities				
Capital	6	2,207.80	636.10	636.10
Employees stock options outstanding		63.81	9.97	-
Reserves and surplus	7	9,747.00	9,532.94	8,401.55
Deposits	8	64,555.80	53,184.98	46,539.33
Borrowings	9	29,435.43	14,004.34	13,681.62
Other liabilities and provisions	10	3,049.19	2,302.40	1,912.68
TOTAL		**1,09,059.03**	**79,670.73**	**71,171.28**
Assets				
Cash and balances with Reserve Bank of India	11	11,167.90	10,364.98	10,585.33
Balances with banks and money at call and short notice	12	1,191.69	1,191.34	243.73
Investments	13	21,516.29	12,793.59	10,069.60
Advances	14	70,363.74	53,011.20	48,155.79
Fixed assets	15	423.40	361.91	403.64
Other assets	16	4,396.01	1,947.71	1,713.19
TOTAL		**1,09,059.03**	**79,670.73**	**71,171.28**
Contingent liabilities	17	-	32.66	183.67
Bills for collection		-	-	-
Significant Accounting Policies	5			
Notes to Restated Summary Statements	22			

The accompanying annexures are an intergral part of this statement.
As per our report of even date

For **S.R Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No: 101049W/E300004

per Sarvesh Warty
Partner
Membership No.: 121411

Mumbai
29 July 2022

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajeev Yadav
MD and CEO
DIN: 00111379

Bengaluru
29 July 2022

Vinay Baijal
Director
DIN: 07516339

Mumbai
29 July 2022

Shefaly Kothari
Company Secretary
M No. F7698

Bengaluru
29 July 2022

Keyur Doshi
Chief Financial Officer

Bengaluru
29 July 2022

Annexure - 2: Restated Summary Statement of Profit and Loss

(All amounts in ₹ million except otherwise stated)

	Annexure	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
I. Income				
Interest earned	18	14,458.72	12,510.31	10,702.56
Other income	19	2,017.76	1,256.79	1,438.36
TOTAL		**16,476.48**	**13,767.10**	**12,140.92**
II. Expenditure				
Interest expended	20	5,697.82	5,500.48	4,508.85
Operating expenses	21	6,467.96	4,632.81	4,267.53
Provision and contingencies	22.15	4,221.99	2,502.42	1,930.05
TOTAL		**16,387.77**	**12,635.71**	**10,706.43**
III. Profit / (loss)				
Net profit / (loss) for the year		88.71	1,131.39	1,434.49
Profit / (loss) brought forward		1,810.83	970.74	(61.75)
Total profit		**1,899.54**	**2,102.13**	**1,372.74**
IV. Appropriation/transfers				
Transfer to statutory reserves		22.20	282.90	358.70
Transfer to other reserves		125.42	8.39	43.30
Transfer to Government/proposed dividend		-	-	-
Balance carried over to the balance sheet		1,751.92	1,810.84	970.74
Total		**1,899.54**	**2,102.13**	**1,372.74**
Significant Accounting Policies	5			
Notes to Restated Summary Statement	22			
Earnings per equity share				
Basic and diluted (₹)		0.38	5.55	7.03
Face value per share (₹)		10.00	10.00	10.00

The accompanying annexures are an intergral part of this statement.
As per our report of even date

For **S.R Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No: 101049W/E300004

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

per Sarvesh Warty
Partner
Membership No.: 121411

Mumbai
29 July 2022

Rajeev Yadav
MD and CEO
DIN: 00111379

Bengaluru
29 July 2022

Vinay Baijal
Director
DIN: 07516339

Mumbai
29 July 2022

Shefaly Kothari
Company Secretary
M No. F7698

Bengaluru
29 July 2022

Keyur Doshi
Chief Financial Officer

Bengaluru
29 July 2022

Annexure - 3: Restated Summary Statement of Cash Flows

(All amounts in ₹ million except otherwise stated)

		Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
A. Cash flows from/(used in) operating activities:				
Profit before tax		**57.46**	**1,464.19**	**2,027.25**
Adjustments for :				
Depreciation and amortisation expenses		201.19	170.08	169.04
Amortisation of premium on investments		103.18	68.49	16.02
(Profit) / loss on disposal of fixed assets		0.29	(0.08)	0.66
Share / debenture issue expenses		-	-	-
Goodwill written off		-	-	-
Employee stock option cost		53.84	9.97	-
Loan portfolio written off (net of recovery)		3,695.10	339.31	454.36
Provision for loan portfolio		600.24	1,857.22	921.04
Provision for other contingencies		2.19	(26.67)	(15.25)
Provision / depreciation - Investments		56.06	(0.51)	(0.79)
(Profit) on sale of investment in SLR[2] securities		(53.95)	(12.21)	(1.79)
Loss on sale of investment in SLR[2] securities		28.38	9.94	1.26
(Profit) on sale of investment in mutual funds		(1.92)	(2.93)	(10.64)
Operating profits before working capital changes		**4,742.06**	**3,876.80**	**3,561.16**
Movement in working capital:				
Increase in deposits		11,370.82	6,645.67	26,107.21
Increase / (decrease) in other liabilities		1,318.58	408.98	(576.04)
(Increase) in investments (net)		(8,856.38)	(2,789.71)	(3,075.70)
(Increase) in advances		(22,229.82)	(6,996.81)	(20,948.98)
Decrease / (increase) in fixed deposits		(375.16)	(51.57)	642.70
(Increase) in other assets		(2,013.76)	(2.05)	(269.99)
Cash generated (used in) / from operating activities		**(16,043.66)**	**1,091.31**	**5,440.36**
Taxes on income paid, net		(395.36)	(612.89)	(746.55)
Net cash (used in) / generated from operating activities	**(A)**	**(16,439.02)**	**478.42**	**4,693.81**
B. Cash flows from investing activities:				
Purchase of fixed assets		(263.59)	(129.15)	(243.32)
Proceeds from sale of fixed assets		0.66	0.88	0.73
Purchase of investments in mutual funds		(499.98)	(1,799.98)	(4,800.00)
Proceeds from sale of investments in mutual funds		501.90	1,802.86	4,810.64
Proceeds from term money lending		(163.90)	(399.92)	899.90
Net cash generated / (used in)from investing activities	**(B)**	**(424.91)**	**(525.31)**	**667.95**
C. Cash flows from financing activities:				
Proceeds from issue of equity shares		1,697.07	-	943.22
Share / debenture issue expenses		-	-	-
Repayment of borrowing under the LAF[3] segment		-	(470.00)	-
Proceeds from borrowing under the LAF[3] segment		5,400.00	-	1,030.00
Proceeds from loans availed from banks and financial institutions		13,580.42	4,700.00	4,249.93
Repayment of loans availed from banks and financial institutions		(3,549.34)	(3,907.33)	(5,004.07)
Proceeds from issue of non-convertible debentures		-	-	1,000.00
Redemption of non-convertible debentures		-	-	(425.00)
Net cash generated / (used in) from financing activities	**(C)**	**17,128.15**	**322.67**	**1,794.08**
Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)		**264.22**	**275.78**	**7,155.84**
Cash and cash equivalents at the beginning of the year		**11,028.41**	**10,752.63**	**3,596.79**
Cash and cash equivalents at the end of the year[1]		**11,292.63**	**11,028.41**	**10,752.63**

1 Includes cash and bank balances with Reserve Bank of India and balances with Banks in current account as on 31 March, 2022, 31 March, 2021 and 31 March,

2 Statutory Liquidity Ratio

3 Liquidity adjustment facility - Repurchase agreement

Annexure - 3: Restated Summary Statement of Cash Flows (cont'd)
(All amounts in ₹ million except otherwise stated)

	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Components of cash and cash equivalents			
Cash and balances with Reserve Bank of India (refer Annexure 11)	11,167.90	10,364.98	10,585.33
Balances with banks and money at call and short notice (refer Annexure 12)	124.73	663.43	167.30
	11,292.63	**11,028.41**	**10,752.63**

As per our report of even date

For **S.R Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No: 101049W/E300004

per Sarvesh Warty
Partner
Membership No.: 121411

Mumbai
29 July 2022

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajeev Yadav
MD and CEO
DIN: 00111379

Bengaluru
29 July 2022

Vinay Baijal
Director
DIN: 07516339

Mumbai
29 July 2022

Shefaly Kothari
Company Secretary
M No. F7698

Bengaluru
29 July 2022

Keyur Doshi
Chief Financial Officer

Bengaluru
29 July 2022

Annexure - 4: Restated Statement of Material Adjustment and Regrouping

4.1 Material adjustments

The accounting policies as on and for the years ended 31 March, 2021 and 31 March 2020 are materially consistent with the policies adopted for the year ended 31 March, 2022. The Restated Summary Statements have been prepared based on the respective audited Financial Statements for the years ended 31 March, 2022, 2021 and 2020.

4.2 Non adjusting items

Restated Financial Information does not contain any qualifications requiring adjustments, however, Auditor's Reports for the years ended 31 March, 2022, 31 March 2021 and 31 March, 2020 includes an Emphasis of Matter paragraph on impact of COVID 19 on operations of the Bank.

(a) Emphasis of Matter in Auditor's Report

(i) On financial statements for the year ended 31 March, 2022

We draw attention to note 2.1(ii) of Schedule 17 to the financial statements, which describes the extent to which Covid-19 pandemic that continues to impact the Bank's operations and its financial metrics including provisions which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

(iii) On financial statements for the year ended 31 March, 2021

We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of Covid-19 pandemic. In view of these uncertainties, the impact of the pandemic on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time. Our opinion is not modified in respect of this matter.

(iv) On financial statements for the year ended 31 March, 2020

We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time. Our opinion is not modified in respect of this matter.

4.3 Changes in estimates

During the year ended 31 March, 2022, the Bank had revised its estimate for making provisions against non-performing loans in accordance with a resolution passed by the Board of Directors. As a result, the aggregate provision on loan portfolio for the year ended 31 March, 2022 was lower by ₹ 759.10 million and consequently the net profit was higher by ₹ 568.00 million.

During the year ended 31 March 2020, the Bank has revised the accounting estimate for writing off loan portfolio in accordance with the resolution passed by the Board of Directors. As a result, the loans written off during the year ended 31 March 2020 is higher by ₹ 175.00 million. However, the same does not have an impact on the results for the year.

For the purpose of Restated Summary Statements the above changes in estimates have not been restated.

4.4 Material regroupings

Appropriate regrouping/reclassifications have been made in the Restated Summary Statements in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended), in respect of the corresponding items of assets, liabilities, income, expenses and cash flows in order to align them with the groupings as per the audited financial statements of the Bank as on and for the year ended 31 March 2022.

Non financial information including ratios, percentages, etc. disclosed in annexure 22, have been updated to the extent applicable, as a consequence of regroupings/reclassifications made, as indicated above.

Regrouping for the year ended 31 March 2020 (Rs. In million)

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Assets and Liabilities:			
Other liabilities and provisions	1,904.14	8.54	1,912.68
Other Assets	1,704.65	8.54	1,713.19
Income and Expenses:			
Other Income	1,454.64	(16.28)	1,438.36
Interest Expended	4,515.04	(6.19)	4,508.85
Operating expenses	4,261.34	6.19	4,267.53
Provisions and contingencies	1,946.33	(16.28)	1,930.05

Regrouping for the year ended 31 March 2021 (Rs. In million)

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Assets and Liabilities:	-		
Other liabilities and provisions	2,293.86	8.54	2,302.40
Other Assets	1,939.17	8.54	1,947.71
Income and Expenses:			
Other Income	1,273.75	(16.96)	1,256.79
Interest Expended	5,500.88	(0.40)	5,500.48
Operating expenses	4,632.41	0.40	4,632.81
Provisions and contingencies	2,519.38	(16.96)	2,502.42

Master Directions on Financial Statements- Presentation and Disclosure ("Master Directions") has been amended vide the RBI/DOR/2021-22/83 DOR.ACC.REC.No.45/21.04.018/2021-22 dated August 30, 2021 to include certain additional presentation and disclosures requirements and changes to some of the existing requirements. It may be noted that in preparing and presenting the audited financial statements for the year ended March 31, 2022, the Bank has reclassified the comparative figures in accordance with the requirements of the Master Directions. Accordingly this restated financial statement has been prepared based on the above requirement. The adoption of the Master Directions does not impact recognition and measurement principles followed for preparation of the financial statements.

4.5 Material errors

There are no material errors that require any adjustment in the Restated Summary Statements.

Annexure - 5: Significant accounting policies forming part of the restated summary statements

5.1 Background

Fincare Small Finance Bank Limited ("the Bank") is a Scheduled Bank in India having commenced its operations as a small finance bank with effect from July 21, 2017. The Bank has been accorded the Scheduled Bank status by Reserve Bank of India vide Notification No. DBR.NBD. (SFB-Fincare). No.8140/16/13.216/2018-19 dated March 28, 2019 and published in the Gazette of India on April 13, 2019.

The Bank's operation includes retail and wholesale banking activities. These activities primarily include micro finance lending activities to provide financial assistance to women borrowers of economically weaker society, who are organized as joint liability groups ('JLG'), with a view of enhancement of their livelihoods in a financially viable manner, primarily in the rural areas of India. Further, the Bank is engaged in providing financial assistance to the borrowers to use the money to augment the household income through loan against property. In addition, the Bank offers other products, including institutional finance, gold loan, two wheeler loans, affordable housing loans and overdraft facility against fixed deposits or properties. The Bank operates across various states and union territories of India.

5.2 Basis of preparation

(i) The Restated Summary Statements have been prepared specifically for the inclusion in the Draft Red Herring Prospectus to be filed by the Bank with the Securities and Exchange Board of India ('SEBI') in connection with its proposed initial public offering. The Restated Summary Statements have been prepared by the Bank to comply in all material respects with the requirements of Section 26 of Chapter III of The Companies Act, 2013 read with rule 4 of Companies (Prospectus and Allotment of Securities) Rules, 2014, (the Securities and Exchange Board of India Issue of Capital and Disclosure Requirements) Regulations, 2018 ("the SEBI Guidelines") issued by SEBI on September 11, 2018 as amended from time to time and The Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended (the "Guidance Note").

The Restated Summary Statement of Assets and Liabilities of the Bank as on 31 March, 2022, 31 March, 2021 and 31 March 2020, the related Restated Summary Statement of Profits and Losses, related Restated Summary Statement of Cash Flows and the summary of significant accounting policies and explanatory notes for the years ended 31 March, 2022, 31 March, 2021 and 31 March 2020 (herein collectively referred to as "Restated Summary Statements") have been compiled by the management from the then audited financial statements for the years ended 31 March, 2022, 31 March, 2021, 31 March, 2020 respectively which were originally approved by the Board of Directors of the Bank at that relevant time. The accounting policies have been consistently applied by the Bank in preparation of the Restated Summary Statements and are consistent with those adopted in the preparation of financial statements for the year ended 31 March 2022.

The audited financial statements as on year ended 31 March, 2022, 31 March, 2021 and 31 March, 2020 have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these audited financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standard) Rules, 2021 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting, except in the case of interest and other income on non-performing assets (NPAs) where it is recognised upon realisation.

(ii) Impact of COVID 19

(i) India has witnessed multiple waves of COVID-19 pandemic since mid-2020 leading to significant volatility in Indian financial markets and a significant decrease in local economic activities and India is still emerging from the COVID-19 pandemic.
Currently, while the number of new COVID-19 cases have reduced significantly and the Government of India is in the process of withdrawing COVID-19 related restrictions , the full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and the Bank's responses thereto, which are highly uncertain at this time.

The Bank continues to carry an additional contingency provision of ₹ 67.00 millions as on 31 March, 2022, which includes the additional provision for the accounts restructured under RBI Resolution framework. The Bank held an aggregate Covid-19 related provision of ₹ 590.77 million As on 31 March, 2021.

(ii) In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 01, 2020 and May 31, 2020, to all eligible borrowers. In line with the additional Regulatory Package guidelines dated May 23, 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between June 01, 2020 and August 31, 2020.

(iii) The Supreme Court, in a writ petition through its interim order dated September 03, 2020, had directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of August 31, 2020 as per the RBI norms, as NPA after August 31, 2020. However, the Bank had made a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 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 this connection, the RBI vide its circular dated April 07, 2021 has provided extant instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified these borrower accounts as per the extant IRAC norms with effect from September 01, 2020 and utilised the above Covid-19 related provision towards provision on these accounts.

(iv) The Bank has assessed the impact of Covid-19 pandemic on its liquidity and ability to repay its obligations as and when they are due. The management is confident that collections will improve. Based on the forgoing and necessary stress tests considering various scenarios, the management believes that the Bank will be able to fulfil its obligations as and when these become due in the foreseeable future.

(v) The Bank has put in place Board approved policies for restructuring of assets in lines with guidelines laid down by RBI in the guidelines on Income recognition and asset classification and provisioning pertaining to advances dated October 1, 2021("IRAC"), Resolution Framework for Covid-19 related Stress dated August 6, 2020 ("Covid 1.0 framework") and Resolution Framework-2.0: Resolution of Covid-19 related stress of individuals and Small Business ("Covid 2.0 framework"). The details of restructuring done by the Bank under the applicable guidelines prescribed by RBI has been provided in Annexure 22.

5.3 Significant Accounting Policies

5.3.1 Use of estimates

The preparation of the Restated Summary Statements in conformity with the Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure on contingent liabilities as on the date of the restated year end financial statements and the results of the operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by the management in the preparation of these restated financial statements include estimates of the economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and non-performing assets. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

5.3 Significant Accounting Policies (cont'd)

5.3.2 Revenue recognition

(i) Interest income on loans is recognised in the Profit and Loss Account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of RBI.

(ii) Interest on discounted instruments is recognised over the tenure of the instrument on a constant Yield to Maturity method.

(iii) Processing fees/upfront fee, handling charges of similar charges collected at the time of sanctioning or renewal of Loan/facility is recognised at the inception/renewal of loan.

(iv) The fees charged on debit card issuance is recognised on an upfront basis.

(v) The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of sale transaction, the Bank sells the priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recognised under Miscellaneous Income within Other income on a straight-line basis over the tenure of the certificate.

(vi) Interest income on deposits with banks and financial institutions is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.

(vii) Dividend income is recognised when the right to receive payment is established on the balance sheet date.

(viii) Other fees and commission income (including commission income on third party products) are recognize when due, except in cases where the bank is uncertain of ultimate collection.

5.3.3 Advances

Classification

Advances are classified into performing and non-performing advances ('NPA') based on the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on NPA classification and provisioning policy of the Bank, subject to the minimum classification and provisioning level prescribed by the RBI under the Income Recognition and Asset Classification ('IRAC') norms.

As per IRAC norms prescribed by the RBI, a loan or an advance is classified as NPA where, the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or the account remains "out of order" in respect of an overdraft/cash credit (OD/CC) facility.

"Overdue" refers to interest and / or instalment remaining unpaid from the day it became receivable.
In case of micro-finance loans, rural micro enterprise loans, loan against gold, two wheeler loans, staff loans and CASA accounts with debit balances, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

In case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.
In case of loan against property with registered mortgage and secured affordable housing loans, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

Loss Assets

A loss asset is one where loss has been identified by the Bank but the amount has not been written off wholly. In other words, such an asset is considered uncollectable and of such little value that its continuance as a Bankable asset is not warranted although there may be some salvage or recovery value. All assets involving frauds would generally be treated as loss assets

In case of loan against property with registered mortgage and secured affordable housing loans, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

Provisioning

General provision for standard assets made in accordance with the RBI Guidelines is included under "Other Liabilities & Provisions-Others".

Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on management's best estimates, subject to minimum provisioning level prescribed by the RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies.

NPAs which have been fully provided for, are written off, based on management estimate and as per the NPA Provisioning and Write off Policy of the Bank.

Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Provision and contingency under annexure 22.15.

Provision policy for securitised loans

Provision for losses arising in respect of securitisation/assignment of micro finance portfolio loan is made in accordance with the provisioning policy for micro finance own portfolio and in case of other securitized portfolio loans, it is made in accordance with the provisioning policy for loan against property own portfolio, subject to maximum guarantee (including cash collaterals and unfunded guarantee) given in respect of these arrangements.

5.3.4 Inter-bank participation certificate ('IBPC')

The Bank enters into inter-bank participation with risk sharing as issuing bank and the aggregate amount of participation are reduced from aggregate advance outstanding.

5.3.5 Investments

Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called 'categories'). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called 'groups') -

(a) Government Securities, (b) Other Approved Securities, (c) Shares, (d) Debentures and Bonds, (e) Investments in Subsidiaries/Joint Ventures and (f) Other Investments.

Purchase and sale transactions in respect of all securities are recorded under 'Settlement Date' of accounting,

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost

Brokerage, commission and broken period interest on debt instruments are recognised in the Profit and Loss Account and are not included in the cost of acquisition.

5.3 Significant Accounting Policies (cont'd)

5.3.5 Investments (cont'd)

Disposal of investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. 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 the Profit and Loss Account to Capital Reserve in accordance with the RBI Guidelines.

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of the RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/Financial Benchmark India Private Limited ('FIBL'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FIBL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognised.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head Income from investments as per the RBI guidelines.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

5.3.6 Repo Reverse Repo transactions

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities are reflected as borrowings and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

5.3.7 Investment Fluctuation Reserve (“IFR”)

With a view to building up of adequate reserve to protect against increase in yields, RBI through circular no. RBI/2017-18/147 BBR.No.BP.BC.102/21 .04.048/2017-18 dated 02 April 2018, advised all banks to create an IFR with effect from the FY 2018-19.

Amount transferred to IFR is not less than lower of the following:

(i)net profit on sale of investments during the year. Or

(ii)net profit for the year less mandatory appropriation, until the amount of IFR is at least 2% of the HFT and AFS portfolio, on a continuing basis.

The amount is drawn down from IFR as per the guidelines prescribed by RBI.

5.3.8 Transfer and servicing of assets

The Bank transfers loans through securitization/direct assignment transactions. The transferred loans are de-recognised when the Bank surrenders the rights to benefits specified in the underlying securitized/direct assignment loan contract.

Cash profit arising at the time of securitisation/assignment of loan portfolio (Premium loan transfer transactions) is amortised over the life of the underlying loan portfolio and the unamortised amount is disclosed as Deferred Income within ‘Other liabilities’ on the balance sheet.

Contractual rights to receive a portion of interest (‘Unrealised profits’) arising at the time of securitisation/ assignment of loan portfolio (PAR transactions) is recorded at its present value and disclosed as ‘Interest strip on securitisation/ assignment of loan portfolio’ within ‘Other assets” on the balance sheet. In accordance with the RBI guidelines, the unrealised profits in respect of securitised/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as ‘Interest strip on securitisation/ assignment of loan portfolio’ within ‘Other liabilities” on the balance sheet. Income from interest strip (excess interest spread) is recognised in the profit and loss account, net of any losses, when redeemed in cash.

5.3.9 Fixed assets (Property, Plant and Equipment)

Fixed assets(PPE), capital work-in progress are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

Advances paid towards the acquisition of tangible assets outstanding at each Balance Sheet date are disclosed as capital advances under Other Assets. The cost incurred towards tangible assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

5.3.10 Intangible assets

An intangible is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank. Intangible assets acquired separately are measured on the initial recognition at cost. The cost of an intangible assets 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, Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Bank for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

5.3 Significant Accounting Policies (cont'd)

5.3.11 Depreciation and amortisation

Depreciation on tangible assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Bank has used the following useful lives to provide depreciation on its tangible assets:

Tangible asset description	Useful life
Office equipments	5 years
Computer equipments	3 years
Furniture and fixtures	10 years
Leasehold improvements	useful life of leasehold improvements or the life based on lease period, whichever is lower

Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible asset description	Useful life
Computer software	3 years

Depreciation / amortisation is charged on a proportionate basis for all assets purchased and sold during the year.

5.3.12 Impairment of assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

5.3.13 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15, Employee Benefits.

Provident fund

The Bank contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is a defined benefit plan. The liability recognised in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and Loss Account in the year in which such gains or losses arises.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability / asset in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation as on the balance sheet date.

Other short-term benefits

Expense in respect of other short-term benefits including performance incentive is recognised on the basis of amount paid or payable for the period for which the employee render services.

Other long-term employee benefits- Deferred cash variable pay

As per policy, a minimum of 60% of total variable pay shall be under deferral arrangement. At least 50% of the cash component of variable pay shall be under deferment. Also, in case cash variable pay for a performance period is below Rs.25 lakhs, deferral may not be applicable. The NRC shall take a decision on the treatment of the deferral on an annual basis. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results. For variable pay pertaining to FY-21, paid in FY22, 100% of non-cash variable pay and 50% of cash pay was under deferral. The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on Employee benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

5.3.14 Employee share based payments

Equity-settled scheme:

The Employees Stock Option Scheme (the Scheme) provides for grant of options on the Bank's equity shares to employees, including Managing Director of the Bank. The Scheme provides that employees may be granted an option to subscribe to equity shares of the Bank that shall vest as per the vesting schedule determined by Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee Share-based payments, issued by The Institute of Chartered Accountants of India, the cost of equity settled transactions has been measured using the fair value method. Details regarding the determination of the fair value of the options are set out in Annexure 22.21. The fair value of the options determined as on the grant date is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest, with a corresponding credit to Employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Employee stock options outstanding account.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in “Payment to and provision for employee”, equal to the amortised portion of the cost of lapsed option . In respect of the options which expire unexercised the balance standing to the credit of Employee stock options outstanding account is transferred to General Reserve.

5.3 Significant Accounting Policies (cont'd)

5.3.15 Taxes on income

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as on the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

5.3.16 Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion
Foreign currency monetary items are reported using the closing rate As on the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences
Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

5.3.17 Provisions and contingent liabilities

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

5.3.18 Borrowing costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalised as part of the cost of such assets, in accordance with Accounting Standard (AS) 16, Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

5.3.19 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

5.3.20 Transaction costs

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards:

i. ROC fees paid to increase the authorized share capital is expensed to the profit and loss account.

ii. Acquisition of borrowings is expensed to the profit and loss account in the year in which they are incurred.

5.3 Significant Accounting Policies (cont'd)

5.3.21 Leases

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term (i.e. lock in period).

5.3.22 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprises of cash in hand, balances with the RBI, balances with other banks.

5.3.23 Segment reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by the RBI.

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

(a) Treasury

The treasury segment primarily consists of entire investment portfolio of the Bank.

(b) Corporate/Wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included under retail banking.

(c) Retail banking

The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

5.3.24 Share Issue Expenses

Share Issue expenses other than ROC fees paid to increase the authorized share capital are adjusted from Securities premium account as permitted by section 52 of Companies Act 2013.

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(All amounts in ₹ million except otherwise stated)

Annexure 6 - Restated Statement of Share Capital	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Authorised capital[1]			
Equity Share of ₹ 10 each			
- Number of shares	30,00,00,000	30,00,00,000	10,00,00,000
- Amount in ₹	**3,000.00**	**3,000.00**	**1,000.00**
Issued, subscribed and fully paid-up capital[2] (refer annexure 22.1)			
Equity Share of ₹ 10 each			
- Number of shares	22,07,79,720	6,36,10,481	6,36,10,481
- Amount in ₹	**2,207.80**	**636.10**	**636.10**

Notes

1 Pursuant to the approval of shareholders, the Bank has increased its authorised share capital during the year ended 31 March, 2021.

2 **Rights and preference of equity shareholders**

Each holder of an equity share is entitled to one vote per share. The Bank declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend. In the event of liquidation of the Bank, the holders of equity shares will be entitled to receive the remaining assets of the Bank, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

Annexure 7 - Restated Statement of Reserves and Surplus	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. Statutory reserve			
(Created pursuant to Section 17(2) of Banking Regulation Act, 1949)			
Opening balance	941.55	658.65	299.95
Additions during the year	22.20	282.90	358.70
Deductions during the year	-	-	-
	963.75	**941.55**	**658.65**
II. Share premium			
Opening balance	6,697.68	6,697.68	5,826.20
Additions during the year	1,597.22	-	871.48
Deductions during the year	(1,471.86)	-	-
	6,823.04	**6,697.68**	**6,697.68**
III. General reserves			
Opening balance	0.05	0.05	0.05
Additions during the year	-	-	-
Deductions during the year	-	-	-
	0.05	**0.05**	**0.05**
IV. Investment Fluctuation Reserve			
Opening balance	82.82	74.43	31.13
Additions during the year	125.42	8.39	43.30
Deductions during the year	-	-	-
	208.24	**82.82**	**74.43**
V. Balance in profit and loss account	1,751.92	1,810.84	970.74
	1,751.92	**1,810.84**	**970.74**
Total Reserves and Surplus	**9,747.00**	**9,532.94**	**8,401.55**

Annexure 8 - Restated Statement of Deposits	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
A. I. Demand deposits			
i) From banks	62.67	103.45	7.64
ii) From others	873.93	456.81	291.88
	936.60	**560.26**	**299.52**
II. Savings bank deposits	**22,494.89**	**12,075.52**	**5,251.08**
III. Term deposits			
i) From banks	17,312.03	14,908.50	16,702.32
ii) From others	23,812.28	25,640.70	24,286.41
	41,124.31	**40,549.20**	**40,988.73**
Total Deposits	**64,555.80**	**53,184.98**	**46,539.33**
B. I. Deposits of branches in India	64,555.80	53,184.98	46,539.33
II. Deposits of branches outside India	-	-	-
Total Deposits	**64,555.80**	**53,184.98**	**46,539.33**

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(All amounts in ₹ million except otherwise stated)

Annexure 9 - Restated Statement of Borrowings	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. Borrowings in India			
i) Reserve Bank of India[1]	5,960.00	560.00	1,030.00
ii) Other banks[2]	1,000.00	-	300.00
iii) Other Institutions and agencies			
a) Government of India	-	-	-
b) Financial Institutions[2]	20,475.43	11,444.34	10,351.62
iv) Borrowings in the form of bonds and debentures (excluding sub-ordinated debts)	-	-	-
v) Unsecured redeemable debentures/bonds (sub-ordinated debt included in Tier 2 capital)	2,000.00	2,000.00	2,000.00
Total Borrowings in India	**29,435.43**	**14,004.34**	**13,681.62**
II. Borrowings outside India	-	-	-
Total Borrowings	**29,435.43**	**14,004.34**	**13,681.62**

1 Represents borrowings made under Liquidity Adjustment Facility (LAF).

2 Secured borrowings included in I above is ₹ 9,240.40 million, ₹593.20 million and ₹ 1102.40 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020 respectively.

Annexure 10 - Restated Statement of Other liabilities and provisions	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. Bills payable	286.39	154.13	19.85
II. Inter-office adjustments (net)	-	-	-
III. Interests accrued	383.71	143.86	58.18
IV. General provision for standard assets (refer annexure 22.4J)	534.21	1,116.14	1,061.02
V. Others (including provisions)[1]	1,844.88	888.27	773.63
Total Other liabilities and provisions	**3,049.19**	**2,302.40**	**1,912.68**

1 **Others (including provisions)**	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Interest strip on securitisation/assignment of portfolio loans	-	-	47.73
Payable towards securitisation/assignment of loans	-	-	3.40
Provision for other contingencies	5.60	3.43	30.10
Tax deducted at source payable	74.07	48.33	53.86
Statutory liability payable	63.53	42.98	32.51
Accrued expenses	324.33	187.21	198.62
Accrued employee expenses	253.85	191.58	146.69
Provision for gratuity (refer annexure 22.14A)	42.09	14.73	41.07
Provision for compensated absences (refer annexure 22.14C)	127.50	102.03	75.53
Provision for tax (net of advance tax)	16.57	8.54	8.54
Other liabilities	937.34	289.44	135.58
	1,844.88	**888.27**	**773.63**

Annexure 11 - Restated Statement of Cash and balances with Reserve Bank of India	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. Cash in hand (including foreign currency notes)[1]	330.44	262.76	180.69
II. Balances with Reserve Bank of India	-		
i) In current account	1,147.46	1,582.22	1,224.64
ii) In other account	9,690.00	8,520.00	9,180.00
Total Cash and balances with Reserve Bank of India	**11,167.90**	**10,364.98**	**10,585.33**

1 The Bank does not have any foreign currency note balances as on 31 March, 2022, 31 March, 2021 and 31 March, 2020.

Annexure 12 - Restated Statement of Balances with banks and money at call and short notice	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. In India			
i) Balances with banks			
a) In current accounts	124.73	663.43	167.30
b) In other deposit accounts[1]	503.16	128.00	76.43
ii) Money at call and short notice			
a) With banks	-	-	-
b) With other institutions	563.80	399.91	-
Total	**1,191.69**	**1,191.34**	**243.73**
II. Outside India			
i) In current accounts	-	-	-
ii) In other deposit accounts	-	-	-
iii) Money at call and short notice	-	-	-
Total	-	-	-
Grand Total (I+II)	**1,191.69**	**1,191.34**	**243.73**

1 Includes ₹ 3.20 million, ₹ 25.30 million and ₹ 25.00 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively under lien marked towards term loans availed from banks and financial institutions and cash collateral amounting to Nil, Nil and ₹40.75 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively.

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(All amounts in ₹ million except otherwise stated)

Annexure 13 - Restated Statement of Investments	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. Investment in India in			
i) Government securities	21,414.69	12,793.59	10,069.60
ii) Other approved securities	-	-	-
iii) Shares	-	-	-
iv) Debentures and bonds	101.60	-	-
v) Subsidiaries and/or joint ventures	-	-	-
vi) Others	-	-	-
Total investments in India[1]	**21,516.29**	**12,793.59**	**10,069.60**
II. Investment outside India in			
i) Government securities (including local authorities)	-	-	-
ii) Subsidiaries and/or joint ventures aboard	-	-	-
iii) Others	-	-	-
Total investments outside India	**-**	**-**	**-**
Total investments[1]	**21,516.29**	**12,793.59**	**10,069.60**
III. Investments			
A. Investments in India			
Gross value of investments	21,572.63	12,793.87	10,070.39
Less: Aggregate of provision/depreciation/(appreciation)	(56.34)	(0.28)	(0.79)
Net investments	**21,516.29**	**12,793.59**	**10,069.60**
B. Investments outside India			
Gross value of investments	-	-	-
Less: Aggregate of provision/depreciation/(appreciation)	-	-	-
Net investments	**-**	**-**	**-**
Total investments[1]	**21,516.29**	**12,793.59**	**10,069.60**

1 Refer Annexure 22.2 - Investments.

Annexure 14 - Restated Statement of Advances (net of Provisions)	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
A. i) Bill purchased and discounted	-	-	-
ii) Cash credits, overdrafts and loans replayable on demand[1]	4,414.60	196.49	166.11
iii) Term loans[1]	65,949.14	52,814.71	47,989.68
Total advances	**70,363.74**	**53,011.20**	**48,155.79**
B. i) Secured by tangible assets (including advances against book debts)	17,515.94	12,107.13	10,459.93
ii) Covered by banks/Government guarantees	412.63	3,501.22	1,838.05
iii) Unsecured	52,435.17	37,402.85	35,857.81
Total advances	**70,363.74**	**53,011.20**	**48,155.79**
C. I. Advances in India			
i) Priority sectors	60,391.81	44,371.16	40,386.78
ii) Public sector	-	-	-
iii) Banks	-	-	-
iv) Others	9,971.93	8,640.04	7,769.01
Total advances in India	**70,363.74**	**53,011.20**	**48,155.79**
II. Advances outside India			
- Due from banks	-	-	-
- Due from others	-	-	-
a) Bills purchased and discounted	-	-	-
b) Syndicated loans	-	-	-
c) Others	-	-	-
Total advances outside India	**-**	**-**	**-**
Total advances	**70,363.74**	**53,011.20**	**48,155.79**

1 Net of provision for non-performing assets aggregating to ₹3,233.98, ₹ 2051.75 million and ₹249.71 million As on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively and outstanding Inter-Bank Participation Certificate (IBPC) of ₹ 2,000.00, ₹ 5,245.00 million and ₹4,368.00 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively.

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(All amounts in ₹ million except otherwise stated)

Annexure 15 - Restated Statement of Fixed Assets	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
A. Premises			
Gross block			
Opening balance	-	-	-
Additions during the year	-	-	-
Deductions during the year	-	-	-
Closing balance	-	-	-
Less: Depreciation to date	-	-	-
Net Block	**-**	**-**	**-**
B. Other fixed assets (including furniture and fixtures)			
Gross block			
Opening balance	920.89	797.64	558.44
Additions during the year	263.59	129.15	243.32
Deductions during the year	(9.29)	(5.90)	(4.12)
Closing balance	**1,175.19**	**920.89**	**797.64**
C. Accumulated depreciation			
Opening balance	558.93	394.00	227.70
Charge for the year	201.19	170.08	169.04
Deductions during the year	(8.33)	(5.10)	(2.74)
Closing balance	**751.79**	**558.98**	**394.00**
Net Block[1]	**423.40**	**361.91**	**403.64**
Total fixed assets	**423.40**	**361.91**	**403.64**

1 Including capital work-in progress of ₹0.55 million, Nil, and Nil as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively; and intangible assets of ₹ 15.08 million, ₹ 10.20 million and ₹ 27.22 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively.

Annexure 16 - Restated Statement of Other Assets	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. Inter-office adjustments (net)	-	-	-
II. Interest accrued	1,218.62	932.46	963.69
III. Tax paid in advance / tax deducted at source (net)	196.92	27.38	10.84
IV. Stationery and stamps	-	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-	-
VI. Others[1]	2,980.47	987.87	738.66
	4,396.01	**1,947.71**	**1,713.19**

1 **Others**	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Loans given as collateral towards securitisation transactions	32.66	32.66	64.69
Interest strip on securitisation / assignment of loans	-	-	47.73
Deferred tax asset (refer schedule 22.24)	930.18	665.05	401.86
MAT credit entitlement	-	-	-
Security deposits	145.84	123.44	113.23
Goods & Services Tax input credit	53.39	52.10	32.10
Other receivables	1,818.40	114.62	79.05
	2,980.47	**987.87**	**738.66**

Annexure 17 - Restated Statement of Contingent Liabilities	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
I. Claims against the Bank not acknowledged as debts - taxes	-	-	-
II. Claims against the Bank not acknowledged as debts - others[1]	-	32.66	183.67
III. Liability for partly paid investments	-	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-	-
V. Guarantees given on behalf of constituents	-	-	-
a) In India	-	-	-
b) Outside India	-	-	-
VI. Acceptances, endorsements and other obligations	-	-	-
VII. Other items for which the Bank is contingently liable	-	-	-
Total contingent liabilities	**-**	**32.66**	**183.67**

1 **Claims against the Bank not acknowledged as debts-others**	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
i) Cash collateral	-	-	40.75
ii) Unfunded guarantee	-	-	30.47
iii) Principal subordination	-	32.66	64.72
iv) Interest subordination	-	-	47.73
	-	**32.66**	**183.67**

Annexures forming part of the Restated Summary Statement of Profit and Loss

(All amounts in ₹ million except otherwise stated)

	Annexure 18 - Restated Statement of Interest Earned	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
I.	Interest/discount on advances/bills	13,233.84	11,482.82	9,445.78
II.	Income on investments	943.50	685.15	499.37
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	274.73	326.12	343.21
IV.	Others[1]	6.65	16.22	414.20
	Total interest earned	**14,458.72**	**12,510.31**	**10,702.56**

1	**Others**	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
	Income from securitisation/assignment of loans	-	0.30	318.56
	Interest income on money market instruments	-	11.72	21.29
	Interest income on fixed deposit	-	-	-
	Interest income on Tri party repo lending	6.59	4.14	74.12
	Others	0.06	0.06	0.23
		6.65	**16.22**	**414.20**

	Annexure 19 - Restated Statement of Other Income	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
I.	Commission, exchange and brokerage	967.46	509.80	566.10
II.	Profit on sale of investments	53.95	15.12	12.41
	(Less): Loss on sale of investments	(28.38)	(9.94)	(1.26)
III.	Profit on revaluation of investments	-	-	-
	(Less): Loss on revaluation of investments	-	-	-
IV.	Profit on sale of land, buildings and other assets	0.38	0.32	0.23
	(Less): Loss on sale of land, buildings and other assets	(0.67)	(0.24)	(0.89)
V.	Profit on exchange/derivative transactions	-	-	-
	(Less): Loss on exchange/derivative transactions	-	-	-
VI.	Income earned by way of dividends from subsidiaries, companies and/or joint ventures abroad/in India	-	-	-
VII.	Miscellaneous income1	1,025.02	741.73	861.77
	Total other income	**2,017.76**	**1,256.79**	**1,438.36**

1	**Miscellaneous income**	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
	Income from sale of Priority Sector Lending Certificate	564.90	409.57	433.77
	Debit card issue/maintenance charges	338.69	230.93	348.34
	Others	121.43	101.23	79.66
		1,025.02	**741.73**	**861.77**

	Annexure 20 - Restated Statement of Interest Expended	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
I.	Interest on deposits	4,211.64	4,160.17	3,019.48
II.	Interest on Reserve Bank of India/Inter-bank borrowings	298.37	205.39	408.12
III.	Others	1,187.81	1,134.92	1,081.25
	Total interest expended	**5,697.82**	**5,500.48**	**4,508.85**

	Annexure 21 - Restated Statement of Operating Expenses	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
I.	Payments to and provisions for employees	4,120.66	2,891.86	2,599.27
II.	Rent, taxes and lighting (refer annexure 22.25)	428.97	317.11	287.48
III.	Printing and stationery	74.56	51.83	90.64
IV.	Advertisement and publicity	76.74	50.44	102.93
V.	Depreciation on Bank's property	201.19	170.08	169.04
VI.	Directors' fees, allowances and expenses	14.33	11.34	9.74
VII.	Auditors' fees and expenses	7.73	6.59	8.37
VIII.	Law charges	11.05	0.17	2.42
IX.	Postage, telegrams, telephones, etc.	122.37	114.90	123.04
X.	Repairs and maintenance	94.50	54.02	69.77
XI.	Insurance	57.73	47.71	21.46
XII.	Professional fee	297.93	283.36	245.26
XIII.	Other expenditure[1]	960.20	633.40	538.11
	Total operating expenses	**6,467.96**	**4,632.81**	**4,267.53**

Annexure 21 - Restated Statement of Operating Expenses (cont'd)

1 **Other expenditure**	**Year ended 31 March 2022**	**Year ended 31 March 2021**	**Year ended 31 March 2020**
Travelling and conveyance	100.51	53.40	99.33
Communication expenses	57.79	46.51	26.43
Contribution towards CSR expenses (refer schedule 22.29)	30.63	14.87	3.80
Bank charges	10.08	10.46	13.70
Loss on securitisation	-	6.97	-
ATM recycler charges	141.12	98.54	121.74
Credit Bureau charges	23.99	15.14	81.68
Business correspondence commission	300.52	197.52	55.19
Miscellaneous expense	295.56	189.99	136.24
	960.20	**633.40**	**538.11**

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

The following disclosures have been made taking into account the requirements of Accounting Standards and Reserve Bank of India (RBI) guidelines

22.1 Capital

A. Capital Adequacy Ratio

The following table sets forth for the year indicated, computation of capital adequacy as per RBI guidelines (under Basel II):

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Common Equity Tier 1 capital (CET 1)/ Paid up share capital and reserves(net of deductions, if any)	10,848.82	9,404.93	8,485.81
Additional Tier 1 capital/ Other Tier 1 capital	-	-	-
Tier 1 capital (I and II)	**10,848.82**	**9,404.93**	**8,485.81**
Tier 2 capital	1,579.85	**1,755.63**	**2,103.34**
Total capital (III and IV)	**12,428.67**	**11,160.56**	**10,589.15**
Total Risk Weighted Assets (RWAs)	**55,693.63**	**37,757.04**	**36,167.66**
CET 1 Ratio	19.48%	24.91%	23.46%
Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	19.48%	24.91%	23.46%
Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	2.84%	4.65%	5.82%
Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	**22.32%**	**29.56%**	**29.28%**
Leverage Ratio	**10.05%**	**11.91%**	**12.04%**
Percentage of the shareholding of			
a) Government of India	-	-	-
Amount of paid-up equity capital raised during the year	1,571.70	-	71.74
Amount of non-equity Tier 1 capital raised during the year, of which:			
Perpetual Non Cumulative Preference Shares (PNCPS)	-	-	-
Perpetual Debt Instruments (PDI)	-	-	-
Amount of Tier 2 capital raised; of which:	-	-	-
Debt capital instruments (discounted value)*	900.00	1,300.00	1,700.00
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non Cumulative Preference Shares (RNCPS)/ Redeemable Cumulative	-	-	-

* Subordinated debt (considered in Tier 2 capital) outstanding of ₹ 2,000.00 milliion, ₹2,000.00 million, and ₹ 2000.00 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020 respectively.

B. Details of Sub-ordinate debt :

ISIN Number	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on 31 March, 2022	Equivalent Amount as on 31 March, 2021	Equivalent Amount as on 31 March, 2020
INE519Q08020	29 May 2017	12.60%	66	250	250	250
INE519Q08145	20 March 2018	11.30%	75	370	370	370
INE519Q08137	22 March 2018	11.30%	75	380	380	380
INE519Q08152	30 September 2019	12.87%	72	1,000	1,000	1,000

C. Draw down from reserves

During the year ended 31 March 2022, 31 March 2021 and 31 March 2020, there were no drawdown from reserves.

D. Capital infusion

The details of movement in the paid up equity share capital are as below:

Particulars	As on 31 March 2022		As on 31 March 2021		As on 31 March 2020	
	Equity Shares	Amount	Equity Shares	Amount	Equity Shares	Amount
Equity shares at the beginning of the year	6,36,10,481	636.10	6,36,10,481	636.10	5,64,35,981	564.36
Addition pursuant to equity shares issued during the year	99,82,759	99.83	-	-	71,74,500	71.74
Addition pursuant to bonus equity shares issued during the year	14,71,86,480	1,471.87				
Equity shares outstanding at the end of the year	**22,07,79,720**	**2,207.80**	**6,36,10,481**	**636.10**	**6,36,10,481**	**636.10**

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ millions except otherwise stated)

22.2 - Investments

A. Composition of Investment Portfolio as on 31 March 2022

	Total Investments in India							Total Investments outside India				Total Investments
Particulars	**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	11,102.47	-	-	-	-	-	11,102.47	-	-	-	-	11,102.47
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	**11,102.47**	**-**	**-**	**-**	**-**	**-**	**11,102.47**	**-**	**-**	**-**	**-**	**11,102.47**
Available for Sale												
Gross	10,366.70	-	-	103.46	-	-	10,470.16	-	-	-	-	10,470.16
Less: Provision for depreciation and NPI	54.48	-	-	1.86	-	-	56.34	-	-	-	-	56.34
Net	**10,312.22**	**-**	**-**	**101.60**	**-**	**-**	**10,413.82**	**-**	**-**	**-**	**-**	**10,413.82**
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Investments	**21,469.17**	**-**	**-**	**103.46**	**-**	**-**	**21,572.63**	**-**	**-**	**-**	**-**	**21,572.63**
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	54.48	-	-	1.86	-	-	56.34	-	-	-	-	56.34
Net	**21,414.69**	**-**	**-**	**101.60**	**-**	**-**	**21,516.29**	**-**	**-**	**-**	**-**	**21,516.29**

Composition of Investment Portfolio as on 31 March 2021

	Total Investments in India							Total Investments outside India				Total Investments
Particulars	**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	8,654.16	-	-	-	-	-	8,654.16	-	-	-	-	8,654.16
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	**8,654.16**	**-**	**-**	**-**	**-**	**-**	**8,654.16**	-	-	-	-	8,654.16
Available for Sale												
Gross	4,139.71	-	-	-	-	-	4,139.71	-	-	-	-	4,139.71
Less: Provision for depreciation and NPI	0.28	-	-	-	-	-	0.28	-	-	-	-	0.28
Net	**4,139.43**	**-**	**-**	**-**	**-**	**-**	**4,139.43**	-	-	-	-	4,139.43
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	**12,793.87**	**-**	**-**	**-**	**-**	**-**	**12,793.87**	**-**	**-**	**-**	**-**	**12,793.87**
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	0.28	-	-	-	-	-	0.28	-	-	-	-	0.28
Net	**12,793.59**	**-**	**-**	**-**	**-**	**-**	**12,793.59**	**-**	**-**	**-**	**-**	**12,793.59**

Composition of Investment Portfolio as on 31 March 2020

	Total Investments in India							Total Investments outside India				Total Investments
Particulars	**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	5,816.44	-	-	-	-	-	5,816.44	-	-	-	-	5,816.44
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	**5,816.44**	**-**	**-**	**-**	**-**	**-**	**5,816.44**	-	-	-	-	5,816.44
Available for Sale												
Gross	4,253.95	-	-	-	-	-	4,253.95	-	-	-	-	4,253.95
Less: Provision for depreciation and NPI	0.79	-	-	-	-	-	0.79	-	-	-	-	0.79
Net	**4,253.16**	**-**	**-**	**-**	**-**	**-**	**4,253.16**	-	-	-	-	4,253.16
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	**10,070.39**	**-**	**-**	**-**	**-**	**-**	10,070.39	**-**	**-**	**-**	**-**	**10,070.39**
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	0.79	-	-	-	-	-	0.79	-	-	-	-	0.79
Net	**10,069.60**	**-**	**-**	**-**	**-**	**-**	**10,069.60**	**-**	**-**	**-**	**-**	**10,069.60**

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ millions except otherwise stated)

22.2 - Investments (Cont'd)

B. Movement of Provisions for Depreciation and Investment Fluctuation Reserve

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
i. Movement of provisions held towards depreciation on investments			
a) Opening balance	0.28	0.79	-
b) Add: Provisions made during the year	56.34	0.28	0.79
c) Less: Write off / write back of excess provisions during the year	0.28	0.79	-
d) Closing balance	**56.34**	**0.28**	**0.79**
ii. Movement of Investment Fluctuation Reserve			
a) Opening balance	82.82	74.43	31.13
b) Add: Amount transferred during the year	125.42	8.39	43.30
c) Less: Drawdown	-	-	-
d) Closing balance	**208.24**	**82.82**	**74.43**
iii. Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	2.00%	2.00%	1.75%

C. Repurchase transactions

Tri - Party Repo / Reverse Repo

Particulars	Year ended 31 March 2022				Year ended 31 March 2021				Year ended 31 March 2020			
	Minimum outstanding during the year 2021-22	Maximum outstanding during the year 2021-22	Daily Average outstanding during the year 2021-22	Outstanding as on 31 March 2022	Minimum outstanding during the year 2020-21	Maximum outstanding during the year 2020-21	Daily Average outstanding during the year 2020-21	Outstanding as on 31 March 2021	Minimum outstanding during the year 2019-20	Maximum outstanding during the year 2019-20	Daily Average outstanding during the year 2019-20	Outstanding as on 31 March 2020
Securities sold under repo[1]												
i. Government securities	539.70	8,691.20	5,674.19	8,395.61	539.70	4,062.62	2,502.18	539.70	-	3,434.16	804.68	988.72
ii. Corporate debt securities	-	-	-	-	-	-	-	-	-	-	-	-
iii. Any Other Securities	-	-	-	-	-	-	-	-	-	-	-	-
Securities purchased under reverse repo[1]										-	-	-
i. Government securities	3,038.43	13,379.97	7,516.12	9,786.72	3,225.86	13,251.93	8,283.89	9,053.85	-	11,552.99	6,138.66	8,590.83
ii. Corporate debt securities	-	-	-	-	-	-	-	-	-	-	-	-
iii. Any Other Securities	-	-	-	-	-	-	-	-	-	-	-	-

Amount reported are based on the Face value of securities under Repo and Reverse Repo.

Qualitative disclosure

The Bank applied for the segment of Tri Party Repo ('TREP's) on November 30, 2018 and received the membership approval on March 05, 2019. The Bank has commenced the Treps borrowing and lending w.e.f. March 18, 2019 after requisite collateral and default funds were in place. The Bank was a participant in the segment for a total of 13 days in FY 2018-19.

The Bank has commenced the reverse repo borrowing and lending w.e.f. March 18, 2019 after requisite collateral and default funds were in place.

The Bank applied for the segment of Repo/Reverse repo post receipt of scheduled bank license from the RBI and received the approval for the said segment. The Bank has commenced the Repo and Reverse repo operation w.e.f. August 01, 2019 after requisite collateral and default funds were in plac

The securities provided/allotted to the Bank till date for reverse repo transactions are all issued by Government of India in the form of government securities, floating rate bonds and T-Bills.

Fincare Small Finance Bank Limited
Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ millions except otherwise stated)

22.2 - Investments (Cont'd)
D. Non-SLR investment portfolio
a) Issuer composition of Non-SLR investments
As on 31 March 2022

	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
i	PSUs	-	-	-	-	-
ii	FIs	103.46	-	-	-	-
iii	Banks	-	-	-	-	-
iv	Private Corporates	-	-	-	-	-
v	Subsidiaries/ Joint Ventures	-	-	-	-	-
vi	Others	-	-	-	-	-
vii	Provision held towards depreciation	(1.86)	-	-	-	-
	Total *	**101.60**				

As on 31 March 2021 and 31 March 2020; there was no Non - SLR investments.

b) Non-performing Non-SLR investments
During the year ended 31 March 2022, 31 March 2021 and 31 March 2020; there are no non performing Non - SLR investments.

E. Sale and Transfer to/from HTM Category

During the years ended 31 March, 2022 and 31 March, 2021, the Bank has not sold/ transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the extant RBI guidelines, sale of securities to the RBI under liquidity management operations of RBI like Open Market Operations (OMO) and the Government Securities Acquisition Programme (GSAP) and sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.

During the year ended 31 March 2020 , there was no sale/ transfer to/ from HTM category.

22.3 - Derivatives

During the years ended 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively; the Bank has not undertaken any derivative transaction and there is no outstanding position as on the year end. Hence, disclosures related to forward rate agreement / interest rate swap and exchange traded interest rate derivatives are not provided.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ millions except otherwise stated)

22.4 - Asset quality

A. Classification of advances and provisions held

	As on 31 March 2022						As on 31 March 2021					
	Standard	Non-Performing				Total	Standard	Non-Performing				Total
Particular	**Total Standard Advances**	**Sub-standard**	**Doubtful**	**Loss**	**Total Non-Performing Advances**		**Total Standard Advances**	**Sub-standard**	**Doubtful**	**Loss**	**Total Non-Performing Advances**	
Gross Standard Advances and NPAs												
Opening Balance	51,527.01	2,202.65	123.16	1,210.04	3,535.85	55,062.86	47,958.33	241.04	43.88	162.26	447.18	48,405.51
Add: Additions during the year					10,984.62						3,571.17	
Less: Reductions during the year*					8,788.22						482.50	
Closing balance	67,865.40	5,283.69	361.17	87.39	5,732.25	73,597.65	51,527.01	2,202.65	123.16	1,210.04	3,535.85	55,062.86
***Reductions in Gross NPAs due to:**												
i) Upgradation					4,270.93	4,270.93					35,711.76	35,711.76
ii) Recoveries (excluding recoveries from upgraded accounts)					822.21	822.21					14.27	14.27
iii) Technical/ Prudential16 Write-offs					3,683.97	3,683.97					339.31	339.31
iv) Write-offs other than those under (iii) above					11.11	11.11						
Provisions (excluding Floating Provisions)												
Opening balance of provisions held	1,116.14	805.61	36.10	1,210.04	2,051.75	3,167.89	1,061.02	74.60	12.85	162.26	249.71	1,310.73
Add: Fresh provisions made during the year					7,687.70						2,110.78	
Less: Excess provision reversed/ Write-off loans					6,505.47						308.74	
Closing balance of provisions held	534.21	3,032.02	114.57	87.39	3,233.98	3,768.19	1,116.14	805.61	36.10	1,210.04	2,051.75	3,167.89
Net NPAs												
Opening Balance		1,397.04	87.06	-	1,484.10			166.44	31.03	-	197.47	
Add: Fresh additions during the year					3,296.90						1,501.19	
Less: Reductions during the year					2,282.73						214.56	
Closing Balance		2,251.67	246.60	-	2,498.27			1,397.04	87.06	-	1,484.10	
Floating Provisions												
Opening Balance						-						-
Add: Additional provisions made during the year						-						-
Less: Amount drawn down during the year						-						-
Closing balance of floating provisions						-						-
Technical write-offs and the recoveries made thereon												
Opening balance of Technical/ Prudential written-off accounts						2,103.74						1,781.39
Add: Technical/ Prudential write-offs during the year						3,683.97						339.32
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						82.57						16.97
Closing balance						5,705.14						2,103.74

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

*The Bank has changed the estimate relating to provision on non-performing assets during the third quarter of financial year 21-22 which was earlier done basis NPA days to base provision rate as per RBI and accelerated provision based on days past due of the customer. The impact on account of these change in estimate is decrease in provision towards NPA by Rs. 759.10 million and increase in the Profit after tax by Rs. 568.00 million.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ millions except otherwise stated)

A. Classification of advances and provisions held (Cont'd)

	As on 31 March 2020					
	Standard	Non-Performing				Total
Particular	**Total Standard Advances**	**Sub-standard**	**Doubtful**	**Loss**	**Total Non-Performing Advances**	
Gross Standard Advances and NPAs						
Opening Balance	28,407.46	127.98	17.85	213.09	358.92	28,766.38
Add: Additions during the year					743.30	
Less: Reductions during the year*					655.04	
Closing balance	47,958.32	241.04	43.88	162.26	447.18	48,405.50
***Reductions in Gross NPAs due to:**						
i) Upgradation					159.34	159.34
ii) Recoveries (excluding recoveries from upgraded accounts)					41.34	41.34
iii) Technical/ Prudential16 Write-offs					454.36	454.36
iv) Write-offs other than those under (iii) above					-	-
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	125.70	46.32	4.58	213.09	263.99	389.69
Add: Fresh provisions made during the year					484.62	
Less: Excess provision reversed/ Write-off loans					498.90	
Closing balance of provisions held	1,061.02	74.60	12.85	162.26	249.71	1,310.73
Net NPAs						
Opening Balance		81.66	13.27	-	94.93	
Add: Fresh additions during the year					453.82	
Less: Reductions during the year					351.28	
Closing Balance		166.44	31.03	-	197.47	
				-		
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						-
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						1,343.29
Add: Technical/ Prudential write-offs during the year						454.36
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						16.27
Closing balance						1,781.38

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

During the year ended 31 March 2020, the Bank has revised the accounting estimate for writing off loan portfolio in accordance with the resolution passed by the Board of Directors. As a result, the loans written off during the year ended 31 March 2020 is higher by ₹ 175.00 million. However, the not have an impact on the results for the year.

B. Ratios	**As on 31 March 2022**	**As on 31 March 2021**	**As on 31 March 2020**
Gross NPA to Gross Advances	7.79%	6.42%	0.92%
Net NPA to Net Advances	3.55%	2.80%	0.41%
Provision Coverage Ratio*	78.16%	73.68%	91.14%

* Provision Coverage Ratio is computed after considering Technical Write Offs"

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.4 Asset quality (cont'd)

C. Particulars of accounts restructured for year ended 31 March, 2022 (As per RBI circular no. RBI/DOR/2021-22/83 DOR.ACC.REC.NO.45/21.04.018/2021-22 dated 30 August 2021, this note has been discontinued from financial year 2021-22)

C. Particulars of accounts restructured for year ended 31 March, 2021

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	49	-	15	64	-	49	-	15	64
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	0.17	-	0.11	0.28	-	0.17	-	0.11	0.28
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.09	-	0.11	0.20	-	0.09	-	0.11	0.20
Fresh restructuring during the year	No. of borrowers[1]	-	-	-	-	-	-	-	-	-	-	238	14,326	-	-	14,564	238	14,326	-	-	14,564
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	8.18	548.84	-	-	557.02	8.18	548.84	-	-	557.02
	Provision there-on	-	-	-	-	-	-	-	-	-	-	2.33	138.91	-	-	141.24	2.33	138.91	-	-	141.24
Upgradations to restruc- tured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the FY	No. of borrowers[2]	-	-	-	-	-	-	-	-	-	-	(14)	(14)	-	28	-	(14)	(14)	-	28	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(0.41)	(0.36)	-	0.77	-	(0.41)	(0.36)	-	0.77	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.39)	(0.38)	-	0.77	-	(0.39)	(0.38)	-	0.77	-
Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(13)	-	(10)	(23)	-	(13)	-	(10)	(23)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.04)	-	(0.10)	(0.14)	-	(0.04)	-	(0.10)	(0.14)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	(0.02)	-	(0.10)	(0.12)	-	(0.02)	-	(0.10)	(0.12)
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(31)	-	(5)	(36)	-	(31)	-	(5)	(36)
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.10)	-	(0.01)	(0.11)	-	(0.10)	-	(0.01)	(0.11)
	Provision there	-	-	-	-	-	-	-	-	-	-	-	(0.05)	-	0.00	(0.05)	-	(0.05)	-	0.00	(0.05)
Restructured Accounts as on 31 March of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	224	14,317	-	28	14,569	224	14,317	-	28	14,569
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	7.77	548.51	-	0.77	557.05	7.77	548.51	-	0.77	557.05
	Provision there-on	-	-	-	-	-	-	-	-	-	-	1.94	138.56	-	0.77	141.27	1.94	138.56	-	0.77	141.27

1 Out of 14,326 accounts, 14,231 restructured accounts have been provided additional finance as a part of resolution plan which was initially classified as standard as per Prudential Framework for resolution of stressed assets dated 7 June 2019. The amount outstanding and provision thereon, towards such additional finance is 332.52 million and 83.92 million respectively as on 31 March, 2021.

2 Additional finance, with an amount outstanding and provision thereon of ₹ 13.20 million and 3.9 million respectively as on 31 March, 2021 was downgraded to sub-standard during the year ended 31 March, 2021.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.4 Asset quality (cont'd)

C. Particulars of accounts restructured during the year ended 31 March, 2020

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	164	-	-	164	-	164	-	-	164
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	1.63	-	-	1.63	-	1.63	-	-	1.63
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.82	-	-	0.82	-	0.82	-	-	0.82
Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradations to restruc- tured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(15)	-	15	-	-	(15)	-	15	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.11)	-	0.11	-	-	(0.11)	-	0.11	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	(0.06)	-	0.06	-	-	(0.06)	-	0.06	-
Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(23)	-	-	(23)	-	(23)	-	-	(23)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.24)	-	-	(0.24)	-	(0.24)	-	-	(0.24)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	(0.12)	-	-	(0.12)	-	(0.12)	-	-	(0.12)
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(77)	-		(77)	-	(77)	-	-	(77)
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(1.11)	-		(1.11)	-	(1.11)	-	-	(1.11)
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	(0.56)	-		(0.56)	-	(0.56)	-	-	(0.56)
Restructured Accounts as on 31 March of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	49	-	15	64	-	49	-	15	64
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	0.17	-	0.11	0.28	-	0.17	-	0.11	0.28
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.09	-	0.11	0.20	-	0.09	-	0.11	0.20

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.4 - Asset quality (cont'd)

D. Details of Restructured Account as per Circular no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 07 June 2019

Particulars		Agriculture and allied activities as on 31 March			Corporates (excluding MSME) as on 31 March			Micro small and medium enterprises as on 31 March			Retail (excluding agriculture and MSME) as on 31 March			Total as on 31 March		
		2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Standard	No. of Borrowers	2,447	224	-	-	-	-	-	-	-	-	-	-	2,447	224	-
	Gross Amount[1]	45.50	7.80	-	-	-	-	-	-	-	-	-	-	45.50	7.80	-
	Provision held	0.20	1.90	-	-	-	-	-	-	-	-	-	-	0.20	1.90	-
Sub-standard	No. of Borrowers	38,854	14,317	49	-	-	-	-	-	-	-	-	-	38,854	14,317	49
	Gross Amount	874.50	548.40	0.17	-	-	-	-	-	-	-	-	-	874.50	548.40	0.17
	Provision held	400.20	138.50	0.09	-	-	-	-	-	-	-	-	-	400.20	138.50	0.09
Doubtful	No. of Borrowers	72	28		-	-	-	-	-	-	-	-	-	72	28	-
	Gross Amount	1.90	0.80		-	-	-	-	-	-	-	-	-	1.90	0.80	-
	Provision held	1.90	0.80		-	-	-	-	-	-	-	-	-	1.90	0.80	-
Loss	No. of Borrowers	-	-	15	-	-	-	-	-	-	-	-	-	-	-	15
	Gross Amount	-	-	0.11	-	-	-	-	-	-	-	-	-	-	-	0.11
	Provision held	-	-	0.11	-	-	-	-	-	-	-	-	-	-	-	0.11
Total	No. of Borrowers	41,373	14,569	64	-	-	-	-	-	-	-	-	-	41,373	14,569	64
	Gross Amount	921.90	557.00	0.28	-	-	-	-	-	-	-	-	-	921.90	557.00	0.28
	Provision held	402.30	141.20	0.20	-	-	-	-	-	-	-	-	-	402.30	141.20	0.20

1 Excludes interest accrued

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.4 - Asset quality (cont'd)

E. Details of 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 May 05, 2021 (Resolution Framework 2.0) As on 31 March, 2022 are given below:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position As on the end of the previous half-year (i.e. 30 September, 2021) (A)2 1	Of (A), aggregate debt that slipped into NPA during the half-year ended 31 March 2022	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 on the end of this half-year (i.e.31 March 2022)3
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	2,597.74	1,067.34	26.57	290.08	1,213.75
Total	**2,597.74**	**1,067.34**	**26.57**	**290.08**	**1,213.75**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

The amounts mentioned in above table does not include interest accrued as on the date of implementation of the plan.

1 Includes cases where the resolution plan implemented after 30 September 2021

2 Represents fund based outstanding as of 30 September 2021

3 Represents fund based outstanding as of 31 March 2022

Particulars of accounts restructured for the year ended 31 March 2021 as per the RBI notification on Resolution framework for COVID-19- related stress dated 06 August 2020

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan[2]	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons[1]	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	35,826	412.26	-	825.99	214.17
Total	**35,826**	**412.26**	**-**	**825.99**	**214.17**

1 As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

2 This amount does not include interest accrued as on the date of implementation of the plan.

This disclosure was not applicable as on March 31, 2020

F. Disclosure on implementation of resolution plan as required under RBI circular dated June 7,2019 on Prudential Framework for Resolution of Stress Assets

Particulars	Financial Year 2021-22		Financial Year 2020-21		Financial Year 2019-20	
	Resolution Plan implemented	Resolution Plan not implemented	Resolution Plan implemented	Resolution Plan not implemented	Resolution Plan implemented	Resolution Plan not implemented
No.of borrowers where timeline for implementation of resolution plan was before 31st March 2022	59,799	Nil	14,564	Nil	Nil	Nil
Fund based outstanding as on 31st March 2022	1,280.05	Nil	557.02	Nil	Nil	Nil
Additional provision held as per RBI circular of June 7,2019	5.36	Nil	141.24	Nil	Nil	Nil

G. Disclosure on the scheme for MSME sector - restructuring of advances

During the year ended 31 March 2022, 2021 and 2020, the Bank has not done any MSME restructuring.

H. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

The Bank has not sold any financial assets during the year ended 31 March 2022, 31 March 2021 and 31 March 2020 to securitisation / reconstruction company for asset reconstruction.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.4 - Asset quality (cont'd)

I. Details of non-performing financial assets purchased / sold

The Bank has not purchased or sold any non performing financial assets during the year ended 31 March 2022, 31 March 2021 and 31 March 2020.

J. Provisions towards standard assets

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Provisions towards standard assets	534.21	1,116.14	1,061.02
	534.21	**1,116.14**	**1,061.02**

K. Sector-wise Advances and Gross NPAs

Sector[1]	As on 31 March 2022			As on 31 March 2021			As on 31 March 2020		
	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector
A. Priority Sector									
Agriculture and allied activities	41,435.19	3,401.54	8.21%	29,801.48	1,848.47	6.20%	27,952.58	208.90	0.75%
- Small & Marginal Farmers	30,752.46	2,897.04	9.42%	23,746.87	1,482.91	6.24%	23,856.10	113.53	0.48%
- Agriculture-Others	10,682.73	504.50	4.72%	6,054.61	365.56	6.04%	4,096.48	95.37	2.33%
Advances to industries sector eligible as priority sector lending	201.13	2.69	1.34%	9.24	1.00	10.87%	10.48	2.70	25.71%
Services	1,340.71	11.39	0.85%	5,288.52	737.09	13.94%	9,558.31	84.68	0.89%
Personal loans	20,495.24	1,784.25	8.71%	12,026.68	333.53	2.77%	3,091.59	30.46	0.99%
Sub-total (A)	**63,472.27**	**5,199.87**	**8.19%**	**47,125.92**	**2,920.09**	**6.20%**	**40,612.96**	**326.74**	**0.80%**
B. Non Priority Sector									
Agriculture and allied activities	931.10	26.02	2.79%	234.92	5.50	2.34%	0.74	-	0.00%
Industry	689.19	22.27	3.23%	115.78	1.70	1.47%	14.33	0.50	3.50%
Services	1,543.61	19.00	1.23%	516.00	9.30	1.80%	103.01	2.92	2.82%
Personal loans	6,961.55	465.09	6.68%	7,070.33	599.26	8.48%	7,674.46	117.02	1.52%
Sub-total (B)	**10,125.45**	**532.38**	**5.26%**	**7,937.03**	**615.76**	**7.76%**	**7,792.54**	**120.44**	**1.55%**
Total (A+B)	**73,597.72**	**5,732.25**	**7.79%**	**55,062.95**	**3,535.85**	**6.42%**	**48,405.50**	**447.18**	**0.92%**

Bank has complied data the data for the purpose of this disclosure from its internal mis system

Provision on Gross NPA ₹ 3233.98 millions as on 31 March 2022, 2051.75 million as on 31 March, 2021 and ₹ 249.71 million as on 31 March 2020

L. (i) Higher provision for Covid 19

India has witnessed multiple waves of COVID-19 pandemic since mid-2020 leading to significant volatility in Indian financial markets and a significant decrease in local economic activities and India is still emerging from the COVID-19 pandemic. Currently, while the number of new COVID-19 cases have reduced significantly and the Government of India is in the process of withdrawing COVID-19 related restrictions , the full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and the Bank's responses thereto, which are highly uncertain at this time.

The Bank continues to carry an additional contingency provision of ₹ 67.00 millions As on 31 March, 2022, which includes the additional provision for the accounts restructured under RBI Resolution framework.

The Bank held an aggregate Covid-19 related provision of ₹ 590.77 million as on 31 March, 2021.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.4 - Asset quality (cont'd)

L. (ii) General provision for COVID 19 deferment cases as per the RBI COVID 19 Regulatory package

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 01, 2020 and May 31, 2020, to all eligible borrowers. In line with the additional Regulatory Package guidelines dated May 23, 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between June 01, 2020 and August 31, 2020.

The quantitative disclosures as required by RBI circular dated April 17, 2020 for the following years: (This disclosure is not applicable as on 31 March 2022)

Particulars	As on 31 March 2021	As on 31 March 2020
- Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the circular (as of 29 February 2020)	478.68	478.68
- Of the above, respective amounts where asset classification benefits is extended	339.56	408.31
- Provision made in terms of paragraph 5 of the COVID-19 Regulatory Package during the period / year		
- In Q4 FY 2020	26.80	26.80
- In Q1 FY 2021	26.80	-
- Provision adjusted against slippages during the period / year in terms of paragraph 6 of the COVID 19 Regulatory Package	53.60	-
- Residual provision held at the period / year ended	-	26.80

(iii) Update on Supreme Court of India order

The Supreme Court, in a writ petition through its interim order dated September 03, 2020, had directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of August 31, 2020 as per the RBI norms, as NPA after August 31, 2020. However, the Bank had made a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 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 this connection, the RBI vide its circular dated April 07, 2021 has provided extant instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified these borrower accounts as per the extant IRAC norms with effect from September 01, 2020 and utilised the above Covid-19 related provision towards provision on these accounts.

M. Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets / NPAs as on 31 March 2022, 31 March 2021 and 31 March 2020 and also no overseas operations were undertaken during the year. Hence revenue from overseas operation in 'Nil'.

N. Divergence in asset classification and provisioning

There was no divergence observed by the RBI for the FY 2021-22, 2020-21, 2019-20 and Bank is not in receipt of any communication from RBI in this regard for FY 2021-2022, 2020-21 and 2019-20.

O. Disclosure of provision for fraud

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Number of frauds reported during the year to the RBI	43	35	47
Amount involved in such frauds	7.07	85.90	4.79
Provision made during the year (net of recovery)	1.80	83.57	3.80
Unamortised provision debited from other reserves as at the year end	-	-	-

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

The following disclosures have been made taking into account the requirements of Accounting Standards and Reserve Bank of India (RBI) guidelines

22.5 Business ratios

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
(i) Interest income as a percentage to working funds[1]	15.46%	15.88%	18.18%
(ii) Non interest income as a percentage to working funds[1]	2.24%	1.62%	2.47%
(iii) Cost of Deposits[5]	7.35%	8.19%	8.64%
(iv) Net Interest Margin[6]	9.98%	9.62%	14.60%
(v)Operating profit[2] as a percentage to working funds[1]	4.61%	4.63%	5.74%
(vi) Return on assets (average)[7]	0.09%	1.44%	2.44%
(vii) Business[3] per employee[4]	104	11.47	9.62
(viii) Profit per employee[4]	0.09	0.15	0.23

1 For the purpose of computing the ratio, working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to the RBI under Section 27 of the Banking Regulation Act, 1949.

2 Operating profit is net profit for the year before provisions and contingencies.

3 Business is monthly average of advances and deposits (net of inter bank deposits) as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.

4 Productivity ratios are based on average employee number.

5 For the purpose of computing the ratio,Interest represents interest on deposit and deposit represent the monthly average of total deposit computed for reporting dates of Form X submitted to the RBI under Section 27 of the Banking Regulation Act, 1949.

6 Net Interest Income/ Average Earning Assets where Net Interest Income= Interest Income – Interest Expense and Average earning assets is monthly average of advances, Investments and money at call and short notice as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.

7 Return on Assets would be with reference to average working funds (i.e., total of assets excluding accumulated losses, if any).

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.6 Asset liability management (ALM)

i) Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank As on 31 March 2022.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months & up to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	1,592.48	845.94	2,015.43	405.69	1,260.91	1,274.61	5,331.29	16,090.49	33,725.69	1,873.89	139.38	64,555.80
Advances[2, 3]	221.52	687.20	1,027.45	1,618.58	3,782.82	4,049.91	10,938.80	17,309.72	20,587.97	4,888.19	5,251.58	70,363.74
Investments	4,948.08	222.55	254.46	431.70	204.30	230.82	1,573.25	7,760.77	5,390.34	475.74	24.28	21,516.29
Borrowings[1]	-	3,280.43	1,100.00	300.00	65.00	338.30	1,834.68	4,204.36	14,914.74	3,321.04	76.88	29,435.43
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

ii) Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank As on 31 March, 2021.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	512.41	598.31	741.71	462.02	1,126.51	1,153.70	5,160.31	11,758.70	28,916.96	2,753.65	0.70	53,184.98
Advances[2, 3]	164.80	470.12	747.08	1,493.93	3,039.43	3,236.19	8,897.99	14,095.47	15,608.29	3,140.00	2,117.90	53,011.20
Investments	3,996.80	194.30	183.40	333.80	142.70	159.80	780.00	1,674.99	4,655.50	672.20	0.10	12,793.59
Borrowings[1]	-	-	180.00	-	-	83.30	1,286.34	1,864.50	7,401.71	3,091.04	97.45	14,004.34
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

iii) Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank As on 31 March, 2020.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	112.20	696.33	523.10	862.98	953.48	1,783.33	8,447.06	6,347.32	26,169.18	642.23	2.12	46,539.33
Advances[2, 3]	-	17.89	11.66	136.33	172.54	2,386.94	8,107.77	14,618.38	19,308.00	1,937.19	1,459.09	48,155.79
Investments	2,781.92	146.17	92.69	292.56	214.64	161.83	1,275.00	1,017.18	3,786.71	151.51	149.39	10,069.60
Borrowings[1]	-	-	367.50	-	-	243.77	1,610.40	1,898.63	6,211.32	2,350.00	1,000.00	13,681.62
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N.A.
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N.A.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

Notes:

1 The above borrowings exclude interest accrued and due and interest accrued but not due.

2 The advances comprise of portfolio loan and does not include interest accrued and not due.

3 Includes interest bearing loans only and excluding loans pledged as collateral.

4 Classification of assets and liabilities under the different maturity buckets is based on the estimates and assumptions used by the Bank for compiling the structural liquidity statement submitted to the RBI. This has been relied upon by the auditor.

5 In view of the COVID-19 pandemic, the Reserve Bank of India announced measures to support the economy and the financial system. The measures permit banks to offer a moratorium or deferment on all term loans or working capital facilities outstanding as on March 01, 2020. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows as on 31 March, 2020 on borrower accounts have been suitably adjusted for the moratorium given to customers by the Bank upto May 31, 2020, based on the information available upto a point in time.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.7 - Segment reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury
The treasury segment primarily consists of entire investment portfolio of the Bank.

b) Corporate/Wholesale banking
Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking.

c) Retail banking
The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

d) Other banking operations
Other Banking operations include other items not attributable to any particular business segment.

e) Unallocated
All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities.

Geographical segments
The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

Business segments	**Treasury**		**Corporate/Wholesale Banking**		**Retail Banking**		**Other Banking Operations**		**Total**	
Particulars	**31 March 2022**	**31 March 2021**	**31 March 2022**	**31 March 2021**	**31 March 2022**	**31 March 2021**	**31 March 2022**	**31 March 2021**	**31 March 2022**	**31 March 2021**
Revenue	1,245.06	1,033.49	49.90	215.72	15,181.54	12,517.94	-	-	16,476.50	13,767.15
Result	732.91	574.70	33.32	76.50	663.66	1,913.50	-	-	1,429.89	2,564.70
Unallocated expenses									1,372.43	1,100.51
Operating profit									**57.46**	**1,464.19**
Income taxes									(31.25)	332.80
Extraordinary Profit/Loss									-	-
Net profit									**88.71**	**1,131.39**
Other information:										
Segment assets	35,852.97	24,474.19	316.88	785.71	70,947.61	52,870.61	-	-	1,07,117.45	78,130.51
Unallocated assets									1,941.58	1,540.22
Total assets									**1,09,059.03**	**79,670.73**
Segment liabilities	16,608.63	4,555.04	110.14	298.31	77,354.76	63,673.50	-	-	94,073.52	68,526.85
Unallocated liabilities									14,985.51	11,143.88
Total liabilities									**1,09,059.03**	**79,670.73**

Business segments	**Treasury**	**Corporate/Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Total**
Particulars	**31 March 2020**	**31 March 2020**	**31 March 2020**	**31 March 2020**	**31 March 2020**
Revenue	949.20	331.60	10,876.40	-	12,157.20
Result	300.47	173.00	2,596.80	-	3,070.27
Unallocated expenses					1,043.02
Operating profit					**2,027.25**
Income taxes					592.76
Net profit					**1,434.49**
Other information:					
Segment assets	21,034.20	2,560.10	46,765.70		70,360.00
Unallocated assets					811.28
Total assets					**71,171.28**
Segment liabilities	5,723.00	1,030.70	54,352.50	-	61,106.20
Unallocated liabilities					10,065.08
Total liabilities					**71,171.28**

Note:

1 The Bank does not have any operations under the "Other Banking Operations" segment for the years ended 31 March, 2022, 31 March, 2021 and 31 March, 2020. Hence the same has not been disclosed in the table above.

2 In computing the above disclosure, certain assumptions and estimates are made by the management which have been relied upon by the auditor.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.8 - Related party disclosure

A. *Description of relationship*	*Nature of relationship*
i) Parties where control exists	
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company (w.e.f September 16, 2016)
ii) Key management personnel	
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer (w.e.f. May 01, 2017)
Mr. Keyur Doshi	Chief Financial Officer (w.e.f May 01, 2017)
Ms. Shefaly Kothari	Company Secretary (w.e.f February 23, 2017)
iii) Other related parties	
Lok Management Services Private Limited[1]	Entities under common control and shareholder
Mr. Rakesh Rai, Ms. Komal Keyur Doshi, Mr. Parth Keyur Doshi, Mr. Gopalbhai Doshi, Ms. Sarojben Doshi, Dr. Poonam Yadav, Mr. Viraj Yadav, Ms. Nysa Yadav, Ms. Saroj Khola, Mr. H S Khola and Ms. Rekha Prafulchandra Kothari	Relatives of key management personnel

Note:

1 Lok Management Services Private Limited had applied to the National Company Law Tribunal (NCLT) for amalgamation with Fincare Business Services Limited with an appointed date of the scheme is April 01, 2019. On obtaining the NCLT order dated March 05, 2020, Lok Managember Services Private Limited ceased to exist and has merged with Fincare Business Services Limited.

B. ***The transactions with related parties during the year :***

Nature of transaction	Relationship			31 March 2022	31 March 2021	31 March 2020
Issue of equity shares		No. of Equity Shares	Value per Share			
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company			-	-	57.43
Lok Management Services Private Limited	Entities under common control and shareholder			-	-	10.61
Mr. Rajeev Yadav	Key management personnel	101	10	0.00	-	-
Mr. Keyur Doshi	Key management personnel	68,171	10	0.68	-	-
Relative of key management personnel	Relative of key management personnel	5,68,644	10	5.69	-	-
Issue of Bonus shares						
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	11,56,59,712	10	1,156.60	-	-
Mr. Rajeev Yadav	Key management personnel	224	10	0.00	-	-
Mr. Keyur Doshi	Key management personnel	1,63,964	10	1.64	-	-
Relative of key management personnel	Relative of key management personnel	12,28,168	10	12.28	-	-
Securities premium on equity shares						
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company			-	-	697.57
Lok Management Services Private Limited	Entities under common control and shareholder			-	-	128.93
Mr. Rajeev Yadav	Key management personnel			0.02	-	-
Mr. Keyur Doshi	Key management personnel			10.91	-	-
Relative of key management personnel	Relative of key management personnel			90.98	-	-
Managerial remuneration / remuneration for KMP						
Mr. Rajeev Yadav	MD & Chief Executive Officer			38.57	29.52	39.06
Mr. Keyur Doshi	Chief Financial Officer			13.73	12.12	12.46
Ms. Shefaly Kothari	Company Secretary			3.16	2.81	2.22

22.8 - Related party disclosure (cont'd)

B. *The transactions with related parties during the year (cont'd) :*

Nature of transaction	Relationship	31 March 2022	31 March 2021	31 March 2020
Term deposits made with the Bank [1]				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	269.86	676.54	-
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	0.07
Ms. Shefaly Kothari	Key Management Personnel	-	-	-
Mr. Keyur Doshi	Key Management Personnel	-	-	-
Mr. Rajeev Yadav (31 March, 2021: ₹ 3,000)	Key Management Personnel	-	0.00	0.58
Relative of key management personnel	Relative of key management personnel	1.93	22.88	8.36
Term deposits matured (Inclusive of Interest) [1]				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	233.91	677.09	-
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	0.07
Mr. Rajeev Yadav	Key Management Personnel	0.00	-	0.60
Ms. Shefaly Kothari	Key Management Personnel	-	-	0.25
Relative of key management personnel	Relative of key management personnel	3.48	4.03	2.26
Interest expense on term deposits				
Mr. Rajeev Yadav	Key management personnel	0.05	0.06	0.06
Mr. Keyur Doshi	Key management personnel	0.01	0.01	0.01
Ms. Shefaly Kothari	Key management personnel	-	-	0.02
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	1.46	0.56	-
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	-
Relative of key management personnel	Relative of key management personnel	3.38	2.81	1.04
Interest expense on Sub Debts				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	0.39	31.56
Relative of key management personnel	Relative of key management personnel	0.13	-	-
Interest expense on Saving account				
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	0.00	0.01	-
Mr. Keyur Doshi	Chief Financial Officer	0.07	0.01	0.00
Ms. Shefaly Kothari	Company Secretary	0.02	0.01	0.02
Relative of key management personnel	Relative of key management personnel	4.19	1.19	0.21

1 Deposits made with the Bank and deposits matured during the financial years ended 31 March, 2022, 31 March, 2021 and 31 March, 2020, exclude reinvestment transactions.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.8 - Related party disclosure (cont'd)

C. ***Closing balance of the transactions with related parties :***

Nature of transaction	Relationship	31 March 2022	31 March 2021	31 March 2020
Deposit balance (savings and term deposit)				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	35.94	-	-
Mr. Rajeev Yadav	Key management personnel	0.74	0.68	0.80
Mr. Keyur Doshi	Key management personnel	0.24	0.19	0.18
Ms. Shefaly Kothari	Key management personnel	1.93	0.58	0.20
Relative of key management personnel	Relative of key management personnel	45.33	67.17	19.76
Interest expense payable on deposit balance (savings and term deposit)				
Mr. Rajeev Yadav	Key management personnel	-	-	-
Mr. Keyur Doshi	Key management personnel	-	-	-
Ms. Shefaly Kothari	Key management personnel	-	-	-
Relative of key management personnel	Relative of key management personnel	-	-	-
Sub-debt payable				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	-	186.90
Relative of key management personnel	Relative of key management personnel	1.10	-	-
Interest payable on Sub-debt				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	0.39	0.52
Relative of key management personnel	Relative of key management personnel	0.00	-	-
Current account balance				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	0.81	14.18	0.16
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	0.09

D. ***Maximum outstanding during the year***

Nature of transaction	Relationship	31 March 2022	31 March 2021	31 March 2020
Deposit balance (savings and term deposit)				
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	0.07
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	439.27	900.73	-
Mr. Rajeev Yadav	Key management personnel	0.94	1.08	2.45
Mr. Keyur Doshi	Key management personnel	82.39	2.73	2.96
Ms. Shefaly Kothari	Key management personnel	1.98	0.85	1.74
Relative of key management personnel	Relative of key management personnel	312.23	90.58	26.41
Interest expense payable on deposit balance (savings and term deposit)				
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	-
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	0.14	-	-
Mr. Rajeev Yadav (31 March, 2021:₹ 3,349, 31 March, 2020: ₹ 1,163)	Key management personnel	0.02	0.00	0.00
Mr. Keyur Doshi (31 March, 2021:₹ 1,746, 31 March, 2020: ₹ 1.166)	Key management personnel	0.06	0.00	0.00
Ms. Shefaly Kothari	Key management personnel	0.01	0.01	0.01
Relative of key management personnel	Relative of key management personnel	3.02	0.59	0.04

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.8 - Related party disclosure (cont'd)

D. *Maximum outstanding during the year (cont'd)*

Nature of transaction	Relationship	31 March 2022	31 March 2021	31 March 2020
Sub-debt payable				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	186.90	288.40
Relative of key management personnel	Relative of key management personnel	1.10	-	-
Interest on Sub-debt payable				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	0.39	16.21
Relative of key management personnel	Relative of key management personnel	0.06	-	-
Current account balance				
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	169.50	223.64	873.30
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	5.10

Note:

Lok Management Services Private Limited (LMSPL) had applied to the Regional Director (South East Region), Ministry of Corporate Affairs (MCA), Hyderabad for amalgamation with Fincare Business Services Limited with an appointed date of April 01, 2019. On obtaining the order dated March 05, 2020 from the Regional Director (South East Region), MCA, LMSPL ceased to exist and has been merged with Fincare Business Services Limited.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.9 - Concentration of deposits, advances, exposures and NPAs

A. Concentration of deposits

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Total deposits of twenty largest depositors	11,481.20	8,614.05	8,401.85
Percentage of deposits of twenty largest depositors to total deposits of the Bank	17.78%	16.20%	18.05%

B. Concentration of advances

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Total advances to twenty largest borrowers	1,439.03	892.31	2,078.94
Percentage of advances to twenty largest borrowers to total advances of the Bank	1.99%	1.48%	3.94%

C. Concentration of exposures

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Total exposure to twenty largest borrowers / customers	1,439.03	892.31	2,078.94
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	1.99%	1.48%	3.94%

D. Concentration of NPAs

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Total Exposure to the top twenty NPA accounts	66.44	164.96	40.30
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	1.16%	4.67%	9.01%

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.10 - Liquidity coverage ratio

Quantitative information on Liquidity coverage ratio (LCR) is given below:

The table sets out Quantitative information on LCR for the year ended 31 March, 2022 as follows:

Particulars	Quarter ended 30 June 2021		Quarter ended 30 September 2021		Quarter ended 31 December 2021		Quarter ended 31 March 2022	
	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)
1) Total High Quality Liquid Assets (HQLA)		24,747.79		21,608.90		18,470.54		19,977.99
Cash outflows								
2) Retail deposits and deposits from small business customers, of which:								
- Stable deposits	-	-	-	-	-	-	-	-
- Less stable deposits	32,302.04	3,230.20	34,498.26	3,449.83	36,612.34	3,661.23	37,917.98	3,791.80
3) Unsecured wholesale funding, of which:								
- Operational deposits (all counterparties)	5,298.73	5,298.73	6,601.03	6,601.03	6,091.83	6,091.83	7,394.84	7,394.84
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	2,001.70	708.79	2,398.49	1,009.24	1,310.66	2.56	2,570.00	980.00
5) Additional requirements, of which								
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	368.11	18.41	503.91	25.16	243.80	12.19	622.67	36.20
6) Other contractual funding obligations	677.99	677.97	857.35	857.35	862.28	862.28	949.99	949.99
7) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) Total Cash Outflows		9,934.10		11,942.61		10,630.09		13,152.83
Cash Inflows								
9) Secured lending (e.g. reverse repos)	10,218.90	-	8,579.51	-	-	-	7,385.72	-
10) Inflows from fully performing exposures	3,212.56	1,606.28	3,536.10	1,768.05	3,231.40	1,615.72	3,850.66	1,925.32
11) Other cash inflows	17.58	17.58	11.98	11.98	41.30	41.30	185.00	185.00
12) Other contractual cash inflows	1,008.81	504.40	1,169.85	584.94	1,294.47	647.22	1,241.64	620.82
13) Total Cash Inflows	14,457.85	2,128.26	13,297.44	2,364.97	4,567.17	2,304.24	12,663.02	2,731.14
14) Total HQLA		24,747.79		21,608.90		18,470.54		19,977.99
15) Total Net Cash Outflows		7,805.84		9,577.64		8,325.85		10,421.69
16) Liquidity Coverage Ratio (%)		317.04%		225.62%		221.84%		191.70%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days . In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.10 - Liquidity coverage ratio (cont'd)

Quantitative information on Liquidity coverage ratio (LCR) is given below: (Cont'd)
The table sets out Quantitative information on LCR for the year ended 31 March, 2021 as follows:

Particulars	Quarter ended 30 June 2020		Quarter ended 30 September 2020		Quarter ended 31 December 2020		Quarter ended 31 March 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)
1) Total High Quality Liquid Assets (HQLA)		20,534.22		17,937.62		20,321.94		19,746.88
Cash outflows							-	-
2) Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
- Stable deposits	-	-	-	-	-	-	-	-
- Less stable deposits	24,909.74	2,490.97	27,547.44	2,754.74	29,172.95	2,917.30	30,768.94	3,076.89
3) Unsecured wholesale funding, of which:	-	-	-	-	-	-	-	-
- Operational deposits (all counterparties)	5,963.13	5,963.13	8,111.28	8,111.28	6,818.95	6,818.95	6,532.72	6,532.72
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	3,034.45	382.42	2,843.06	1,039.45	2,063.93	285.33	1,809.10	641.67
5) Additional requirements, of which	-	-	-	-	-	-	-	-
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	273.08	33.38	596.27	29.81	678.29	33.91	258.50	12.93
6) Other contractual funding obligations	536.55	536.55	746.54	746.54	704.17	704.17	927.02	927.02
7) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) Total Cash Outflows		9,406.45		12,681.82		10,759.66		11,191.23
Cash Inflows							-	-
9) Secured lending (e.g. reverse repos)	12,726.84	-	6,800.61	-	9,110.43	-	8,081.11	-
10) Inflows from fully performing exposures	174.16	87.08	507.08	253.53	2,713.27	1,356.64	3,666.58	1,833.29
11) Other cash inflows	274.58	274.55	1,329.50	1,329.50	398.28	398.28	249.44	249.44
12) Other contractual cash inflows	2,029.36	1,014.68	4,455.76	2,227.88	1,918.77	959.39	1,048.11	524.05
12) Total Cash Inflows	15,204.94	1,376.31	13,092.95	3,810.91	14,140.75	2,714.31	13,045.24	2,606.78
13) Total HQLA		20,534.22		17,937.62		20,321.94		19,746.88
14) Total Net Cash Outflows		8,030.14		8,870.91		8,045.35		8,584.45
15) Liquidity Coverage Ratio (%)		255.71%		202.21%		252.59%		230.03%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended 31 March, 2021 and 31 March, 2020. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.10 - Liquidity coverage ratio (cont'd)
Quantitative information on Liquidity coverage ratio (LCR) is given below: (Cont'd)
The table sets out Quantitative information on LCR for the year ended 31 March, 2020 as follows:

Particulars	Quarter ended 30 June 2019		Quarter ended 30 September 2019		Quarter ended 31 December 2019		Quarter ended 31 March 2020	
	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)
1) Total High Quality Liquid Assets (HQLA)		8,547.47		14,182.06		14,222.14		14,187.19
Cash outflows								
2) Retail deposits and deposits from small business customers, of								
- Stable deposits	-	-	-	-	-	-	-	-
- Less stable deposits	9,577.20	957.72	12,552.15	1,255.22	16,126.84	1,612.68	20,863.72	2,086.37
3) Unsecured wholesale funding, of which:								
- Operational deposits (all counterparties)	2,716.61	2,716.61	3,916.23	3,916.22	4,478.58	4,478.58	5,637.41	5,637.41
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	849.82	845.79	571.40	535.00	2,919.08	788.64	1,660.25	500.98
5) Additional requirements, of which								
- Outflows related to derivative exposures and other collateral	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	322.92	258.91	268.00	192.56	332.98	98.98	264.70	57.61
6) Other contractual funding obligations	756.96	756.96	749.12	749.12	732.03	732.03	792.91	792.91
7) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) Total Cash Outflows		5,535.99		6,648.12		7,710.91		9,075.28
Cash Inflows								
9) Secured lending (e.g. reverse repos)	1,785.57	-	7,566.94	-	9,234.67	-	7,307.45	-
	-	-	-	-	-	-	-	-
10) Inflows from fully performing exposures	1,483.54	741.77	1,845.43	922.72	2,112.89	1,056.44	2,577.56	1,288.78
11) Other cash inflows	2,506.40	2,208.46	1,620.27	1,304.06	2,385.21	2,022.11	1,337.80	962.68
12) Total Cash Inflows	5,775.51	2,950.23	11,032.64	2,226.78	13,732.77	3,078.55	11,222.81	2,251.46
13) Total HQLA		8,547.47		14,182.06		14,222.14		14,187.19
14) Total Net Cash Outflows		2,585.76		4,421.34		4,632.37		6,823.82
15) Liquidity Coverage Ratio (%)		330.56%		320.76%		307.02%		207.91%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended 31 March, 2020. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.10 - Liquidity coverage ratio (cont'd)

Qualitative Disclosure around LCR (cont'd)

The Bank maintains Liquidity Coverage Ratio (LCR) which is a ratio of High-Quality Liquid Assets (HQLA) to Expected Net Cash Outflow over the next 30 calendar days, as per the RBI guidelines. Banks were required to meet the minimum required level of 100% LCR with effect from April 01, 2021.

*** As per the RBI guidelines, the minimum LCR required to be maintained by small finance bank shall be implemented in a phased manner from January 01, 2018, as given below:**

Year	Till December 31, 2017	By January 01, 2018	By January 01, 2019	By January 01, 2020	By January 01, 2021
Min LCR	60%	70%	80%	90%	100%

The LCR is being computed and monitored on daily simple average basis. The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors.

The numerator, High Quality Liquid Assets comprises mainly of excess SLR securities, cash, excess CRR balances, Marginal Standing Facility (‘MSF’) to the extent of 3 per cent till December 31, 2021 and 2 per cent from January 01, 2022 of Net Demand and Time Liabilities (‘NDTL’) as guided by the RBI Circular and Facility to Avail Liquidity for Liquidity Coverage Ratio (‘FALLCR’) up to another 15 per cent of NDTL while the denominator i.e. cash outflow over next 30 days comprises mainly of the deposit maturities and other cash outflows net of cash inflows in next 30 day period. The denominator i.e., cash outflows comprise current and savings deposits, term deposits from all counterparties, bank deposits maturing within next 30 days and other contractual outflows including other liabilities. These cash outflows netted off against cash inflows from loan repayment and other contractual inflows within next 30 days.

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Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.11 - Net Stable Fund Ratio

Quantitative information on Net Stable Fund Ratio (NSFR) is given below:

	(Rs.in Crore)	Quarter ended 31 December 2021					Quarter ended 31 March 2022				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
		No maturity[17]	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity[17]	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
ASF Item											
1	**Capital: (2+3)**	114.50	-	-	17.50	132.00	120.19	-	-	17.50	137.69
2	Regulatory capital	114.50	-	-	17.50	132.00	120.19	-	-	17.50	137.69
3	Other capital instruments	-	-	-	-	-	-	-	-	-	-
4	**Retail deposits and deposits from small business customers: (5+6)**	-	52.00	44.05	299.62	376.67	-	61.42	44.77	317.46	402.58
5	Stable deposits	-	-	-	-	-	-	-	-	-	-
6	Less stable deposits	-	52.00	44.05	299.62	376.67	-	61.42	44.77	317.46	402.58
7	**Wholesale funding: (8+9)**	-	111.38	97.01	197.32	230.03	-	129.38	152.19	217.22	284.94
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	-	111.38	97.01	197.32	230.03	-	129.38	152.19	217.22	284.94
10	**Other liabilities: (11+12)**	39.88	-	-	-	-	30.49	-	-	-	-
11	NSFR derivative liabilities	-	-	-	-	-	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	39.88	-	-	-	-	30.49	-	-	-	-
13	**Total ASF (1+4+7+10)**	154.38	163.38	141.06	514.44	738.70	150.68	190.80	196.96	552.18	825.21
RSF Item											
14	Total NSFR high-quality liquid assets (HQLA)					6.32					6.40
15	Deposits held at other financial institutions for operational purposes	1.36	-	-	-	0.68	1.25	-	-	-	0.62
16	**Performing loans and securities: (17+18+19+21+23)**	-	224.14	162.93	276.78	427.49	-	233.93	173.10	307.28	464.52
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	3.77	0.21	0.00	0.68	-	0.96	0.49	1.07	1.45
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	214.24	156.24	214.89	367.90	-	226.00	165.23	236.13	396.32
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
21	Performing residential mortgages, of which:	-	6.13	6.48	61.89	58.91	-	6.97	7.38	70.08	66.75
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-	-	-	-	-	-
24	**Other assets: (sum of rows 25 to 29)**										
25	Physical traded commodities, including gold	-				-	-				-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-		-	-	-	-
27	NSFR derivative assets		-	-	-	-		-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-		-	-	-	-
29	All other assets not included in the above categories	42.83	5.05	-	58.97	104.20	49.01	27.44	5.47	53.36	118.71
30	Off-balance sheet items	6.43	-	-	-	0.32	16.43	-	-	-	0.82
31	**Total RSF (14+15+16+24+29+30)**					539.01					591.07
32	**Net Stable Funding Ratio (%)**					137.05%					139.61%

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

Qualitative Disclosure around NSFR

The Net Stable Funding Ratio (NSFR) is a significant component of the Basel III norms. Post Global Financial Crisis, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. BCBS introduced "Basel III: International framework for liquidity risk measurement, standards and monitoring" in December 2010 which presented a global regulatory standard on liquidity viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for measuring and monitoring liquidity profile of the Banks. Subsequently, the Reserve Bank of India introduced detailed guidelines for measuring LCR and NSFR.

The NSFR promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. The Asset Liability Management (ALM) Policy approved by the Board covers overall governance around liquidity profile of the Bank. The Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance/limits set by the Board.

The guidelines for NSFR were effective from December 1, 2021. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required Stable Funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by the Bank. The minimum NSFR requirement set out in the RBI guideline is 100%, the Bank has maintained well above the RBI requirement.

This disclosure is effective from 01 December 2021, hence information period prior to December quarter of FY 2021 is not provided

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.12 - Exposures

A. Exposure to Real Estate Sector

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
i) Direct exposure			
a) Residential Mortgages[1, 4] PSL (₹ 237.78 million as on 31 March 2022, ₹ 855.50 million as on 31 March 2021, ₹ 187.65 million as on 31 March 2020)	4,135.59	896.86	203.40
b) Commercial Real Estate[2]	-	-	-
c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures			
i. Residential	-	-	-
ii. Commercial Real Estate	-	-	-
ii) Indirect Exposure[3]	-	-	-
Total	**4,135.59**	**896.86**	**203.40**

1 Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual housing loans eligible for inclusion in priority sector advances shall be shown separately. Exposure would also include non-fund based (NFB) limits.

2 Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multifamily residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;

3 Fund based and non-fund-based exposures on National Housing Bank. and Housing Finance Companies.

4 Loan against property (given for the general business purpose other than real estate) secured against properties having exposure of Rs. 10,908.20 million have not been considered in real estate exposure (31 March 2021 – Rs.6,562.80 million and 31 March 2020 - 5290.46 million)

B. Exposure to capital market

As on 31 March, 2022, 31 March, 2021 and 31 March, 2020 the Bank does not have any exposure to capital market.

C. Factoring exposures

As on 31 March 2022, 31 March 2021 and 31 March 2020, the Bank does not have any factoring exposure.

D. Risk category wise country exposure

The Bank's exposures are concentrated in India only, hence disclosure of country risk exposure as on 31 March, 2022, 31 March, 2021 and 31 March, 2020 is Nil.

E. Details of single borrower limit (SBL) / group borrower limit (GBL) exceeded by the bank

During the years ended 31 March, 2022, 31 March, 2021 and 31 March, 2020, the Bank's credit exposures to single borrowers and group borrowers are within the limits prescribed under extant RBI guidelines.

F. Unsecured advances

Particulars	**As on 31 March 2022**	**As on 31 March 2021**	**As on 31 March 2020**
I) Total unsecured advances of the bank	52,435.17	37,402.85	35,857.81
II) Out of I), 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	-	-	-

G. Intra group exposure

The Bank does not have any intra group advances, hence intra group exposure as on 31 March, 2022, 31 March, 2021 and 31 March, 2020 is 'Nil'.

H. Unhedged Foreign currency Exposure

The Bank does not have any unhedged foreign currency exposure As on 31 March 2022, 31 March 2021 and 31 March 2020.

I. Details of loans transferred / acquired under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021

During the year ended 31 March 2022, 31 March 2021 and 31 March 2020, the Bank has not transferred any non-performing assets (NPAs) or transferred any Special Mention Account (SMA) and loan not in default or aquired any loans not in default through assignment or acquired any stressed loans or purchased non-performing financial assets from other banks or sold non-performing financial assets to other banks.

22.13 - Disclosure of penalties imposed by the RBI

A penalty of ₹ 0.10 million had been levied on the Bank by the RBI vide penalty order PDO.NDS.Bounce 980/08.03.000/2019-20 dated December 26, 2019, on account of a single instance of SGL bounce ocurred on December 10, 2019. No such penalty has been imposed by the RBI for the year ended 31 March, 2022 and 31 March, 2021.
Appropriate control measures have been taken by the Bank internally to prevent such instances from reocurrance.

22.14 - Employee benefits

A. Gratuity

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. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss account and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Particulars	**Year ended 31 March 2022**	**Year ended 31 March 2021**	**Year ended 31 March 2020**
The amounts recognised in the Profit and Loss account are as follows:			
Service cost	44.74	32.80	31.69
Interest cost	7.56	6.13	4.53
Expected return on plan assets	(7.12)	(4.94)	(2.87)
Net actuarial loss on plan assets	(1.53)	(17.66)	10.88
Past Service Cost	-	0.09	0.08
Expense recognised in the Profit and Loss account	**43.65**	**16.42**	**44.31**

Particulars	**As on 31 March 2022**	**As on 31 March 2021**	**As on 31 March 2020**
The amounts recognised in the Balance Sheet are as follows:			
Present value of the obligation As on the end of the year	157.56	118.61	105.76
Fair value of plan assets As on the end of the year	115.40	103.88	64.69
Net liability recognised in the Balance Sheet	**42.16**	**14.73**	**41.07**

22.14 - Employee benefits (cont'd)

A. Gratuity (cont'd)

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Changes in the present value of defined benefit obligation:			
Defined benefit obligation at the beginning of the year	118.61	105.76	61.06
Service cost	44.74	32.80	31.69
Interest cost	7.56	6.13	4.53
Actuarial (gain) / loss	(2.71)	(17.71)	11.77
Benefits paid	(10.61)	(8.37)	(3.29)
Defined benefit obligation at the end of the year	**157.59**	**118.61**	**105.76**
Changes in the fair value of plan assets:			
Fair value at the beginning of the year	103.91	64.69	14.25
Expected return on plan assets	7.12	4.94	2.88
Actuarial gain/(loss)	(1.18)	(0.04)	0.89
Contributions	16.20	38.99	50.04
Employer direct benefit payments	-	3.77	-
Benefits paid	(10.61)	(8.37)	(3.29)
Admin expenses/taxes paid from plan assets	-	(0.09)	(0.08)
Fair value As on the end of the year	**115.44**	**103.89**	**64.69**
Assumptions used in the above valuations are as under:			
Discount rate	7.12%	6.67%	6.03%
Expected return on plan assets	6.67%	6.03%	7.62%
Future salary increase	10.00%	10.00%	11.00%
Attrition rate	30.00%	30.00%	30.00%
Retirement age (years)	60 Yrs	60 Yrs	60 Yrs

Experience adjustments:

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Defined benefit obligation	157.56	118.61	105.76	61.06	32.67
Plan assets	115.40	103.88	64.69	14.25	14.38
Deficit	**42.16**	**14.73**	**41.07**	**46.81**	**18.29**
Experience adjustments on liabilities - (gain) / loss	2.21	2.15	0.10	(1.17)	3.04
Experience adjustments on assets - gain / (loss)	(1.18)	(0.05)	0.89	0.06	(0.70)

B. Defined contribution plan

The Bank makes contributions to the statutory provident fund as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per Accounting Standard (AS) 15. Contributions made during the years ended 31 March, 2022: ₹ 174.62 million, 31 March, 2021: ₹ 127.80 million and 31 March, 2020: ₹ 106.70 million.

C. Compensated absences

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding of ₹127.50 million, ₹102.03 million and ₹ 75.53 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively.

Assumptions used in the above valuations are as under:	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Discount rate	7.12%	6.67%	6.03%
Future salary increase	10.00%	10.00%	11.00%

22.15 - Provisions and contingencies

Provision and contingencies recognised in the Profit and Loss Account comprise:

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Provison for Non-Performing Investments	-	-	-
Provision for non-performing assets (includes bad debts written)[1, 2, 3]	3,660.99	2,096.08	424.42
Provision made towards Income tax			
- current tax	233.85	595.99	791.89
- deferred tax (credit)/charge (refer annexure 22.24)	(265.11)	(263.19)	(304.99)
- MAT credit entitlement	-	-	105.86
Provision for standard assets[2]	(513.61)	(297.94)	935.28
Provision for restructured assets (refer Annexure 22.4C)	1,067.24	381.38	(0.62)
Provision for other contingencies	38.63	(9.90)	(21.79)
	4,221.99	**2,502.42**	**1,930.05**

1 Includes bad debts written off for the years ended 31 March, 2022: ₹ 3,695.10 million,31 March, 2021: ₹ 339.32 million and 31 March, 2020: ₹ 454.36 million.

2 The Bank has changed the estimate relating to incremental provisioning of non-performing assets during third quarter of the financial year 2021-22 based on days past due. The impact on account of the this change in estimate is decrease in provision towards NPA by Rs. 759.10 millions and increase in the Profit after tax by Rs. 568.00 millions.

3 During the year ended 31 March, 2020, the Bank has revised the accounting estimate for writing off loan portfolio in accordance with the resolution passed by the Board of Directors. As a result, the loans written off during the year ended 31 March, 2020 is higher by ₹ 175.04 million. However, the same does not have an impact on the results for the year.

22.16 - Disclosure of complaints

A.Summary information on complaints received by the bank from customers and from the Offices of Ombudsman

	Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
I.	**Complaints received by the bank from its customers**			
	Number of complaints pending at beginning of the year	6	39	7
	Number of complaints received during the year	298	531	501
	Number of complaints disposed during the year	300	564	469
	Of which, number of complaints rejected by the bank	22	36	-
	Number of complaints pending at the end of the year	4	6	39
	B. Awards passed by the Banking Ombudsman			
II.	**Maintainable complaints received by the bank from Office of Ombudsman**			
i.	**Number of maintainable complaints received by the bank from Office of Ombudsman**	107	144	**25**
	a) Number of complaints resolved in favour of the bank from Office of Ombudsman	111	156	25
	b) Number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	3	3	-
	c) Number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-	4	-
ii.	**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

B. 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
	Year ended 31 March 2022					
I.	ATM/Debit cards	-	44	(66%)	-	-
II.	Loans and advances	2	44	69%	1	-
III.	Internet/Mobile/Electronic banking	-	41	(37%)	1	-
IV.	Levy of charges without prior notice/excessive charges/ foreclosure charges	1	13	(38%)	-	-
V.	Staff behaviour	-	9	125%	1	-
VI.	Others	3	147	(49%)	1	-
	Total	6	298		4	-
	Year ended 31 March 2021					
I.	ATM/Debit cards	7	129	(10%)	-	-
II.	Loans and advances	1	26	53%	2	-
III.	Internet/Mobile/Electronic banking	4	65	48%	-	-
IV.	Levy of charges without prior notice/excessive charges/ foreclosure charges	6	21	(60%)	1	-
V.	Staff behaviour		4	(67%)	-	-
VI.	Others	21	286	23%	3	1
	Total	39	531		6	1
	Year ended 31 March 2020					
I.	ATM/Debit cards	-	143	147%	7	2
II.	Loans and advances	1	17	70%	1	3
III.	Internet/Mobile/Electronic banking	1	44	175%	4	-
IV.	Levy of charges without prior notice/excessive charges/ foreclosure charges	-	53	657%	6	-
V.	Staff behaviour		12	140%	-	-
VI.	Others	5	232	130%	21	10
	Total	7	501		39	15

22.17 - Letter of comfort

The Bank has not issued letter of comfort during the years ended 31 March, 2022, 31 March, 2021 and 31 March, 2020.

22.18 - Bancassurance Business

The fees or commission earned in respect of insurance/mutual fund broking business.

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Income for selling life insurance policies	120.73	79.36	59.56
Income from selling non-life insurance policies	7.86	6.48	3.09
Income from selling Mutual Fund Product	-	-	-

22.19 - Off Balance Sheet SPVs Sponsored (which are required to be consolidated as per accounting norms)

There are no off balance sheet SPVs sponsored by the Bank, which needs to consolidated as per accounting norms as on 31 March 2022, 31 March 2021 and 31 March 2020.

22.20 - Disclosure on Remuneration

A) Qualitative Disclosures

(a) Information relating to the composition and mandate of the Remuneration Committee.
The Nomination and Remuneration Committee (NRC) of the Board is the main body that sets the principles, parameters and governance framework of the remuneration policy and also assists the Board to fulfil its responsibility that remuneration policy and practices, reward, fairly and responsibly, in relation to the Bank and individual performance.

As on 31 March 2022, the NRC had four members of which three are Independent Directors. The functions of the committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approve remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as senior management personnel viz. Material Risk Takers (MRT) of the Bank.

As on 31 March, 2021, the NRC had four members of which three are Independent Directors. The functions of the committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approve remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as senior management personnel viz. Material Risk Takers (MRT) of the Bank.

As on 31 March 2020, the NRC had five members of which four are Independent Directors. The functions of the Committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approve remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as Senior Management Personnel viz. Leadership team of the Bank.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process
The Bank did not take any advise from an external consultant on any area of remuneration for the years ended 31 March, 2022, 31 March, 2021 and 31 March, 2020.

22.20 - Disclosure on Remuneration (Cont'd)

A) Qualitative Disclosures

Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches
Pursuant to the guidelines issued by RBI, the Compensation Policy of the Bank (Version 1) was approved by the Board on 16 June 2020 and the same covers all employee of the Bank.

Type of employees covered and number of such employees
All permanent employees of the Bank, categorised into Whole Time Directors, Chief Executive Officer, MRT, Control function staff and Others, are covered under the policy. The total number of permanent employees of the Bank as on 31 March, 2022 : 11,098, 31 March, 2021 : 8,385 and 31 March, 2020 : 7,131.

(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 Board and the NRC, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework. The Compensation policy is aligned to the guidelines issued by the RBI vide notification RBI/2019-20/89 DOR.Appt.BC.No.23/29.67.001/2019-20 dated 04 November 2019 (the RBI guidelines).

The Remuneration policy of the Bank is designed with a view to
i. ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organizational objectives.

ii. ensure that a reasonable balance is maintained in terms of composition of remuneration, both,
a. performance-linked - fixed and variable components
b. time horizon linked – immediate and long term retention components

iii. Ensure that remuneration is linked to nature of role played by the individual in the Bank (i.e., Chief Executive Officer, MRT, Control function staff or Others)

Effective governance of compensation: The NRC has oversight over compensation to KMP as well as MRT.

The Remuneration policy of the Bank is designed with a view to :
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 designed the remuneration composition based on role of the individual in the Bank.
-For Chief Executive Officer and MRT, a balanced combination of fixed and variable pay (immediate and deferred) is used.
-For Control function staff and Others, the predominant component is fixed pay and variable pay is used for rewarding performance.

Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their individual/department quality and performance goal achievement. The Bank seeks to align remuneration with financial and non- financial performance indicators.

Whether the remuneration committee reviewed the Bank's s remuneration policy during the past year, and if so, an overview of any changes that were made: The updated remunearation of the bank (Version 3) was approved by Board of the Bank in June 2021

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/department performance and is not linked to any business outcomes.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

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 Chief Executive Officer and MRT, considers 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 risks difficult to measure: The evaluation process incorporates 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 continuity of key members of senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, in addition to business performance, the NRC takes into account adherence to the risk and compliance framework .

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 : With the adoption of new compensation policy in line with RBI guidelines, there is greater emphasis on linking variable pay of MRT to risk taking and to bring a reasonable balance in their fixed and variable pay. Also, the elements of Deferral, Malus and Clawback have been adopted for MRT.

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include reasonable business growth, asset quality, profitability, productivity and efficiency metrics, compliance, digital quotient and customer-centricity.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees is based on parameters viz. Bank level goals, functional goals, individual competency assessment and subjective evaluation. The proposed weightage of performance parameters for MRT is Bank goals - 20%, Functional goals-40%, Competency Rating - 20% and Subjective Assessment - 20%.

(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting. :
As per policy, A minimum of 60% of Total Variable Pay shall be under deferral arrangement. At least 50% of the Cash component of Variable Pay shall be under deferment. Also, in case Cash Variable Pay for a performance period is below Rs.25 lakhs, deferral may not be applicable. The NRC shall take a decision on the treatment of the deferral on an annual basis.The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results. For variable pay pertaining to FY-21, paid in FY22, 100% of non-cash variable pay and 50% of cash pay was under deferral.

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 : The variable compensation paid to Chief Executive Officer and MRT is linked to achievement of Bank level goals and functional goals. As per policy, the deterioration in financial performance of the Bank shall lead to contraction in variable pay, which can even be reduced to zero. While deterioration on account of uncontrollable factors may not necessarily be considered for contraction in variable compensation, the NRC may take a decision on the percent of contraction based on available information. Further deferred vesting, malus and clawback shall be applicable to variable pay component of Chief Executive Officer and MRT to facilitate adjusting remuneration in the event that performance metrics are weak .

Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance: Adjustments to remuneration on account of long term performance is included in the Variable Pay philosophy. Variable Pay shall have a mix of cash and non cash components for Chief Executive Officer and MRT. For other employees, eligibility for non cash variable pay shall be determined by the NRC on a case to case basis. The non cash component shall be in the form of Stock Options. As per policy, in general, 40% of non cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

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: As part of the new compensation policy, malus and clawback is applicable to all categories of staff. The variable shall be subject to malus and clawback arrangements in the event of subdued or negative financial performance. Malus shall cover future vesting only and shall not reverse vesting after it has already occurred. In the event of wilful and deliberate misrepresentation or misreporting of financial performance of the Bank in any year, clawback shall be applicable. The decision shall be taken by the NRC after taking into account all material facts. A lookback period of 3 years from the date of vesting shall be applicable to the clawback clause.

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.20 - Disclosure on Remuneration

A) Qualitative Disclosures (Cont'd)

(f) Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms.

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 forms of variable remuneration used by the Bank are:

a. Performance Incentives – used for rewarding teams (primarily Business functions) for business growth, customer count/satisfaction, asset quality, audit score etc.

b. Performance Pay – used for rewarding performance against quarterly/yearly goals/key risk areas.
c. Share-linked Instruments - As per the Compensation policy of the Bank, variable pay shall have a mix of cash and non cash components for Chief Executive Officer and MRT. For other employees, eligibility for non cash variable pay shall be determined by the NRC on a case to case basis. The non cash component shall be in the form of Stock Options.

d. Long Term Retention Bonus (LTRB) – a tool for retention and improved morale - While short-term retention bonus plan continues to be in use, LTRB is discontinued w.e.f. 01 March 2019.

B) Quantitative Disclosures

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
a) i - Number of meetings held by the Remuneration Committee during the year	Twelve	Twelve	Nine
ii - remuneration paid to its members.	-	-	-
b) Number of employees having received a variable remuneration award during the year[2]	17 employees received Performance pay and 16 employees were granted employee stock options.	15 employees received Performance pay and 1 employee was granted employee stock options.	16 employees received Performance pay
c) Number and total amount of sign on awards made during the year.	-	-	-
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-	-
e) Details of severance pay, in addition to accrued benefits, if any.	-	-	-
f) Total amount of outstanding deferred remuneration			
- Cash (₹ in million)	29.10	20.70	-
- Shares	-	-	-
- Share linked instruments (ESOPs) [4, 10]	13,10,448	1,23,484	-
- Others	-	-	-
g) Total amount of deferred remuneration paid out in the period / year.	-	-	-
h) Breakdown of amount of remuneration awards for the period / year to show fixed and variable, deferred and non deferred.			
- Fixed pay	155.90	143.67	142.14
- Variable pay			
- Non deferred[5] (₹ in million)	29.10	15.59	27.37
- Deferred[2] (ESOPs)[6]	13,10,448	1,23,484	-
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-	-
j) Total amount of reductions during the period / year due to ex post explicit adjustments.	-	-	-
k) Total amount of reductions during the period / year due to ex post implicit adjustments.	-	-	-
l) Number of MRTs identified[7]	17 employees	18 employees	17 employees
m) Number of cases where malus has been exercised	-	-	-
n) Number of cases where clawback has been exercised	-	-	-
o) Number of cases where both malus and clawback have been exercised	-	-	-
p) The mean pay for the bank as a whole (excluding sub-staff)[8]	0.33	0.34	-
q) Deviation/Ratio of the pay of Managing Director from/to the mean pay[9] (₹ in millions/times)	29.2/91x	28.5/85.13X	-

C) Disclosure on remuneration to Non-Executive Directors

The Bank has paid remuneration to its Non- executive director by way of sitting fees for attending meetings of the Board and its committees. An amount of ₹14.33 millions, ₹11.34 millions and ₹9.69 millions were paid during the year ended on 31 March 2022, 31 March 2021, 31 March 2020 respectively.

Notes

1 Amount includes fixed pay and variable paid during the year but does not include value of ESOPs.
2 The count includes MD & CEO. During the year, MRT otherthan MD & CEO were granted employee stock options for performance Period FY 21
3 Amount for FY 21 includes defered variable pay (Cash) for MD & CEO and MRT. Amount for FY 22 includes defered Variable pay cash for MRT only. Proposal for MD & CEO Yet to submitted to RBI
4 Includes employee stock option granted in FY 22 for the performance Period FY 21 or earlier
5 Previous year amount includes payout for the performance period FY 21 paid in FY 22 and Current year amount includes payout for performance period FY 22 to be paid in FY 23. The amount for FY 21 also includes Variable Pay cash paid in FY 22 to MD & CEO. Proposal for Variable Pay for FY 22 for MD & CEO yet to be submitted to RBI.
6 This incudes ESOP granted to MRT including MD & CEO for Performance period FY 21 or earlier
7 This includes MRT and MD & CEO
8 Mean is computed as (Fixed Pay for Active Staff as on 31-Mar-22 /Active HC as on 31-Mar-22)
9 Computed as Fixed Pay for MD & CEO / Mean pay as computed above)
10 Persuent to a Rights issue by the bank, the number of outstanding options for FY 18 and FY 19 were revised (48188*3 & 75,296*3) and the exercise price was reduced to 285/3 and 280/3 respectively

22.21 - Employee Share Based Payments

ESOP-2018-FSFB Plan:

At their meetings held on 29 March 2019 and 10 May 2019, the Board and the shareholders of the Bank respectively passed a resolution approving the "Fincare Small Finance Bank Stock Option Scheme"(as amended from time to time) (hereinafter referred as 'the scheme') to create, offer, issue and allot in one or more tranches, to or for the benefit of employees including Managing Director of the Bank, such number of employee options, not exceeding 1,000,000, that would eventually convert into equity shares of ₹ 10 each in the hands of the employees of the Bank.

The eligible employees under this scheme are determined by the NRC at its sole discretion. The NRC would determine the vesting schedule of any grant made under this scheme and the same would be intimated to the eligible employee at the time of the grant. An eligible employee shall be entitled to exercise the vested option(s) and seek allotment of the shares of the Bank as per this scheme, within a period of five years from the vesting date at the exercise price intimated at the time of the grant.

a) The details of activity under ESOP-2018-FSFB Plan have been summarised below:

	Year ended 31 March 2022		Year ended 31 March 2021		Year ended 31 March 2020	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-	-	-
Granted during the year *	13,10,448	106.91	1,23,484	280.85	-	-
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Options outstanding at the end of the year	13,10,448	106.91	1,23,484	280.85	-	-
Out of the above exercisable at the end of the year	4,36,804	106.91	40,750	280.85	-	-

** The Bank had granted 48,188 options As on May 10, 2019 and 75,296 options As on January 22, 2020 to the MD & CEO which has been accounted after due approval received from the RBI. The options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.
Further, the Bank has granted 187,500 options on December 07, 2020 to the MD & CEO under the scheme for which approval is awaited from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in the financial statements.

* The Bank had granted 1,96,297 options for FY 20 to the MD & CEO which has been accounted during the year after due approval received from the RBI. The options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Further, the Bank has granted 13,10,448 options pertaining to FY 21 to MD & CEO and MRT.

b) The details of exercise price for stock options outstanding at the end of the year are:

Range of exercise prices	No. of options outstanding	Weighted average remaining contractual life of options (years)	Weighted average exercise price (₹)
80-90	1,44,564	2.06	88.33
90-100	4,22,184	2.62	95.29
100-110	13,10,448	3.09	106.91
	18,77,196	2.90	102.87

c) Fair value of Employee stock options

The fair value of the options is estimated using Black-Scholes options pricing model. The following table lists the inputs to the model used for determining fair value of the options.

	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Weighted average exercise price (₹)	₹102.87 Dr	280.85	-
Weighted average share price (₹)	₹102.87 Dr	280.85	-
Expected volatility	43.38% - 43.49%	33.50% - 36.40%	-
Life of the options granted (Vesting and exercise period)			
- At the grant date	3.50 yrs - 5.50 yrs	3.50 yrs - 5.50 yrs	-
Risk free interest rate	5.22% -6.07%	6.48% -7.19%	-
Expected Dividend rate	-	-	-

As Fincare Small Finance Bank Limited is an unlisted company, so the Bank calculated the expected annual volatility of stock price using stock price volatility information of other peers from BSE for the latest historical period as per time to maturity.

d) Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Total employee compensation cost pertaining to share-based payment plans	53.84	9.97	-
Compensation cost pertaining to equity-settled employee share-based payment plan included above	53.84	9.97	-
Liability for employee stock options outstanding As on period / year ended	63.81	9.97	-

22.22 - Disclosures relating to securitisation

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
a) No of SPVs sponsored by the Bank for securitisation transactions	9	9	11
b) Total amount of securitised assets as per books of the SPVs sponsored by the bank	571.19	573.97	666.84
c) Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet			
i) Off-balance sheet exposures			
First loss	-	-	30.47
Others	-	-	-
ii) On-balance sheet exposures			
First loss	32.66	32.66	105.48
Others	-	-	-
d) Amount of exposures to securitisation transactions other than MRR			
a) Off-balance sheet exposures			
(i) Exposures to own securitisation			
First loss	-	-	-
Others	-	-	-
(ii) Exposures to third party securitisation			
First loss	-	-	-
Others	-	-	-

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
b) On-balance sheet exposures			
(i) Exposures to own securitisation	-	-	-
First loss	-	-	-
Others	-	-	47.73
(ii) Exposures to third party securitisation			
First loss	-	-	-
Others	-	-	-
e) Sale consideration received for the securitised assets and gain/loss on	-	-	-
f) Form and quantum (outstanding value) of services provided by way	-	-	-
g) Performance of facility provided. Please provide separately for each facility			
- Amount paid	-	-	-
- Repayment received	-	-	-
- Outstanding amount	-	-	-
h) Average default rate of portfolios observed inthe past. Please provide	-	-	-
i) Amount and number of additional/top up loan given on same underlying	-	-	-
j) Investor complaints			
(i) Directly/Indirectly received and;	-	-	-
(ii) Complaints outstanding	-	-	-

22.23 - Depositor Education and Awareness Fund

During the year ended 31 March 2022, 31 March 2021 and 31 March 2020 no amount has been transferred to Depositor Education and Awareness Fund.

22.24 - Deferred tax assets

Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
Deferred tax asset/(liability) arising on:			
Depreciation and amortisation	59.83	46.50	33.26
Provision for employee benefits:			
Compensated absences	32.09	25.67	19.00
Gratuity	10.59	5.83	10.34
Bonus and variable pay	2.67	10.26	4.86
Deferred rent	15.46	-	0.11
Provision on portfolio loans	0.42	575.93	329.89
Others	809.12	0.86	4.40
	930.18	**665.05**	**401.86**

22.25 - Operating leases

The Bank's significant leasing arrangements are in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the Profit and Loss Account.

Head office, registered office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with escalation clause; however none of the branch lease agreement carries non-cancellable lease periods. There are no restrictions imposed by lease arrangements. There are no subleases. Certain offices of the Bank have non-cancellable lease arrangements and the minimum lease payments for such arrangements during the non-cancellable period have been disclosed below.

Lease payments during the year are charged to the Profit and Loss Account.

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Lease payments recognised in the profit and loss account.	347.74	266.86	223.64

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

Payments falling due within	31 March 2022	31 March 2021	31 March 2020
Within 1 year	34.66	21.81	14.94
Later than one year but not later than five years	25.66	42.33	21.28
Later than 5 years	1.53	17.71	2.78

22.26 - Micro small and medium enterprises

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
i) Principal amount remaining unpaid (but within due date as per the MSMED Act)	0.02	3.90	4.63
ii) Interest due thereon remaining unpaid	-	-	-
iii) Interest paid by the Bank in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period.	-	-	-
iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-	-
v) Interest accrued and remaining unpaid	-	-	-
vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-	-

There are no delays in payments to micro and small enterprises as required to be disclosed under 'The Micro, Small and Medium Enterprises Development Act, 2006'. The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the auditor.

22.27 - Earnings per equity share

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Net profit/(loss) attributable to equity shareholders	88.71	1,131.39	1,434.49
Weighted average number of shares outstanding during the year used for computing basic and diluted earnings per share (nos)	23,19,87,571	20,41,72,596	20,41,72,596
Weighted average number of shares outstanding during the year used for computing Diluted earnings per share (nos)	23,19,87,571	20,41,72,596	20,41,72,596
Basic and diluted earnings per share	0.38	5.55	7.03

22.28 - Inter-Bank Participation Certificate (IBPC) transactions

During the years ended 31 March, 2022, 31 March, 2021 and 31 March, 2020, the Bank has sold its advances through IBPCs. The details are as follows:

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
i) Aggregate value of IBPCs transaction during the year1	4,940.00	8,045.00	8,278.00
ii) Aggregate consideration received	4,940.00	8,045.00	8,278.00
iii) Aggregate gain recorded	-	-	-
iv) IBPCs outstanding	2,000.00	5,245.00	4,368.00

1 Aggregate value of the own portfolio pool identified for IBPC transaction As on 31 Mrach 2022: ₹12,350.00, 31 March, 2021: ₹ 20,112.50 million and 31 March, 2020: ₹ 20,695.00 million.

22.29 - Corporate social responsibility (CSR)

a) Gross amount required to be spent by the Bank during the years ended 31 March 2022 is 30.63 million, 31 March, 2021 is ₹ 14.88 million and 31 March, 2020 is ₹3.80 million under section 135 of the Companies Act, 2013.

b) Amount spent during the year ended 31 March, 2022

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	30.63	-	30.63
	30.63	**-**	**30.63**

c) Amount spent during the year period ended 31 March, 2021

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	14.87	-	14.87
	14.87	**-**	**14.87**

d) Amount spent during the year ended 31 March, 2020

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	3.80	-	3.80
	3.80	**-**	**3.80**

22.30 - Payment of DICGC Insurance Premium

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Payment of DICGC Insurance Premium	57.95	47.46	20.22
Arrears in payment of DICGC premium	-	-	-

22.31 - Priority Sector Lending Certificate (PSLC) Purchased and Sold during the Year

During the year ended 31 March 2022, the Bank sold PSLCs amounting to ₹ Nil under agriculture category, ₹ 28,000.00 millions under small and marginal farmers category. The income earned on the PSLCs sold during the year is ₹ 564.90 millions.

During the year ended 31 March 2022, the Bank bought PSLCs amounting to ₹ 5,900.00 millions under Micro enterprises category. The expense incurred on the PSLCs bought during the year is ₹ 95.20 millions.

During the year ended 31 March, 2021, the Bank sold PSLCs amounting to ₹ 750.00 million under agriculture category and ₹ 25,750.00 million under small and marginal farmers category . The income earned on the PSLCs sold and received during the year ended 31 March, 2021 is ₹ 409.57 million.

During the year ended 31 March, 2020, the Bank sold PSLCs amounting to ₹ 2,000.00 million under agriculture category, ₹ 23,520.00 million under small and marginal farmers category and ₹1,010.00 million under Micro enterprises category. The income earned on the PSLCs sold during the year is ₹ 433.77 million.

During the year ended 31 March 2021 and 31 March 2020, the bank had not bought PSLCs.

22.32 - Implementation of IFRS converged Indian Accounting Standards (Ind-AS)

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a Press Release was issued by the MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards (IND AS) converged with International Financial Reporting Standards (IFRS) for banks. As per earlier instructions, banks in India were required to comply with the IND AS for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the year ending 31 March, 2018 or thereafter. Progressing towards IND AS, the Bank had prepared pro forma financials as on June 30, 2017 as per extant regulatory guidelines and submitted the same to the RBI. On April 05, 2018, the RBI had announced deferment of implementation date by one year with IND AS being applicable to banks for accounting periods beginning April 01, 2019 onwards. In preparation for the same, the Bank has been submitting quarterly pro-forma financials to the RBI from quarter ended June 30, 2018. On March 22, 2019, the RBI has announced deferment of the implementation of IND AS by banks till further notice; however, the Bank continues to submit to the RBI pro-forma financials on half year basis.

22.33 - Marketing and distribution

The Bank has received fees of ₹ 3.60 millions, ₹ Nil, 38.17 millions with respect to marketing and distribution function (excluding bancassurance business) during the financial year ended 31 March 2022, 31 March 2021 and 31 March 2020.

22.34 - Amortisation of expenditure on account of enhancement in family pension of employees

During the year ended 31 March 2022, 31 March 2021 and 31 March 2020, the Bank has not done any expenditutre towards enhancement of family pension of employee.

22.35 - Funding transactions

To the best of our knowledge and belief, the Bank, as part of its authorised normal business, grants loans and advances, makes investment, to and accepts deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's authorised normal business, which is conducted ensuring adherence to regulatory requirements.

Other than the transactions described above

(a) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or like on behalf of the Ultimate Beneficiaries.

(b) The Bank has not received any funds from any person(s) or entity(ies) ("Funding Party") with the understanding, whether recorded in writing or otherwise, 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, security or the like on behalf of the Ultimate Beneficiaries.

22.36 - Details of Large Exposures Framework limits exceeded by the Bank

As per regulatory guidelines, with effect from April 1, 2019 in case of single counterparty, the sum of all the exposure values of a bank to a single counterparty must not be higher than 20 percent of the bank's available eligible capital base at all times. In exceptional cases, Board of bank may allow an additional 5 percent exposure of the bank's available eligible capital base. In case of group of connected counterparties, the sum of all the exposure values of a bank to a group of connected counterparties must not be higher than 25 percent of the bank's available eligible capital base at all times.

The eligible capital base for this purpose is the effective amount of Tier 1 capital fulfilling the criteria defined in Master Circular on Basel III – Capital Regulation /Master Direction on 'Basel III Capital Regulations' as per the last audited balance sheet.

During the years ended 31 March, 2022, 31 March, 2021 and 31 March 2020, the Bank has not exceeded the prudential exposure limits as laid down by the RBI guidelines under Large Exposure Framework.

As per our report of even date.

For S.R Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

per Sarvesh Warty
Partner
Membership No.: 121411

Mumbai
29 July 2022

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajeev Yadav
Director
DIN: 00111379

Bengaluru
29 July 2022

Vinay Baijal
Director
DIN: 07516339

Mumbai
29 July 2022

Shefaly Kothari
Company Secretary
M No. F7698

Bengaluru
29 July 2022

Keyur Doshi
Chief Financial Officer

Bengaluru
29 July 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:

Particulars	As at/ for the financial year ended March 31, 2022	As at/ for the financial year ended March 31, 2021	As at/ for the financial year ended March 31, 2020
Basic Earnings per Equity Share (in ₹) (Refer to note 1)	0.38	5.55	7.03
Diluted Earnings per Equity Share (in ₹) (Refer to note 2)	0.38	5.55	7.03
Return on net worth (%) (Refer to note 3)	0.80	11.89	16.61
Net Asset Value per Equity Share (in ₹) (Refer to note 4)	50.22	149.57	135.76
EBITDA (in ₹ million) (Refer to note 5)	258.64	1,634.28	2,196.29

Notes: *The ratios have been computed as under:*

1. *Basic EPS (in ₹) = Net profit, after tax, as restated for the year, attributable to equity shareholders/ Weighted average number of equity shares outstanding during the year. The EPS calculations have been done in accordance with Accounting Standard 20 – "Earnings per Share" issued by ICAI*

2. *Diluted EPS (in ₹) = Net profit, after tax, as restated for the year, attributable to equity shareholders/ Weighted average number of dilutive equity shares outstanding during the year. The EPS calculations have been done in accordance with Accounting Standard 20 – "Earnings per Share" issued by ICAI*

3. *Return on Net Worth Ratio = Net profit after tax, as restated for the year, Net worth (excluding revaluation reserve), as restated, at the end of the year/ period.*

4. *Net assets value per equity share (in ₹) = Net Worth, as restated, at the end of the period/ Number of equity shares outstanding at the end of the year*

5. *Earnings before interest, tax, depreciation and amortization (EBITDA) has been arrived at by adding back depreciation and tax expense to the net profit appearing in restated Summary Statement of Profit and Loss*

   Accounting and other ratios shall be based on the financial statements derived from the Restated Financial Information.

In accordance with the SEBI ICDR Regulations the audited financial statements of our Bank for the Fiscals ended March 31, 2022, 2021 and March 31, 2020, (collectively, the "**Audited Financial Statements**") are available on our website at www.fincarebank.com/investors-relations.

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 and the reports thereon 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 and the reports thereon 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 or the Selling Shareholders, 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., AS 18 'Related Party Disclosures' issued by the ICAI, read with the SEBI ICDR Regulations, during the Fiscals 2022, 2021 and 2020, see "*Financial Statements – Annexure 22 - Notes forming part of the restated summary statements - 22.8 - Related party disclosure*" on page 294.

Set out below is the arithmetic aggregated absolute total of related party transactions as a percentage of total revenue from operations for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020 (as derived from " *Offer Document Summary – Summary of related party transaction*" on page 13):

Related party	Nature of transactions	For the year ended March 31,		
		2022	2021	2020
				(₹ in million)
Rajeev Yadav	Managerial remuneration/ remuneration for KMP	38.57	29.52	39.06
Keyur Doshi		13.73	12.12	12.46
Shefaly Kothari		3.16	2.81	2.22
Rajeev Yadav	Interest expense on term deposits	0.05	0.06	0.06
Keyur Doshi		0.01	0.01	0.01
Shefaly Kothari		-	-	0.02

Related party	Nature of transactions	For the year ended March 31,		
		2022	2021	2020
Fincare Business Services Limited (*formerly Fincare Business Services Private Limited*)		1.46	0.56	-
Lok Management Services Private Limited		-	-	-
Relative of key management personnel		3.38	2.81	1.04
Fincare Business Services Limited (*formerly Fincare Business Services Private Limited*)	Interest expense on Sub Debts	-	0.39	31.56
Relative of key management personnel		0.13	-	-
Rajeev Yadav	Interest expense on Saving account	0.00	0.01	-
Keyur Doshi		0.07	0.01	0.00
Shefaly Kothari		0.02	0.01	0.02
Relative of key management personnel		4.19	1.19	0.21
Total related party transaction having impact on Revenue from operation		64.78	49.50	86.66
Revenue of operating		14,458.72	12,510.31	10,702.56
% total related party transaction to revenue from operation		0.45%	0.40%	0.81%

For the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, the Company's arithmetic aggregated absolute total of its related parties was 0.45%, 0.40% and 0.81%, respectively, of its revenue from operations, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Statements on page 258. The Restated Financial Statements have been derived from audited financial statements prepared in accordance with Indian GAAP as applicable to banks in India and restated in accordance with the SEBI Requirements.

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 21.

The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" and "– Factors Affecting our Results of Operations and Financial Condition" on pages 21 and 317, and those set forth elsewhere in this document.

Our fiscal year commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular fiscal year 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 herein.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of small finance banks and various retail loan products" dated August 2022 (the "**CRISIL Report**") prepared and released by CRISIL Limited and exclusively commissioned by and paid for by us pursuant to appointment effective from July 2021 in connection with the Offer. The data included herein includes excerpts from the CRISIL Report available on the website of the Bank at www.fincarebank.com/investors-relations 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 17.*

Overview

We are a "digital-first" SFB with a focus on unbanked and under-banked customer segments especially in rural and semi-urban areas. Among comparable SFB peers in India, we had the second highest deposit growth over Fiscal 2020 to Fiscal 2022, at a CAGR of 46.7%. (*Source: CRISIL Report*) Further, from Fiscal 2019 to Fiscal 2022, we had the second highest average ROA and ROE (adjusted for COVID-19 provisions) among SFBs and we were one of India's most profitable SFBs, based on ROA and ROE *(Source: CRISIL Report)*. Our Gross Loan Portfolio ("**GLP**") grew from ₹ 53,418.25 million to ₹ 75,995.80 million, registering a CAGR of 19.28%, from Fiscal 2020 to Fiscal 2022. This growth was driven primarily by growth in borrowers from 2.29 million as of March 31, 2020 to 2.39 million as of March 31, 2022, a CAGR of 9.94%. Our ROE was 0.72% for Fiscal 2022 and we had a total of 3.26 million customers (comprising borrowers and depositors) as of March 31, 2022. For a reconciliation of ROE, see "*Select Statistical Information*" on page 236.

We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution. As of March 31, 2022, 93.44% of our customers were located in rural areas, and 54.23% were new to credit. We believe that our business model is profitable, sustainable and socially beneficial.

We have a deep understanding of unbanked and under-banked customer segments, especially rural customers, with over 15 years of experience in providing microloans. Our Bank operated as an NBFC-ND under the name 'Disha Microfin Limited' since 2010 and was registered as an NBFC-MFI in 2013. In 2016, upon receipt of the RBI In-Principle Approval, our Bank acquired the micro-finance operations of FFSPL (which started microfinance operations in 2007) and later changed its name to Fincare Small Finance Bank. While we are still committed to serving the credit needs of microfinance borrowers, our transition to an SFB in 2017 provided us with the opportunity to serve a broader customer base through new product segments. We have leveraged our understanding of unbanked and underbanked customers to offer new secured loan products, which we offer primarily in semi-urban areas. While we continue to have a strong organizational set up for microloans, we have invested in and built dedicated teams, requisite internal systems, processes and technology to drive our secured loan portfolio.

Our "digital first" approach supports our extensive physical network and focuses on technology-led operations across all aspects of our banking operations. We have a dedicated team responsible for conceptualizing, developing and implementing digital solutions to ensure higher level of customer connect and facilitate greater convenience, better service and faster turnaround time. As a result of our digital focus, we benefit from reduced costs, greater customer satisfaction and improved employee productivity. For Fiscal 2022, we onboarded over 99.49% of our new customers (borrowers and depositors) using employee-assisted digital processes (including 99.86% for asset accounts and 99.47% for liability accounts), and all of our loan disbursement for microloans, loans against property and affordable housing loans were cashless. Nonetheless, if required by the customer, we are able to disburse cash for microloans and loans against gold. Cash as well as cashless repayment/ EMI payment is allowed in microloans, loan against gold, loan against property and affordable housing loans. We consider "digital" to be a key pillar of our success, which is reflected in our wide array of digital solutions (Fincare 101 and the Fincare Connect App), customer self-service (internet banking, mobile banking and customer communication channels including a WhatsApp banking bot), payment solutions (QR Code, AePS, Micro ATM), solutions for frontline staff (SmartBank, m-Care, m-Serve and LAP D.Lite), instant KYC programs and other digital initiatives. We have won numerous awards for our digital offerings, including "Celent's Model Bank 2019 Award for Financial Inclusion" for LAP D.Lite, a software application that we developed in order to streamline the process for loans against property. For information in relation to the awards won by our Bank, see "*History and Certain Corporate Information - Awards, accreditations and recognitions received by our Bank*" on page 201.

Our asset products cater to low-income mass retail individuals as well as to micro and small enterprises. Our asset products include microloans, loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance, which we tailor to suit the particular needs of our diverse customer segments. With our increased focus on secured lending, the share of our non-microloans increased from 19.78% of our Gross Loan Portfolio as of March 31, 2020 to 23.36% of our Gross Loan Portfolio as of March 31, 2022. For a break-up of our Gross Loan Portfolio based on loan type, please see "*Selected Statistical Information – Loan Portfolio – Gross Loan Portfolio*" on page 236.

Our suite of deposit products comprises term deposits, recurring deposits, current accounts and savings accounts. As of March 31, 2022, we had 4.03 million deposit accounts (including 0.24 million 101 accounts), covering both existing microloan customers and new customer segments (especially from urban areas). Our total deposits were ₹ 46,539.33 million, ₹ 53,184.98 million and ₹ 64,555.80 million, as of March 31, 2020, 2021 and 2022, respectively, representing a CAGR of 17.78% from March 31, 2020 to March 31, 2022. We believe that our focus on growing this business has helped us to quickly build a significant base of deposits, particularly retail term and wholesale term deposits (19.73% of wholesale deposits are non-callable as of March 31, 2022). Having initially focused on retail and wholesale term deposits, we are now focused on strengthening our CASA franchise and further increasing retail term deposits. Through these efforts, from March 31, 2020 to March 31, 2022, our credit-to-deposit ratio improved from 103.47% to 109.00%, our CASA ratio improved from 11.93% to 36.30% and our cost of funds improved from 9.65% to 7.37%. For a reconciliation of credit-to-deposit ratio and of cost of funds, see "*Select Statistical Information*" on page 236.

In addition to deposits, we also use other sources of funding, including refinance assistance from specialist refinance institutions, IBPCs, interbank borrowings, Tier II debt instruments, securitizations and direct assignments. We have maintained a comfortable liquidity profile, with our Liquidity Coverage Ratio as at March 31, 2022 being 191.70%, well above the regulatory requirement of 100%. Going forward, we aim to further increase our deposit base by focusing on CASA and retail deposits, which we will use to further expand our credit operations and other fee products, such as insurance, debit cards and lockers.

We have an extensive network of 919 banking outlets (including 246 business correspondent outlets) and 125 ATMs (of which 90 are cash recyclers) spread across 14 states and three union territories, covering 255 districts and 48,542 villages, which reached 3.26 million customers, as of March 31, 2022. As of Fiscal 2022, we were one of two SFBs in India with the highest number of banking outlets. (*Source: CRISIL Report*) We have created a network of banking outlets in urban and Tier 1 cities to focus on deposits mobilization, while maintaining our strong network in rural and semi-urban locations to drive our loan products. Our network is particularly strong in south and west India, where states such as Karnataka and Gujarat have seen high real GDP growth in the period from Fiscal 2016 to Fiscal 2021. (*Source: CRISIL Report*) Our network includes banking outlets that are operated by us and those that are operated by business correspondents, with whom we enter into contractual arrangements to operate the banking outlets. All our banking outlets, including those of our business correspondents, work with digital tools. We tailor the type, size, location and product offerings of our banking outlets to suit the needs of our customers, with the aim of reaching them in a cost-effective manner. In this sense, banking outlets operated by us are of different types, including full service, basic banking and microbanking outlets, which cater to different customer segments.

We have a strong management team, with our senior management having experience in the banking/microfinance industry in India and having served with us for an average of five years. Our MD & CEO and CFO both have experience in the financial services industry and have worked with the Fincare group for 10 years and 13 years, respectively. We have 11,733 employees as of March 31, 2022. Further, our Board comprises qualified and experienced personnel, with extensive knowledge and understanding of the microfinance and banking sectors. Of our directors, seven are independent directors, and we have implemented a corporate governance policy that is independent of management to ensure sound corporate governance practices.

Our Bank and Promoter are backed by marquee investors, including True North Fund V LLP, Wagner Limited, Tata Opportunities Fund, LeapFrog, SIDBI, Kotak Mahindra Life Insurance, Bharti Axa Life Insurance and Edelweiss Tokio Life Insurance.

We have a high-quality asset portfolio, which we attribute, among other things, to our target customer demographics, quality origination and credit assessment, technology and efficient collections. As at March 31, 2022, we had a GNPA Ratio (i.e., the ratio of our Gross NPA to Gross Advances) of 7.79% and an NNPA Ratio of 3.55%. In Fiscal 2022, we had the second highest Liquidity Coverage Ratio among comparable SFB peers in India, at 206%. (*Source: CRISIL Report*) We have a strong capital position, healthy balance sheet and prudent provisioning policy, with a provision coverage ratio ("**PCR**") of 78.16%, Tier 1 Capital Ratio of 19.48% and Tier II Capital Ratio of 2.84%, in each case as of March 31, 2022. We are in compliance with and meet the regulatory minimum thresholds prescribed by the RBI for all three ratios. As of March 31, 2022 our net worth was ₹ 11,088.43 million. For a reconciliation of our net worth, see "*Selected Statistical Information*" on page 236.

Our long term rating is ICRA A (stable outlook) by ICRA and CARE A (stable outlook) by CARE Ratings. Our unsecured sub-ordinated debt is rated CARE A (stable outlook) by CARE Ratings and IND A (stable outlook) by India Ratings. Our fixed deposit program is rated ICRA A (stable outlook) by ICRA, reaffirmed and migrated from MA+ (stable outlook) and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings.

In addition, we are also committed to integrating an ESG framework into our core business operations. For further information, see "- *Environmental, Social and Ethical Governance*" on page 185. The following table sets forth certain key financial measures for us as of/for the years indicated:

Particulars	As of / for the		
	Financial Year ended March 31, 2020	Financial Year ended March 31, 2021	Financial Year ended March 31, 2022
	(₹ in million, except percentages)		
Net Interest Income(1)	6,193.71	7,009.83	8,760.90
GLP	53,418.25	60,722.11	75,995.80
Disbursements	49,497.11	46,564.57	68,565.35
ROE	18.41%	11.55%	0.72%
ROA(1)	2.52%	1.48%	0.10%
Provision Coverage Ratio(%)(10)	91.14%	73.68%	78.16%
Cost to Income Ratio (%)(2)	55.92%	56.04%	60.01%
Retail deposits %(3)	74.40%	87.29%	82.12%
Average shareholders' equity(4)	7,791.08	9,795.11	12,286.74
GNPA (%)(5)	0.92%	6.42%	7.79%
NNPA (%)(6)	0.41%	2.80%	3.55%
Additional contingency provision (as on)	851.80	590.77	67.00
Total provisions held(7)	1,310.72	3,167.89	3,768.19
Gross Advances(9)	48,405.50	55,062.86	73,597.72
Total provisions held / Gross Advances	2.71%	5.75%	5.12%
Total Deposits	46,539.33	53,184.98	64,555.80
Net profit for the year(8)	1,434.49	1,131.39	88.71
Net profit for the year / Gross Advances	2.96%	2.05%	0.12%

(1) *For a reconciliation of Net Interest Income, ROA (return on assets), see "Select Statistical Information" on page 236.*
(2) *Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income. For a reconciliation of Cost to Income Ratio, see "Select Statistical Information" on page 236.*
(3) *Retail deposits includes CASA and Retail Term Deposits.*
(4) *Average shareholder's equity referred to in the above table is defined as the average of monthly end balances of capital, reserves and surplus, and employee stock options outstanding.*
(5) *Calculated as Gross NPA over Gross Advances.*
(6) *Calculated as Net NPAs over Net Advances.*
(7) *Total provisions includes provisions towards standard assets, NPA provisions and additional contingency provisions.*
(8) *Net profit for the year represents our restated profit for the year from continuing operations.*
(9) *Total outstanding advances.*
(10) *Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical Write off. For a reconciliation of Provision Coverage Ratio, see "Selected Statistical Information" on page 236.*

Factors Affecting our Results of Operations and Financial Condition

Impact of COVID-19

Our financial condition and results of operations are influenced by the general economic conditions prevalent in India. Overall economic growth and an increase in GDP are likely to result in an increase in demand for our products and services, thereby positively impacting our financial condition and results of operations. Conversely, a slowdown in the Indian economy could adversely affect our business and our borrowers and depositors, especially if such a slowdown were to be continued and prolonged.

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.

We summarize below the areas of our business where we have seen an impact of the COVID-19 pandemic on our business and our approach on these areas going forward:

- ***Operations* and *business continuity***: In compliance with the lockdown orders announced by the Government of India, 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. With the easing of the lockdown, we slowly resumed outlet-level business operations and all of our banking outlets are now operational. Further, for members of staff whose role permits, we have enabled them to work from home and some of them continue to do so. We have defined standard operating procedures for key processes in relation to our operations and business continuity. Operational measures that we implemented include conducting enhanced analysis of our microloan portfolio, enhanced data analysis of our credit bureau, adding additional staff at our banking outlets, tele calling our customers, conducting enhanced checks with our internal audit department and counselling clients. We have also implemented COVID-appropriate measures and sanitization at our banking outlets and provided our employees with allowances, reimbursement of medical costs, additional insurance coverage and financial support in case of hospitalization.

- ***Moratorium (granted by us to our customers), Disbursements and Collection Efficiencies***: Pursuant to RBI's directions, we granted moratorium on payment of instalments falling due between March 1, 2020 and August 31, 2020 (the "**Moratorium Period"**) to all eligible borrowers who requested for moratorium and/or as per our policy. The RBI also clarified that for all standard accounts as on February 29, 2020, the Moratorium Period will be excluded from days past-due ("**DPD"**) calculation for the purpose of asset classification under the IRAC norms.

  As of March 31, 2022, we had provisions amounting to ₹ 67.00 million for loans which includes provision for increased risk of deterioration of our loan portfolio on account of macroeconomic factors caused by the COVID-19 pandemic. The provision for the impact of COVID-19 has been determined by our management based on estimates using information available as of the reporting date. Given the unique nature and scale of the economic impact of this pandemic and given the timing of some provisions close to the end of the year, the provision is based on various variables and assumptions, which could result in actual credit loss being different than that being estimated. Further, the RBI has also allowed a one-time restructuring of loans impacted by COVID-19 to help lenders and customers reschedule repayment of instalments based on customers' present income and restoration of income in subsequent months. The restructuring under this guidance will limit the potential increase in NPAs out of restructured loan accounts.

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.

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 through finance costs) and our ability to maintain and improve our net interest margin, which is the ratio of our net interest income to our average interest-earning assets. Interest earned is the largest component of our total income, and represented 88.15%, 90.87 and 87.75% of our total income in the fiscal years ended March 31, 2020, 2021 and 2022, respectively. Further, our net interest margin was 11.59%, 9.87% and 11.01%, in the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

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 margin and our profitability. Movements in short and long-term interest rates affect our interest earned and interest expended. The interest rates of loans that we provide to our customers are based on a combination of external and internal factors that we review when we periodically update our rates. External factors include various benchmark rates such as the repo rate, money market and certificate of deposits rate, the interest rates of our competitors, our statutory reserve requirements and economic factors influencing interest rates, among other things. Internal factors include our deposit strategy, maturity profile of deposits, liquidity gaps arising from the maturity profile of our assets and liabilities and our targeted return on assets and equity, among other things. We pass on increases in our borrowing costs to our customers.

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 our cash credit facility. On transitioning into an SFB, our borrowings are subject to inter-bank borrowing limits, at par with scheduled commercial banks prescribed by the RBI and thus our primary sources of funding have been deposits and refinancing from refinance institutions such as SIDBI and NABARD. As of March 31, 2022, the majority of our funding consisted of retail deposits, which accounted for 78.59% of our total deposits, with a CASA ratio of 36.30%. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhance our loan portfolio. 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.

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.

Operating Expenses and Productivity Levels

Our cost to income ratio (computed as the ratio of operating expense to net interest income and other income) for the fiscal years ended March 31, 2020, 2021 and 2022 was 55.92%, 56.04% and 60.01%, respectively. Our ability to continue to improve our cost to income ratio largely depends on our ability to improve the productivity of our employees and to optimize the costs associated with our banking outlets. Our operating expense to income ratio has declined on account of greater utilization of our banking outlets resulting across our network while maintaining the number of employees and banking outlet costs over the same period.

Our network of banking outlets has grown from 712 banking outlets of March 31, 2020 to 919 banking outlets as of March 31, 2022, including 246 business correspondent outlets. Our banking outlets are either operated by us or by business correspondents appointed by us, which provides us with a low-cost means of extending our distribution reach. In the past, we have opened our business correspondent outlets to provide inroads in a particular area; over time, we expand our presence through banking outlets owned by us. Through our efforts to optimize the mix of our banking outlets, we had one of the lowest operating expenses per banking outlet and one of the lowest cost-to-income ratios among SFBs in India in Fiscal 2022. (*Source: CRISIL Report*)

Further, we have also invested in our technology infrastructure which reflects our "digital-first" approach to banking services. We seek to consistently improve our productivity through rigorous monitoring and technology adoption. We have made progress in our digital onboarding of customers, seamless credit appraisals, reduction in the number of data entry staff and automation of account opening, requiring little manual intervention, all of which have helped us reduce resources deployed and integrate our applications. We use a combination of proprietary and third-party digital solutions, with the aim of developing in-house the digital solutions that are core to our business while buying solutions that are commoditized or non-core to our business. We have implemented automation across a number of areas including: (i) business intelligence and analytics, (ii) compliance and RBI reporting, (iii) credit underwriting, (iv) credit quality monitoring, (v) credit score modeling, (vi) document management, (vii) internal and external process and service requests, (viii) human resource management, including payroll, leave and employee life cycle management, (ix) sales and marketing dissemination, (x) customer onboarding, account opening and account servicing and (xi) payments.

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. The following table illustrates our asset quality ratios as of the dates indicated:

Particulars	**As of March 31,**		
	2020	**2021**	**2022**
NPA			
Gross NPA / Gross Advances (%)..	0.92%	6.42%	7.79%
Net NPA / Net Advances (%)...	0.41%	2.80%	3.55%

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 was 91.14%, 73.68% and 78.16% in the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

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.

Competition

We have a limited history operating 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, cooperative banks, 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 formal lending and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates. 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 may 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 — As a result of our limited operating history, we may not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance*" on page 21.

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.

As an SFB, we are required to extend 75% of our ANBC computed on the basis of the corresponding date of the preceding financial year, to the sectors eligible for classification as PSL by the RBI, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy. Further, while 40% of our ANBC is required to be allocated to different sub-sectors under the extant PSL prescriptions such as small and marginal farmers, micro enterprises, agriculture and weaker sections, as an SFB we can allocate the balance of 35% to any one or more eligible sub-sectors under the PSL where we have a competitive advantage. The PSL requirements applicable to an SFB are significantly higher than the PSL limits applicable to universal banks, which could subject us to higher delinquency rates. The PSL requirements in the case of SFBs are monitored on a quarterly basis, and in case of any shortfall by us in meeting the PSL requirements for any financial year, we would subsequently be required to contribute the difference between the required lending level and the actual PSL targets to the Rural Infrastructure Development Fund established with NABARD, or with other funds/deposits with NABARD, NHB, SIDBI or MUDRA as decided by the RBI from time to time, which may earn lower levels of interest, compared to other interest bearing securities.

The SFB Licensing Guidelines mandate that SFBs will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks including the requirement of maintenance of cash reserve ratio ("**CRR**") and statutory liquidity ratio ("**SLR**"). All scheduled commercial banks (other than regional rural banks) are required to comply with the statutory reserve requirements prescribed by the RBI. As at December 31, 2020, scheduled commercial banks were required to maintain a CRR of 3% of their net demand and time liabilities ("**DTL**") in a current account maintained with the RBI, on which no interest is paid. This was revised to 3.5% on March 27, 2021 and has subsequently been revised to 4% on May 22, 2021 and further revised to 4.50% of bank's Net Demand and Time Liabilities (NDTL), effective from the reporting fortnight beginning May 21, 2022. Further, scheduled commercial banks are also required to maintain, under the current requirements, a SLR equivalent to 18% of their net demand and time liabilities to be invested in cash and Government or other RBI-approved securities. As an SFB, our net interest margin and return on net worth may be adversely affected, since we are required to set aside capital to meet the CRR and SLR requirements of the RBI. Further, until we scale up our deposit base, a significant portion of the CRR and SLR requirements will be met from our borrowings, which may be subject to interest rate variations and result in increased cost of borrowings, which may also adversely affect our net interest margin and return on net worth in the short to medium term.

Additionally, as per the SFB Guidelines, we are required under applicable laws and regulations to maintain certain minimum capital adequacy on a continuous basis, which is currently 15% of our risk weighted assets. As of March 31, 2020, 2021 and 2022, our CRAR was 29.28%, 29.56% and 22.32% respectively. As we continue to grow our loan portfolio and asset base, we may be required to raise additional capital in order to continue to meet applicable capital adequacy ratios with respect to our business.

Critical Accounting Policies

Basis of Preparation

The Restated Summary Statements have been prepared by the Bank to comply in all material respects with the requirements of Section 26 of Chapter III of the Companies Act, 2013 read with rule 4 of Companies (Prospectus and Allotment of Securities) Rules, 2014, the SEBI ICDR Regulations and The Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended.

Our Restated Summary Statement of Assets and Liabilities as at March 31, 2020, March 31, 2021, March 31, 2022 and the related Restated Summary Statement of Profits and Losses and related Restated Summary Statement of Cash Flows and the summary of significant accounting policies and explanatory notes for the years ended March 31, 2020, March 31, 2021, March 31, 2022 (herein collectively referred to as "**Restated Summary Statements**") have been compiled by our management from the then audited financial statements for the years ended March 31, 2020, March 31, 2021, March 31, 2022 respectively which were originally approved by our Board of Directors at that relevant time. The accounting policies have been consistently applied by the Bank in preparation of the Restated Summary Statements and are consistent with those adopted in the preparation of financial statements for the year ended March 31, 2022.

The audited financial statements as at year ended March 31, 2020, March 31, 2021, March 31, 2022 have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. Our accounting and reporting policies used in the preparation of these audited financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the RBI from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices generally prevalent in the banking industry in India. We follow the historical cost convention and accrual method of accounting, except in the case of interest and other income on NPAs which are recognized upon realization.

Set forth below is a discussion of our critical accounting policies:

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Significant estimates used by management in the preparation of these financial statements include estimates of the economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and assets and NPA. Differences between the actual results and estimates are recognized in the period in which the results are known or are materialized. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Revenue Recognition

- Interest income on loans is recognized in the profit and loss account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing assets is recognized only when realized. Any such income recognized before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of the RBI.

- Interest on discounted instruments is recognized over the tenure of the instrument on a constant Yield to Maturity method.

- Processing fees/upfront fee, handling charges of similar charges collected at the time of sanctioning or renewal of Loan/facility is recognised at the inception/renewal of loan.

- We enter into transactions for the sale of Priority Sector Lending Certificates ("**PSLCs**"). In the case of sale transactions, we sell the fulfilment of priority sector obligations through the RBI trading platform. There is no transfer of risks or loan assets. We recognize the fees received from the sale of PSLCs under Miscellaneous Income within Other Income on a straight-line basis over the tenure of the certificate.

- We recognize the fees charged on debit card issuance and renewal on an upfront basis.

- Interest income on deposits with banks and financial institutions is recognized on a time proportion accrual basis, taking into account the amount outstanding and the applicable rate.

- Dividend income is recognized when the right to receive payment is established on the balance sheet date.

- Other fees and commission income (including commission income on third party products) are accounted for on a receipt basis, including locker rentals, late fees, bounce charges and other similar fees. All other fees are accounted for as and when they become due.

Advances

<u>Classification</u>

Advances are classified into performing and non-performing advances ("**NPA**") based on the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on our NPA classification and provisioning policy, subject to the minimum classification and provisioning level prescribed by the RBI under the Income Recognition and Asset Classification ("**IRAC**") norms.

As per IRAC norms prescribed by the RBI, a loan or an advance is classified as NPA where the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or where the account remains "out of order" in respect of an overdraft/cash credit facility.

"Overdue" refers to interest and / or instalment remaining unpaid from the day it became receivable.

In the case of micro-finance loans, rural micro enterprise loans, loans against gold, two-wheeler loans and CASA accounts with debit balances, NPAs are classified as sub-standard assets as per RBI guidelines. In the case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. In the case of loans against property with a registered mortgage, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

<u>Loss Assets</u>

A loss asset is one where loss has been identified by the Bank but the amount has not been written off wholly. In other words, such an asset is considered uncollectable and of such little value that its continuance as a Bankable asset is not warranted although there may be some salvage or recovery value. All assets involving frauds would generally be treated as loss assets.

<u>Provisioning</u>

General provision for standard assets made in accordance with RBI Guidelines is included under "Other Liabilities and Provision". Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on our management's best estimates, subject to minimum provisioning level prescribed by the RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the profit and loss account and included under Provisions and Contingencies. NPAs that have been fully provided for are written off, based on our management's estimate and as per our NPA provisioning and write-off policy. Recoveries from bad debts written-off are recognized in the profit and loss account and included under 'Provision and Contingency'.

<u>Provision policy for securitized loans</u>

Provisions for losses arising in respect of securitization/assignment of micro finance portfolio loan are made in accordance with the provisioning policy for micro finance own portfolio. In the case of other securitized portfolio loans, provisions are made in accordance with the provisioning policy for loans against property, own portfolio, subject to maximum guarantee (including cash collaterals and unfunded guarantee) given in respect of these arrangements.

Inter-bank participation certificate

We enter into inter-bank participation with risk sharing as the issuing bank and the aggregate amount of participation are reduced from aggregate advance outstanding.

Investments

Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ("**HFT**"), Available for Sale ("**AFS**") and Held to Maturity ("**HTM**") categories. Subsequent shifting among the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups:

(a) Government securities, (b) other approved securities, (c) shares, (d) debentures and bonds, (e) investments in subsidiaries/joint ventures and (f) other investments. Purchase and sale transactions in respect of all securities are recorded under the 'Settlement Date' of accounting.

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which we intend to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost

Brokerage, commission and broken period interest on debts instruments are recognized in the Profit and Loss Account and are not included in the cost of acquisition.

Disposal of investments

Profit/loss on sale of investments under the aforesaid three categories is recognized in the Profit and Loss Account. 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 the Profit and Loss Account to Capital Reserve in accordance with the RBI Guidelines.

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognized stock exchanges, price list of the RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association and Financial Benchmark India Private Limited, periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio, included in the AFS and HFT categories, is computed as per the Yield-to-Maturity rates published by FIMMDA/FIBL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognized.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortized over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortization of premium is adjusted against interest income under the head Income from investments as per the RBI guidelines.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognized in the Profit and Loss Account until received.

Repo Reverse Repo transactions

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities are reflected as borrowings and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

Investment Fluctuation Reserve ("IFR")

With a view to building up of adequate reserve to protect against increase in yields, RBI through circular no. RBI/2017-18/147 BBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, advised all banks to create an IFR with effect from the fiscal year 2019.

Amount transferred to IFR is not less than lower of the following:

- net profit on sale of investments during the year. Or
- net profit for the year less mandatory appropriation, until the amount of IFR is at least 2% of the HFT and AFS portfolio, on a continuing basis.

The amount is drawn down from IFR as per the guidelines prescribed by RBI.

Transfer and Servicing of Assets

We transfer loans through securitization/direct assignment transactions. The transferred loans are de-recognized when we surrender the rights to benefits specified in the underlying securitized/direct assignment loan contract.

Cash profit arising at the time of securitization/assignment of loan portfolio (Premium loan transfer transactions) is amortized over the life of the underlying loan portfolio and the unamortized amount is disclosed as Deferred Income within 'Other liabilities' on the balance sheet.

Contractual rights to receive a portion of interest ("Unrealized profits") arising at the time of securitization/ assignment of loan portfolio ("PAR transactions") is recorded at its present value and disclosed as 'Interest strip on securitization/ assignment of loan portfolio' within 'Other assets" on the balance sheet. In accordance with RBI guidelines, the unrealized profits in respect of securitized/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as 'Interest strip on securitization/ assignment of loan portfolio' within 'Other liabilities" on the balance sheet. Income from interest strip (excess interest spread) is recognized in the profit and loss account, net of any losses, when redeemed in cash.

Fixed Assets

Fixed assets (PPE) and capital work-in progress are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

Advances paid towards the acquisition of tangible assets outstanding at each Balance Sheet date are disclosed as capital advances under Other Assets. The cost incurred towards tangible assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

Intangible Assets

An intangible is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank. Intangible assets acquired separately are measured on the initial recognition at cost. The cost of an intangible assets 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, Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to us for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

Depreciation and Amortization

Depreciation on tangible assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. We have used the following rates to provide depreciation on its tangible assets:

Tangible Asset Description	Useful Life
Office Equipment	5 years
Computer Equipment	3 years
Furniture and Fixtures	10 years
Leasehold Improvements	Useful life of leasehold improvements or the life based on lease period, whichever is lower

Intangible assets are amortized, on a straight-line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible Asset Description	Useful Life
Computer Software	3 years

Depreciation / amortization is charged on a proportionate basis for all assets purchased and sold during the year.

Impairment of Assets

We assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, we estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("**CGU**") net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, we estimate the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Employee Benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15, Employee Benefits.

Provident fund

We contribute to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is a defined benefit plan. The liability recognized in our Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognized actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the profit and loss account in the year in which such gains or losses arise.

Compensated absences

Liability in respect of compensated absences that becomes due or is expected to be availed within one year from the balance sheet date is recognized on the basis of (i) the undiscounted value of the estimated amount required to be paid or (ii) the estimated value of benefit expected to be availed by employees. Liability/Asset in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation as at the balance sheet date.

Other short-term benefits

Expenses in respect of other short-term benefits including performance incentives are recognized on the basis of the amount paid or payable for the period for which the employee renders services.

Other long-term employee benefits: deferred cash variable pay

As per policy, a minimum of 60% of total variable pay shall be under deferral arrangement. At least 50% of the cash component of variable pay shall be under deferment. Also, in case cash variable pay for a performance period is below ₹ 2.5 million, deferral may not be applicable. The NRC shall take a decision on the treatment of the deferral on an annual basis. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results. For variable pay pertaining to the fiscal year 2021, paid in the fiscal year 2022, 100% of non-cash variable pay and 50% of cash variable pay was under deferral.

The deferred cash variable pay has been recognized as a liability at the present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on employee benefits. The present value has been determined using an actuarial valuation after factoring in assumptions of attrition and discounting.

Employee share-based payments: equity-settled scheme

The Employees Stock Option Scheme (the "**Scheme**") provides for grant of options on our equity shares to employees, including our Managing Director. The Scheme provides that employees may be granted an option to subscribe to our equity shares that will vest as per the vesting schedule determined by our Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee share-based payments issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the fair value method. The fair value of the options determined as at the grant date is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding credit to the employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee stock options outstanding account.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expenses in "Payment to and provision for employee", equal to the amortized portion of the cost of the lapsed option. In respect of the options that expire unexercised, the balance standing to the credit of employee stock options outstanding account is transferred to our General Reserve.

Taxes on Income

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where we have unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, we re-assess unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. We write down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate as at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Provisions and Contingent Liabilities

A provision is recognized when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is (i) a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond our control or (ii) a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. We do not recognize contingent liabilities but disclose their existence in our financial statements.

Borrowing Costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalized as part of the cost of such assets, in accordance with Accounting Standard (AS) 16, Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as they are incurred.

Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for any bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split, i.e., a consolidation of shares.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Transaction Costs

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs are incurred as follows:

- ROC fees paid to increase the authorized share capital is expensed to the profit and loss account; and
- Acquisition of borrowings is expensed to the profit and loss account in the year in which it is incurred.

Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term (i.e., lock in period).

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprises cash in hand, balances with the RBI, balances with other banks.

Segment Reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting, as per guidelines issued by the RBI. Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

Business segments have been identified and reported, taking into account the customer profile, the nature of products and services, the differing risks and returns, the organizational structure and the RBI guidelines. We operate in the following segments:

Treasury

The treasury segment primarily consists of our entire investment portfolio.

Retail banking

The retail banking segment serves retail customers through our banking outlet network. Exposures are classified under retail banking, taking into account the status of the borrower (orientation criteria), nature of the product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from (i) interest and fees earned on retail loans and (ii) interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the banking outlet network, personnel costs and other direct overheads.

Corporate/wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included under retail banking.

Share Issue Expenses

Share Issue expenses other than ROC fees paid to increase the authorized share capital are adjusted form Securities premium account as permitted by section 52 of Companies Act 2013.

Changes in Accounting Policies

There have been no changes in our accounting policies during the Fiscals ended March 31, 2020, March 31, 2021, March 31, 2022.

Principal Components of Income and Expenditure

Income

Interest Earned

Interest earned consists of interest/ discount on advances/ bills, income on investments, interest on balances with Reserve Bank of India and other inter-bank funds, and others. Others primarily comprises income from securitization/assignment of loans, interest income on money market instruments, interest income on fixed deposit and interest income on tri-party repo lending.

Other Income

Other income consists principally of (i) commission, exchange and brokerage, (ii) profit on the sale of investments (net), (iii) profit/ (loss) on sale of land, buildings and other assets (net), and (iv) miscellaneous income, which primarily includes income from the sale of PSL certificates and debit card issue/maintenance charges, among others.

Expenditure

Interest Expended

Interest expended include interest on deposits, interest on Reserve Bank of India/ inter-bank borrowings, and interest on others which comprises interest on term loans and borrowings from banks and other financial institutions.

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 our property, (vi) directors' fees, allowances and expenses, (vii) auditors' fee and expenses, (viii) law charges, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, (xii) professional fee, (xiii) goodwill written off and (xiv) other expenditure, which primarily includes traveling and conveyance, bank charges, ATM recycler charges, communication expenses, contribution towards CSR expense, credit bureau charges, business correspondence commissions and miscellaneous expenses.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision for income tax (including current tax, deferred tax (credit)/charge and MAT Credit Entitlement), (ii) provision for standard assets, (iii) provision for non-performing assets, including bad debt write-offs net off cancellation against write off, (iv) provision for restructured assets and (v) other provisions and contingencies, including provision for loss on our securitized portfolio, provision for fraud, provision for FLDG loss and additional provision for COVID-19 which includes provision for standard assets.

Results of Operations

Fiscal year ended March 31, 2022 compared to the fiscal year ended March 31, 2021

The following table sets forth certain information with respect to our results of operations for the fiscal years ended March 31, 2022 and 2021:

Particulars	For the fiscal year ended March 31,			
	2021		2022	
	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income
Income				
Interest earned	12,510.31	90.87%	14,458.72	87.75%
Other income	1,256.79	9.13%	2,017.76	12.25%
Total...	**13,767.10**	**100.00%**	**16,476.48**	**100.00%**
Expenditure				
Interest expended..	5,500.48	39.95%	5,697.82	34.58%
Operating expenses..	4,632.81	33.65%	6,467.96	39.26%
Provisions and contingencies.....................................	2,502.42	18.18%	4,221.99	25.62%
Total...	**12,635.71**	**91.78%**	**16,387.77**	**99.46%**
Profit				
Net profit / (loss) for the year	1,131.39	8.22%	88.71	0.54%

Income

Total income increased by 19.68% from ₹ 13,167.10 million in the fiscal year ended March 31, 2021 to ₹ 16,476.48 million in the fiscal year ended March 31, 2022 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 15.57% from ₹ 12,510.31 million in the fiscal year ended March 31, 2021 to ₹ 14,458.72 million in the fiscal year ended March 31, 2022, primarily due to an increase in interest/ discount on advances/ bills by 15.25% from ₹ 11,482.82 million in the fiscal year ended March 31, 2021 to ₹ 13,233.84 million in the fiscal year ended March 31, 2022 on account of increase in advances. Advances increased by 32.73% from ₹ 53,011.20 million in the fiscal year ended March 31, 2021 to ₹ 70,363.74 million in the fiscal year ended March 31, 2022, primarily on account of an increase in our borrowers from 2.29 million as of March 31, 2021 to 2.39 million as of March 31, 2022. Our yield on advances decreased from 22.83% during the fiscal year ended March 31, 2021 to 21.95% during the fiscal year ended March 31, 2022. Both secured and unsecured products drove our increase in revenue. There is also an increase in income on investments by 37.71% from ₹ 685.15 million in the fiscal year ended on March 31, 2021 to ₹ 943.50 million in the fiscal year ended March 31, 2022 on account of increase in treasury operations. Our investments increased by 68.18% from ₹ 12,793.59 million in the fiscal year ended March 31, 2021 to ₹ 21,516.29 million in the fiscal year ended March 31, 2022.

The increases described above were partially offset by a decrease of 15.76% of interest on balances with Reserve Bank of India and other inter-bank funds, from ₹ 326.12 million as of March 31, 2021 to ₹ 274.73 million as of March 31, 2022.

Other Income

Other income increased by 60.55% from ₹ 1,256.79 million in the fiscal year ended March 31, 2021 to ₹ 2,017.76 million in the fiscal year ended March 31, 2022, primarily due to increase in processing fees, profit from sale of Investment, PSLC Income and Debit card related income.

Commission, exchange and brokerage increased by 89.77% from ₹ 509.80 million in the fiscal year ended March 31, 2021 to ₹ 967.46 million in the fiscal year ended March 31, 2022 on account of higher processing fees received due to an increase in disbursements from ₹ 46,564.57 million in the fiscal year ended March 31, 2021 to ₹ 68,565.35 million in the fiscal year ended March 31, 2022. Miscellaneous income, primarily comprising of income from sale of PSL certificates and debit card issue/maintenance charges, increased by 38.19% from ₹ 741.73 million in the fiscal year ended March 31, 2021 to ₹ 1,025.02 million in the fiscal year ended March 31, 2022. Income from sale of PSL certificates increased by 37.93% from ₹ 409.57 million in the fiscal year ended March 31, 2021 to ₹ 564.90 million in the fiscal year ended March 31, 2022 due to sales of PSL certificates as a result of higher PSL achievement in the fiscal year ended March 31, 2022, and debit card issue/maintenance charges increased from ₹ 230.93 million in the fiscal year ended March 31, 2021 to ₹ 338.69 million in the fiscal year ended March 31, 2022, on account of increased in debit cards issued from 27.49 million to 36.03 million.

Expenditure

Total expenditure increased by 29.69% from ₹ 12,635.71 million in the fiscal year ended March 31, 2021 to ₹ 16,387.77 million in the fiscal year ended March 31, 2022 primarily on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 3.59% from ₹ 5,500.48 million in the fiscal year ended March 31, 2021 to ₹ 5,697.82 million in the fiscal year ended March 31, 2022, primarily due to a marginal increase of 1.24% in interest on deposits from ₹ 4,160.17 million in the fiscal year ended March 31, 2021 to ₹ 4,211.64 million in the fiscal year ended March 31, 2022. Deposits increased by 21.38% from ₹ 53,184.98 million in the fiscal year ended March 31, 2021 to ₹ 64,555.80 million in the fiscal year ended March 31, 2022 on account of an increase in Banking Outlets and addition of new customers. Interest on RBI / inter-bank borrowings increased marginally by 45.27% from ₹ 205.39 million in the fiscal year ended March 31, 2021 to ₹ 298.37 million on account of an increase in inter-bank borrowings and borrowings from the RBI. Other interest also increased marginally by 4.66% from ₹ 1,134.92 million in the fiscal year ended March 31, 2021 to ₹ 1,187.81 million in the fiscal year ended March 31, 2022 due to a ₹ 9,300.00 million refinance and ₹ 4,940.00 million of IBPC borrowings during the fiscal year ended March 31, 2022.

Operating Expenses

Operating expenses increased by 39.61% from ₹ 4,632.81 million in the fiscal year ended March 31, 2021 to ₹ 6,467.96 million in the fiscal year ended March 31, 2022, primarily due to an increase of 42.49% in payments to and provisions for employees from ₹ 2,891.86 million in the fiscal year ended March 31, 2021 to ₹ 4,120.66 million in the fiscal year ended March 31, 2022 on account of an increase in number of employees from 8,850 employees as of March 31, 2021 to 11,733 employees as of March 31, 2022 due to an increase in the number of our Banking Outlets and strengthening of our IT, digital teams and business teams. Rent, taxes and lighting increased by 35.27% from ₹ 317.11 million in the fiscal year ended March 31, 2021 to ₹ 428.97 million in the fiscal year ended March 31, 2022 primarily due to an increase in the number of Banking Outlets from 550 as of the fiscal year ended March 31, 2021 to 673 as of the fiscal year ended March 31, 2022. There was also an increase in depreciation on our property, by 18.29% from ₹ 170.08 million in the fiscal year ended March 31, 2021 to ₹ 201.19 million in the fiscal year ended March 31, 2022. In addition, other expenditure, primarily comprising traveling and conveyance, ATM recycler charges, business correspondence commission and miscellaneous expense, increased by 51.59% from ₹ 633.39 million in the fiscal year ended March 31, 2021, to ₹ 960.20 million in the fiscal year ended March 31, 2022.

Provisions and Contingencies

Provisions and contingencies increased by 68.72% from ₹ 2,502.42 million in the fiscal year ended March 31, 2021 to ₹ 4,221.99 million in the fiscal year ended March 31, 2022, primarily due to a significant increase in provision for non-performing assets (including bad debts written net of collection against write off) by 74.66%, from ₹ 2,096.08 million in the fiscal year ended March 31, 2021, to ₹ 3,660.99 million in the fiscal year ended March 31, 2022, as well as an increase in provision for restructured assets by 179.84%, from ₹ 381.38 million in the fiscal year ended March 31, 2021, to ₹ 1,067.24 million in the fiscal year ended March 31, 2022.

Profit

As a result of the foregoing, net profit for the year was ₹ 88.71 million in the fiscal year ended March 31, 2022 as compared to ₹ 1,313.39 million in the fiscal year ended March 31, 2021.

Fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020

The following table sets forth certain information with respect to our results of operations for the fiscal years ended March 31, 2021 and 2020:

Particulars	The fiscal years ended March 31,			
	2020		2021	
	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income
Income				
Interest earned	10,702.56	88.15%	12,510.31	90.87%
Other income	1,438.36	11.85%	1,256.79	9.13%
Total...	**12,140.92**	**100.00%**	**13,767.10**	**100.00%**
Expenditure				
Interest expended...	4,508.85	37.14%	5,500.48	39.95%
Operating expenses...	4,267.53	35.15%	4,632.81	33.65%
Provisions and contingencies...............................	1,930.05	15.90%	2,502.42	18.18%
Total...	**10,706.43**	**88.18%**	**12,635.71**	**91.78%**
Profit				
Net profit (loss) for the year	1,434.49	11.82%	1,131.39	8.22%

Income

Total income increased by 13.39% from ₹ 12,140.92 million in the fiscal year ended March 31, 2020 to ₹ 13,767.10 million in the fiscal year ended March 31, 2021 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 16.89% from ₹ 10,702.56 million in the fiscal year ended March 31, 2020 to ₹ 12,510.31 million in the fiscal year ended March 31, 2021, primarily due to an increase in interest/ discount on advances/ bills by 21.57% from ₹ 9,445.78 million in the fiscal year ended March 31, 2020 to ₹ 11,482.82 million in the fiscal year ended March 31, 2021 on account of increase in advances. Advances increased by 10.08% from ₹ 48,155.79 million in the fiscal year ended March 31, 2020 to ₹ 53,011.20 million in the fiscal year ended March 31, 2021. Our yield on advances decreased from 24.65% for the fiscal year ended March 31, 2020 to 22.83% for the fiscal year ended March 31, 2021. Our unsecured advances grew by 8.51% and our secured advances grew by 15.75% between the fiscal year ended March 31, 2020 and the fiscal year ended March 31, 2021. Income on investments also increased by 37.20% from ₹ 499.37 million in the fiscal year ended March 31, 2020 to ₹ 685.15 million in the fiscal year ended March 31, 2021, as a result of increase in investments. Our investments increased by 27.05% from ₹ 10,069.60 million in the fiscal year ended March 31, 2020 to ₹ 12,793.59 million in the fiscal year ended March 31, 2021.

This was partially offset by a decrease in interest on balances with the RBI and other inter-bank funds by 4.98%, from ₹ 343.21 million in the fiscal year ended March 31, 2020 to ₹ 326.12 million in the fiscal year ended March 31, 2021. Other interest earned significantly decreased by 96.08% from ₹ 414.20 million in the fiscal year ended March 31, 2020 to ₹ 16.22 million in the fiscal year ended March 31, 2021, primarily due to a decrease by 99.91% in income from securitization / assignment of loans, from ₹ 318.56 million in the fiscal year ended March 31, 2020, to ₹ 0.30 million in the fiscal year ended March 31, 2021, as well as a decrease by 94.41% in interest income on tri-party repo lending, from ₹ 74.12 million in the fiscal year ended March 31, 2020, to ₹ 4.14 million in the fiscal year ended March 31, 2021.

Other Income

Other income decreased by 12.62% from ₹ 1,438.36 million in the fiscal year ended March 31, 2020 to ₹ 1,256.79 million in the fiscal year ended March 31, 2021, primarily due to a decrease in commission, exchange and brokerage income and miscellaneous income.

Commission, exchange and brokerage decreased by 9.94% from ₹ 566.10 million in the fiscal year ended March 31, 2020 to ₹ 509.80 million in the fiscal year ended March 31, 2021 on account of lower processing fees received on account of lower disbursements from ₹ 49,497.11 million in the fiscal year ended March 31, 2020 to ₹ 46,564.57 million in the fiscal year ended March 31, 2022. Miscellaneous income, primarily comprising of income from sale of PSL certificates and debit card issue/maintenance charges, decreased by 13.93% from ₹ 861.77 million in the fiscal year ended March 31, 2020 to ₹ 741.73 million in the fiscal year ended March 31, 2021. Income from sale of PSL certificates decreased by 5.58% from ₹ 433.77 million in the fiscal year ended March 31, 2020 to ₹ 409.57 million in the fiscal year ended March 31, 2021 due to sales of PSL certificates as a result of lower PSL achievement in the fiscal year ended March 31, 2021 as compared to fiscal year ended on March 31, 2020, and debit card issue/maintenance charges decreased from ₹ 348.34 million in the fiscal year ended March 31, 2020 to ₹ 230.93 million in the fiscal year ended March 31, 2021.

Expenditure

Total expenditure increased by 18.02% from ₹ 10,706.43 million in the fiscal year ended March 31, 2020 to ₹ 12,635.70 million in the fiscal year ended March 31, 2021 on account of an increase in interest expended, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 21.99% from ₹ 4,508.85 million in the fiscal year ended March 31, 2020 to ₹ 5,500.48 million in the fiscal year ended March 31, 2021, primarily due to an increase by 37.78% in interest on deposits from ₹ 3,019.48 million in the fiscal year ended March 31, 2020 to ₹ 4,160.17 million in the fiscal year ended March 31, 2021 on account of an increase in deposits. Deposits increased by 14.28% from ₹ 46,539.33 million in the fiscal year ended March 31, 2020 to ₹ 53,184.98 million in the fiscal year ended March 31, 2021 on account of an increase in Banking Outlets and addition of new customers. The average cost of deposits decreased from 8.83% for the fiscal year ended March 31, 2020 to 8.16% for the fiscal year ended March 31, 2021. Other interest expended also increased by 4.96% from ₹ 1,081.25 million in the fiscal year ended March 31, 2020 to ₹ 1,134.92 million in the fiscal year ended March 31, 2021 due to a ₹ 4,700.00 million refinance and ₹ 5,245.00 million of IBPC borrowings during the fiscal year ended March 31, 2021.

This was partially offset by a slight decrease in interest on RBI / inter-bank borrowings which decreased by 49.67% from ₹ 408.12 million in the fiscal year ended March 31, 2020 to ₹ 205.39 million in the fiscal year ended March 31, 2021 on account of repayment of long term loans from banks.

Operating Expenses

Operating expenses increased by 8.56% from ₹ 4,267.53 million in the fiscal year ended March 31, 2020 to ₹ 4,632.81 million in the fiscal year ended March 31, 2021, primarily due to an increase of 11.26% in payments to and provisions for employees from ₹ 2,599.27 million in the fiscal year ended March 31, 2020 to ₹ 2,891.86 million in the fiscal year ended March 31, 2021 on account of an increase in number of employees from 7,131 employees in the fiscal year ended March 31, 2020 to 8,850 employees in the fiscal year ended March 31, 2021 due to an increase in the number of our banking outlets and strengthening of our IT, digital teams and business teams.Rent, taxes and lighting increased by 10.31% from ₹ 287.48 million in the fiscal year ended March 31, 2020 to ₹ 317.11 million in the fiscal year ended March 31, 2021 primarily due to an increase in the number of banking outlets from 509 in the fiscal year ended March 31, 2020 to 550 in the fiscal year ended March 31, 2021. Other expenditure, primarily comprising traveling and conveyance, ATM recycler charges and miscellaneous expense, increased by 17.71% from ₹ 538.11 million in the fiscal year ended March 31, 2020 to ₹ 633.40 million in the fiscal year ended March 31, 2021, primarily on account of an increase in business correspondence commission by 257.91%, from ₹ 55.19 million in the fiscal year ended March 31, 2020, to ₹ 197.52 million in the fiscal year ended March 31, 2021, and an increase in miscellaneous expenses by 39.45%, from ₹ 136.24 million in the fiscal year ended March 31, 2020, to ₹ 189.99 million in the fiscal year ended March 31, 2021.

The increase in operating expenses was partially offset by a decrease in advertisement and publicity expenses, by 51.00% from ₹ 102.93 million in the fiscal year ended March 31, 2020 to ₹ 50.44 million in the fiscal year ended March 31, 2021.

Provisions and Contingencies

Provisions and contingencies increased by 29.66% from ₹ 1,930.05 million in the fiscal year ended March 31, 2020 to ₹ 2,502.42 million in the fiscal year ended March 31, 2021, primarily due to an increase of 393.87% in provision for non-performing assets (including write-offs) from ₹ 424.42 million in the fiscal year ended March 31, 2020 to ₹ 2,096.08 million in the fiscal year ended March 31, 2021 as well as provision for restructured assets, by 61,372.93%, from ₹ (0.62) million in the fiscal year ended March 31, 2020, to ₹ 381.38 million in the fiscal year ended March 31, 2021.

This is partially offset by a decrease in provision for standard assets by 131.86%, from ₹ 935.28 million in the fiscal year ended March 31, 2020 compared to ₹ (297.94) million in the fiscal year ended March 31, 2021, due to decrease in additional provision created on account of the COVID-19 pandemic as well as a decrease in provision for income tax (current tax), by 24.74%, from ₹ 791.89 million in the fiscal year ended March 31, 2020 to ₹ 595.99 million in the fiscal year ended March 31, 2021, due to reduction in taxable profit and both lower income and higher expense allowances from provision created on bad and doubtful debts in the fiscal year ended March 31, 2020.

Profit

For the reasons discussed above, net profit for the year was ₹ 1,131.39 million in the fiscal year ended March 31, 2021 as compared to a net profit for the year of ₹ 1,434,49 million in the fiscal year ended March 31, 2020.

Financial Condition

Assets

The table below sets out the principal components of our assets as of the dates indicated:

Particulars	As of March 31,		
	2020	2021	2022
	(*₹ million*)		
Cash and balances with the Reserve Bank of India	10,585.33	10,364.98	11,167.90
Balance with banks and money at call and short notice	243.73	1,191.34	1,191.69
Investments	10,069.60	12,793.59	21,516.29
Advances...	48,155.79	53,011.20	70,363.74
Fixed assets	403.64	361.91	423.40
Other assets	1,713.19	1,947.71	4,396.01
Total..	**71,171.28**	**79,670.73**	**109,059.03**

Total assets increased by 36.89% from ₹ 79,670.73 million as of March 31, 2021 to ₹ 109,059.03 million as of March 31, 2022. This increase was primarily due to an increase in investments by 68.18%, from ₹ 12,793.59 million as of March 31, 2021 to ₹ 21,516.29 million as of March 31, 2022; an increase in advances by 32.73% from ₹ 53,011.20 million as of March 31, 2021 to ₹ 70,363.74 million as of March 31, 2022; and an increase in other assets by 125.70%, from ₹ 1,947.71 million as of March 31, 2021, to ₹ 4,396.01 million as of March 31, 2022.

Total assets increased by 11.94% from ₹ 71,171.28 million as of March 31, 2020 to ₹ 79,670.73 million as of March 31, 2021. This increase was primarily due to an increase in balance with banks and money at call and short notice, by 388.79%, from ₹ 243.73 million as of March 31, 2022, to ₹ 1,191.34 million as of March 31, 2021, and an increase in advances by 10.08% from ₹ 48,155.79 million as of March 31, 2020 to ₹ 53,011.20 million as of March 31, 2021.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

Particulars	As of March 31,		
	2020	2021	2022
	(₹ million)		
Cash credits, overdrafts and loans repayable on demand[(1)] ..	166.11	196.49	4,414.60
Term loans[(1)]	47,989.68	52,814.71	65,949.14
Total	**48,155.79**	**53,011.20**	**70,363.74**
Secured by tangible assets (including advances against book debts)	10,459.93	12,107.13	17,515.94
Covered by banks / government guarantees	1,838.05	3,501.22	412.63
Unsecured	35,857.81	37,402.85	52,435.17
Total	**48,155.79**	**53,011.20**	**70,363.74**
Advances in India			
Priority sector	40,386.78	44,371.16	60,391.81
Public sector	-	-	-
Banks	-	-	-
Others	7,769.01	8,640.04	9,971.93
Total	**48,155.79**	**53,011.20**	**70,363.74**

(1) *Net of provision for non-performing assets aggregating to ₹3,233.98 million, ₹ 2,051.75 million and ₹ 249.71 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively and outstanding Inter-Bank Participation Certificate (IBPC) of ₹ 2,000.00 million, ₹ 5,245.00 million and ₹ 4,368.00 million as on 31 March, 2022, 31 March, 2021 and 31 March, 2020, respectively.*

Total advances were ₹ 70,363.74 million as of March 31, 2022. Total advances increased by 10.08% from ₹ 48,155.79 million as of March 31, 2020 to ₹ 53,011.20 million as of March 31, 2021, and by 32.73% from ₹ 53,011.20 million as of March 31, 2021 to ₹ 70,363.74 million as of March 31, 2022, primarily due to an increase in disbursements on account of improved productivity, opening of new Banking Outlets and increase in focus on new customer acquisition.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased marginally by 0.03% from ₹ 1,191.34 million as of March 31, 2021 to ₹ 1,191.69 million as of March 31, 2022. The increase/decrease as of March 31, 2022 was primarily driven an increase in banks and money at call and short notice in other deposits, by 293.09%, from ₹ 128.00 million as on March 31, 2021, to ₹ 503.16 million as on March 31, 2022.

Balances with banks and money at call and short notice increased by 388.79% from ₹ 243.73 million as of March 31, 2020 to ₹ 1,191.34 million as of March 31, 2021. The increase as of March 31, 2021 was primarily driven by an increase in balances with banks in other deposit accounts which increased from ₹ 76.43 million as of March 31, 2020 to ₹ 128.00 million as of March 31, 2021.

Investments

Our investments primarily represent investments in government securities.

Investments increased by 68.18% from ₹ 12,793.59 million as of March 31, 2021 to ₹ 21,516.29 million as of March 31, 2022, primarily due to purchases of securities to meet SLR requirements and maintain surplus liquidity in both SLR and non-SLR securities as part of our risk management.

Investments increased by 27.05% from ₹ 10,069.60 million as of March 31, 2020 to ₹ 12,793.59 million as of March 31, 2021, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of risk management.

Other Assets

Other assets primarily include interest accrued, tax paid in advance / tax deducted at source (net) and others, including deferred tax asset.

Other assets increased by 125.70% from ₹ 1,947.71 million as of March 31, 2021 to ₹ 4,396.01 million as of March 31, 2022. The increase as of March 31, 2022 was primarily driven by an increase in interest accrued by 30.69% from ₹ 932.46 million as of March 31, 2021 to ₹ 1,218.62 million as of March 31, 2022 on account of increase in advances. Tax paid in advance / tax deducted at source (net) also increased from ₹ 27.38 million as of March 31, 2021 to ₹ 196.92 million as of March 31, 2022.

Other assets increased by 13.69% from ₹ 1,713.19 million as of March 31, 2020 to ₹ 1,947.71 million as of March 31, 2021. The increase as of March 31, 2021 was primarily driven by an increase in others, from ₹ 738.66 million as of March 31, 2020 to ₹ 987.86 million as of March 31, 2021 primarily on account of decrease in interest only strip on securitization from ₹ 47.73 million as of March 31, 2020 to Nil 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:

Particulars	As of March 31,		
	2020	2021	2022
	(₹ million)		
Capital	636.10	636.10	2,207.80
Employee stock options outstanding	-	9.97	63.81
Reserves and surplus	8,401.55	9,532.94	9,747.00
Deposits	46,539.33	53,184.98	64,555.80
Borrowings	13,681.62	14,004.34	29,435.43
Other liabilities and provisions	1,912.68	2,302.40	3,049.19
Total	**71,171.28**	**79,670.73**	**109,059.03**

Total capital and liabilities increased by 36.89% from ₹ 79,670.73 million as of March 31, 2021 to ₹ 109,059.03 million as of March 31, 2022, generally due to an increase in capital, deposits and borrowings. Total capital and liabilities increased by 11.94% from ₹ 71,171.28 million as of March 31, 2020 to ₹ 79,670.73 million as of March 31, 2021, generally due to an increase in reserves and surplus, deposits and other liabilities and provisions.

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:

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 (%)
Demand Deposits						
(i) from banks	7.64	0.02	103.45	0.19%	62.67	0.10%
(ii) from others	291.88	0.63	456.81	0.86%	873.93	1.35%
Saving Bank Deposits	5,251.08	11.28	12,075.52	22.70%	22,494.89	34.85%
Term Deposits						
(i) from banks	16,702.32	35.89	14,908.50	28.03%	17,312.03	26.82%
(ii) from others	24,286.41	52.18	25,640.70	48.21%	23,812.28	36.89%
Total Deposit	**46,539.33**	**100.00%**	**53,184.98**	**100.00%**	**64,555.80**	**100.00%**

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by 21.38% from ₹ 53,184.98 million as of March 31, 2021 to ₹ 64,555.80 million as of March 31, 2022, mainly due to an increase in savings bank deposits and term deposits. Deposits increased by 14.28% from ₹ 46,539.33 million as of March 31, 2020 to ₹ 53,184.98 million as of March 31, 2021 due to an increase in the number of retail banking outlets as well as higher term deposit interest rates.

Borrowings

Borrowings primarily comprise borrowings from the RBI, other banks, other institutions and agencies, borrowings in the form of bonds and debentures and tier 2 capital in the form of unsecured redeemable debentures and bonds.

Our borrowings increased by 110.19% from ₹ 14,004.34 million as of March 31, 2021 to ₹ 29,435.43 million as of March 31, 2022, primarily attributable to an increase in borrowings from the RBI, from ₹ 560.00 million as of March 31, 2021 to ₹ 5,960.00 million as of March 31, 2022, and borrowings from financial institutions from ₹ 11,444.34 million as of March 31, 2021 to ₹ 20,475.43 million as of March 31, 2022.

Our borrowings increased by 2.36% from ₹ 13,681.62 million as of March 31, 2020 to ₹ 14,004.34 million as of March 31, 2021, primarily attributable to an increase in borrowings from financial institutions, from ₹ 10,351.62 million as of March 31, 2020 to ₹ 11,444.34 million as of March 31, 2021. This increase was partially offset by a decrease in borrowings from the RBI from ₹ 1,030.00 million as of March 31, 2020 to ₹ 560.00 million as of March 31, 2021, primarily driven by new sources of borrowing such as deposits, IBPC and refinancing, the latter two of which offered funding at lower interest rates than loans from banks.

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 32.44% from ₹ 2,302.40 million as of March 31, 2021 to ₹ 3,049.19 million as of March 31, 2022, primarily due to an increase in interest accrued by

166.72% from ₹ 143.86 million as of March 31, 2021 to ₹ 383.71 million as of March 31, 2022 as a result of increase in deposit and borrowings. This was partially offset by a decrease in general provision for standard assets from ₹ 1,116.14 million as of March 31, 2021 to ₹ 534.21 million as of March 31, 2022.

Other liabilities and provisions increased by 20.38% from ₹ 1,912.68 million as of March 31, 2020 to ₹ 2,302.40 million as of March 31, 2021, primarily due to an increase in other liabilities (including provisions) from ₹ 773.63 million as of March 31, 2020 to ₹ 888.27 million as of March 31, 2021.

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 ₹ 10,752.63 million, ₹ 11,028.41 million and ₹ 11,292.63 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 us to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. See "*Risk Factors—We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our business, financial condition including liquidity, results of operations, cash flows and prospects*" on page 21.

Cash Flows

The following table sets forth certain information relating to our cash flows in the years indicated:

Particulars	For the year ended March 31,		
	2020	2021	2022
	(₹ million)		
Net cash generated from/ (used in) operating activities........	4,693.81	478.42	(16,439.02)
Net cash generated from/ (used in) investing activities	667.95	(525.31)	(424.91)
Net cash generated from/ (used in) financing activities........	1,794.08	322.67	17,128.15
Net increase/ (decrease) in cash and cash equivalents..........	7,155.84	275.78	264.22
Cash and cash equivalents as at the beginning of the year ...	3,596.79	10,752.63	11,028.41
Cash and cash equivalents at the end of the year.................	10,752.63	11,028.41	11,292.63

Operating Activities

The fiscal year ended March 31, 2022

In the fiscal year ended March 31, 2022, net cash flow used in operating activities was ₹ 16,439.02 million. Profit before taxes was ₹ 57.46 million in the fiscal year ended March 31, 2022 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of loan portfolio written off (net of recovery) of ₹ 3,695.10 million, and provision for loan portfolio of ₹ 600.24 million. Operating profit before working capital changes was ₹ 4,742.06 million in the fiscal year ended March 31, 2022. The main working capital adjustments in the fiscal year ended March 31, 2022, included increase in deposits of ₹ 11,370.82 million, increase in investments of ₹8,856.38 million, increase in advances of ₹ 22,229.82 million and increase in other assets of ₹ 2,013.76 million. This was offset by an increase in other liabilities of ₹ 1,318.58 million. In the fiscal year ended March 31, 2022, cash used in operations was ₹ 16,043.66 million and taxes on income paid, net amounted to ₹ 395.36 million.

The fiscal year ended March 31, 2021

In the fiscal year ended March 31, 2021, net cash flow from operating activities was ₹ 478.42 million. Profit before tax was ₹ 1,464.19 million in the fiscal year ended March 31, 2021 and adjustments to reconcile profit before tax to operating profit before working capital changes primarily consisted of provision for loan portfolio of ₹ 1,857.22 million, loan portfolio written off (net of recovery) of ₹ 339.31 million, and depreciation and amortization expenses of ₹ 170.08 million. Operating profit before working capital changes was ₹ 3,876.80 million in the fiscal year ended March 31, 2021. The main working capital adjustments in the fiscal year ended March 31, 2021, included increase in deposits of ₹ 6,645.67 million, increase in investments (net) of ₹ 2,789.71 million, and increase in advances of ₹ 6,996.81 million. This was slightly offset by an increase in other liabilities of ₹ 408.98 million. In the fiscal year ended March 31, 2021, cash generated from operating activities was ₹ 1,091.31 million and taxes on income paid, net amounted to ₹ 612.89 million.

The fiscal year ended March 31, 2020

In the fiscal year ended March 31, 2020, net cash flow used in operating activities was ₹ 4,693.81 million. Profit before tax was ₹ 2,027.25 million in the fiscal year ended March 31, 2020 and adjustments to reconcile profit before tax to operating profit before working capital changes primarily consisted of loan portfolio written off of ₹ 454.36 million and provision for loan portfolio of ₹ 921.04 million. Operating profit before working capital changes was ₹ 3,561.16 million in the fiscal year ended March 31, 2020. The main working capital adjustments in the fiscal year ended March 31, 2020, included increase in advances of ₹ 20,948.98 million and increase in investments (net) of ₹ 3,075.70 million, partially offset by an increase in deposits of ₹ 26,107.21 million. In the fiscal year ended March 31, 2020, cash generated from operations was ₹ 5,440.36 million and taxes on income paid, net amounted to ₹ 746.55 million.

Investing Activities

The fiscal year ended March 31, 2022

Net cash used in investing activities was ₹ 424.91 million in the fiscal year ended March 31, 2022, primarily on account of purchase of investments in mutual funds of ₹ 499.98 million and purchase of fixed assets of ₹ 263.59 million, partially offset by proceeds from sale of investments in mutual funds of ₹ 501.90 million.

The fiscal year ended March 31, 2021

Net cash used in investing activities was ₹ 525.31 million in the fiscal year ended March 31, 2021, primarily on account of purchase of fixed assets of ₹ 129.15 million, purchase of investments in mutual funds of ₹1,799.98 million and proceeds from term moneylending of ₹ 399.92 million, partially offset by proceeds from sale of investments in mutual funds of ₹ 1,802.86 million.

The fiscal year ended March 31, 2020

Net cash generated from in investing activities was ₹ 667.95 million in the fiscal year ended March 31, 2020, primarily on account of proceeds from sale of investments in mutual funds of ₹ 4,810.64 million and proceeds from term money lending of ₹ 899.90 million, partially offset by purchase of investments in mutual funds of ₹ 4,800.00 million.

Financing Activities

The fiscal year ended March 31, 2022

Net cash generated from financing activities was ₹ 17,128.15 million in the fiscal year ended March 31, 2022 on account of proceeds from proceeds from issue of equity shares of ₹ 1,697.07 million, loans availed from banks and financial institutions of ₹ 13,580.42 million and proceeds from borrowing under the LAF segment of ₹ 5,400.00 million, partially offset by repayment of loans availed from banks and financial institutions of ₹ 3,549.34 million.

The fiscal year ended March 31, 2021

Net cash flow generated from financing activities was ₹ 322.67 million in the fiscal year ended March 31, 2021 on account of proceeds from loans availed from banks and financial institutions of ₹ 4,700.00 million, partially offset by repayment of loans availed from banks and financial institutions of ₹ 3,907.33 million and repayment of borrowing under the LAF segment of ₹ 470.00 million.

The fiscal year ended March 31, 2020

Net cash flow generated from financing activities was ₹ 1,794.08 million in the fiscal year ended March 31, 2020 on account of proceeds from loans availed from banks and financial institutions of ₹ 4,249.93 million, proceeds from borrowing under the LAF segment of ₹ 1,030.00 million and proceeds from the issue of non-convertible debentures of ₹ 1,000.00 million, partially offset by repayment of loans availed from banks and financial institutions of ₹ 5,004.07 million.

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of December 31, 2020, 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 years indicated:

Particulars	For the year ended March 31,		
	2020	2021	2022
	(₹ million, except percentages)		
Common Equity Tier I Capital	8,485.81	9,404.93	10,848.82
Tier I Capital	8,485.81	9,404.93	10,848.82
Tier II Capital	2,103.34	1,755.63	1,579.85
Total Capital	10,589.15	11,160.56	12,428.67
Total Risk Weighted Assets	36,167.66	37,757.04	55,693.63
Common Equity Tier I Capital Ratio (as a percentage of Risk Weighted Assets)..	23.46%	24.91%	19.48%
Tier I Capital Ratio (as a percentage of Risk Weighted Assets)......	23.46%	24.91%	19.48%

Particulars	For the year ended March 31,		
	2020	2021	2022
	(₹ million, except percentages)		
Tier II Capital Ratio (as a percentage of Risk Weighted Assets).....	5.82%	4.65%	2.84%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	29.28%	29.56%	22.32%

Indebtedness

As of March 31, 2022, our total borrowings were ₹ 29,435.43 million.

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:

Particulars	As of March 31, 2022			
	Payment due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	(₹ million)			
Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of capital advance)	Nil	Nil	Nil	Nil
Operating lease payment(1)	61.85	34.66	25.66	1.53
IT related	Nil	Nil	Nil	Nil
Total Contractual Obligations...........	61.85	34.66	25.66	1.53

(1) The Bank has significant leasing arrangements in respect of operating leases for office premises which are renewable on mutual consent at agreed terms.

Securitization and Assignment Arrangements

The following table sets forth information regarding our securitization deals outstanding as of the dates presented:

Particulars (Securitization)		As of March 31,		
		2020	2021	2022
		(₹ million)		
(i)	No. of SPVs sponsored by the Bank for securitization transactions	11	9	9
(ii)	Total amount of securitized assets as per books of the SPVs sponsored by the Bank	666.84	573.97	571.19
(iii)	Total amount of exposures retained by the Bank to comply with MRR as on the date of the balance sheet			
	(a) Off-balance sheet exposures – First Loss	30.47	-	-
	(b) On-balance sheet exposures – First Loss	105.48	32.66	32.66
(iv)	Amount of exposures to securitization transactions other than MRR	Nil	Nil	Nil
	(a) Off-balance sheet exposures – Exposures to third party securitization – First Loss	-	-	-
	(b) On-balance sheet exposures – Exposures to own securitization – Others..	47.73	-	-

Particulars (Direct Assignment Transactions)		As of March 31,		
		2020	2021	2022
		(₹ million)		
(i)	No. of accounts transacted and outstanding	1	1	1
(ii)	Aggregate value of Pool sold to Assignee...........................	Nil	Nil	Nil
(iii)	Aggregate Consideration..	Nil	Nil	Nil
(iv)	Aggregate gain over net book value	Nil	Nil	Nil

Contingent Liabilities and Other Off-Balance Sheet Arrangements

There are no contingent liabilities as on March 31, 2022.

Capital Expenditures / Additions to Property, Plant and Equipment

Our capital expenditure consists principally of expenditure relating to banking outlets and investment in technology infrastructure. In the fiscal years ended March 31, 2020, 2021 and 2022, we incurred ₹ 243.32 million, ₹ 129.15 million and ₹ 263.59 million, respectively, in the purchase of property, plant and equipment. In the fiscal years ended March 31, 2020, 2021 and 2022, additions made to software amounted to ₹ 24.43 million, ₹ 0.95 million and ₹ 16.71 million, respectively.

Auditor's Observations

Except as set out below, there have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our Statutory Auditors in their auditor's reports on the Restated Financial Statements:

The Statutory Auditor's reports on our audited financial statements for the year ended March 31, 2022, and the previous statutory auditor's, in their report on our audited financial statements for the year March 31, 2021 and March 31, 2020 includes an emphasis of matter paragraph on impact of the COVID-19 pandemic on the operations of our Bank:

The emphasis of matters are set forth below:

Fiscal 2022: *Our statutory auditor has drawn attention to Annexure 4.2(a) of the Restated Financial Statements, which describes the extent to which the COVID-19 pandemic continues to impact the Bank's operations and its financial metrics, including provisions which are dependent on uncertain future developments.*

Further, the examination report includes the following emphasis of matters, referenced in Annexure 4.2(a) of the Restated Financial Statements, based on the reports issued by our previous statutory auditors:

Fiscal 2021: *The emphasis of matter include by our previous statutory auditor describes the economic and social disruption our Bank was facing as a result of the COVID-19 pandemic. In view of these uncertainties, the impact of the pandemic on our operations and financial metrics will depend on future developments which were uncertain at the relevant time.*

Fiscal 2020: *The emphasis of matter include by our previous statutory auditor describes the economic and social disruption our Bank was facing as a result of the COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Bank's operations and financial metrics will depend on future developments which were uncertain at the relevant time.*

The opinion of our Statutory Auditors and previous statutory auditors is not modified in respect of these matters.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to various types of 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 the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. We record losses in our portfolio from defaults that arise due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. The credit risk governance framework ensures that there is segregation of duties across the three lines of defense, i.e., (i) business units, which are responsible for implementing corrective actions to address process and control deficiencies as they retain accountability for managing the credit risks, (ii) credit risk function that independently manages the risk, provides policy guidance, recommendations, risk reporting and analysis and (iii) internal audit unit, which independently assesses the design and operational effectiveness of the entire credit risk management framework.

The credit risk function, with support from business units, is responsible for implementing processes for credit risk identification, assessment, measurement, monitoring and control. The key roles and responsibilities of the credit risk function include (i) stringent monitoring and management of specifically assigned problem accounts; (ii) monitor portfolio performance on a monthly basis and identify associated risks; (iii) study the impact of various stress scenarios on different portfolios to complement the regular risk measurement methods; and (iv) implementation of internal audit recommendations specific to credit risk function.

Liquidity Risk

Liquidity risk can be due to funding risk and market liquidity risk. Funding liquidity risk is the risk of not being able to meet the expected and unexpected current and future cash flows and collateral needs without affecting daily operations or financial condition, due to reasons such as heavy withdrawal on account of alternative investment opportunities in market, change in market interest rates or strong loan growth. Market liquidity risk is the risk that we will be unable to easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption. 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 ₹ 11,114.70 million in addition to mandatory SLR and CRR requirement and deployed primarily in SLR securities. We undertake periodic stress testing with various scenarios to determine the liquidity requirements under such conditions. Investments that are not categorized as HTM are in maintained as AFS. The securities held in excess of the mandatory SLR requirements are mostly sovereign securities which are to a large extent liquid or semi-liquid. These can be liquidated at short notice if required while also being eligible for repo operations as a source of funds at short notice. The extent and form of liquidity is periodically set out by the ALCO. Any requirements for enhancing or altering the liquidity profile in relation to institutional/ wholesale liabilities/ transactions is carried out by the Investment Committee.

Operational and Cash Management Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The RMCB reviews risk related to people, process and systems and monitors key risk through analysis of causative factors for operational loss events. All operational loss events / incidents are reported to the Risk Management Department by the divisions where they originate, immediately when they occur. Each loss event / incident is leveraged to modify existing controls or define new controls. We periodically and at least annually review our product and process notes to set-up corresponding control in line with evolving business environments. These are then reviewed by the Product Approval Committee, which comprises heads of all business and functional divisions before they are introduced. The new regulatory guidelines issued by the RBI, including with respect to highlighting the weaknesses observed in the process and system at an industry level, are analyzed to revisit internal processes and address the gaps, if any. For each Banking Outlet, cash retention limits are defined based on the requirement of cash and customer profile of the outlet. We also subscribe to insurance cover to mitigate risks arising out of handling of cash. We also set limits for withdrawals for various banking channels (internet banking, mobile banking, ATMs) for risk mitigation.

The primary means to mitigate operational risk include internal controls and internal audit. We have also set up operational risk limits for various processes, based on the measures of operational risk. The contingent processing capabilities are also used as a means to limit the adverse impacts of operational risk. We also have knowledge-building exercises for personnel at all levels focused on risk education to reduce operational risk. The internal control process is aimed at reducing instances of fraud, misappropriation and errors. The internal control process is focused on proper segregation of duties and ensuring non-allocation of conflicting responsibilities, availability of information systems, defining control activities at every business level accompanied by top level reviews, effective channel of communication for the staff and availability of BCP and DRP.

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), which comprises heads of all business and functional divisions, meet 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.

Information Security and Cyber Risk

Cyber risk refers to any risk of financial loss, disruption or damage to the reputation of an organization resulting from the failure of its information technology systems. Cyber risk could materialize in several ways, including deliberate and unauthorized breaches of security to gain access to information systems; unintentional or accidental breaches of security; operational IT risks due to factors such as poor system integrity; and intentional or unintentional actions by employees/ personnel or third-party vendors.

The measures we have adopted to ensure the security and integrity of our data and IT systems include constant monitoring through our "Security Operations Centre", protection from malware attacks, data loss prevention, disaster recovery, firewalls, data encryption, multi-factor authentication, secured emailing systems, secured networks, usage of virtual private networks, change management processes, regular information security audits, application security testing, vulnerability assessments, penetration testing, information security awareness training for employees and vendors. The Management Information Security Committee ("**Committee**"), which meets at regular intervals, reviews our preparedness to handle information security and cyber security and reports to IT Strategy Committee of the Board. The Committee comprises senior management and is responsible for approving and monitoring major information security projects and establishing information security priorities. It also approves standards and procedures, reviews positions of security incidents and status of information security awareness programs.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of our 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 our 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 market perception, stakeholder satisfaction, business service disruption, process failure, employee satisfaction and financial performance.

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 317 and 21, 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 317 and 21, 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 the 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 21, 154 and 315, 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

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers.

Competitive Conditions

We operate in a competitive environment. See sections, "*Our Business*", "*Industry Overview*", "*Risk Factors— As a result of our limited operating history, we may not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance*" and "*—Factors affecting our Results of Operations and Financial Condition – Competition*" on pages 154, 109, 21 and 317, respectively.

Seasonality/Cyclicality of Business

We experience some seasonality in our business, as demand by our customers for new microloans is primarily concentrated during the third and fourth quarters of the fiscal year owing to agricultural conditions, festive season demand and other factors. See "*Risk Factors - Our revenues typically tend to fluctuate on a seasonal basis, which may contribute to fluctuations in our results of operations and financial condition.*" on page 50.

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 Offer. 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*" on pages 315, 258 and 21, respectively.

(₹ *in million*)

Particulars	**Pre-Offer as at March 31, 2022**	**As adjusted for the proposed Offer**[(1)]
Borrowings (A) [(2)]	**29,435.43**	**[●]**
Shareholders' funds		
Share Capital		
Equity Shares Capital	2,207.80	**[●]**
Total Share Capital (B)	**2,207.80**	**[●]**
Reserves and Surplus		
Statutory reserve	963.75	[●]
Share premium	6,823.04	[●]
Investment Fluctuation Reserve	208.24	[●]
Balance in profit and loss account	1,751.97	[●]
Employees stock options outstanding	63.81	[●]
Total Reserves and Surplus (C)	**9,810.81**	**[●]**
Total Shareholder's fund (D = B+C)	**12,018.61**	**[●]**
Total debt/ Shareholder's fund (E = A/D)	**2.45**	**[●]**

(1) The corresponding post-Offer 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.
(2) Borrowings represent borrowings as at March 31, 2022 as per Restated Financial Statement. It does not include deposits. .

FINANCIAL INDEBTEDNESS

Our Bank avails loans in the ordinary course of business for the purposes of onward lending, meeting working capital requirements and for general corporate purposes.

Our Shareholders have authorised our Board to borrow such sums of money as may be required for the purpose of the business of the Bank. For details regarding the borrowing powers of our Board, please see "*Our Management – Borrowing Powers of Board*" on page 209.

Set forth below is a brief summary of our aggregate borrowings as of March 31, 2022:

(₹ in million)

Category of borrowing	Sanctioned amount	Outstanding amount@
Refinance		
Secured	-	-
Unsecured	24,750.00	17,195.03
Subordinate debt (unsecured)	2,000.00	2,000.00
Repo Operations (secured)*	10,240.40	10,240.40
Total	**36,990.40**	**29,435.43**

**Includes tri-party repo*

@As certified by Manian and Rao, Chartered Accountants pursuant to the certificate dated August 6, 2022

@Our Bank has issued non-convertible debentures that are currently listed on the BSE. The relevant information memoranda in relation to such listed non-convertible debentures are available on the BSE website

Off Balance Sheet Exposures

(₹ in million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Inter-bank participation certificate	2,000.00	2,000.00
Total	**2,000.00**	**2,000.00**

**As certified by Manian and Rao, Chartered Accountants pursuant to the certificate dated August 6, 2022*

The following table sets forth the ISIN and scrip code of the non-convertible debentures issued by our Bank that are currently listed on BSE, as on March 31, 2022:

ISIN	Scrip Code	Status	Number of Debenture Holders	Name of Debenture Trustee	Outstanding Amount (in ₹ million)	Maturity
INE519Q08152	959025	Listed	1	Catalyst Trusteeship Limited	1,000.00	September 30, 2025
INE519Q08020	956462	Listed	316	Catalyst Trusteeship Limited	250.00	November 29, 2022
INE519Q08137	957863	Listed	576	Catalyst Trusteeship Limited	380.00	June 22, 2024
INE519Q08145	957864	Listed	17	Catalyst Trusteeship Limited	370.00	June 20, 2024

Principal terms of the subsisting borrowings availed by our Bank along with the off-balance sheet exposure as of the date of this Draft Red Herring Prospectus:

1. ***Interest:*** The interest rates for the facilities availed by the Bank typically ranges from 3.00% per annum to 12.87% per annum. Further, for certain loans availed by the Bank, additional interest rates have been stipulated on the occurrence of certain events such as payment related default, breach of terms and conditions etc.

2. ***Tenor:*** The tenor of the borrowings and the off-balance sheet exposures availed by the Bank typically ranges from 136 days to 118 months.

3. ***Security:*** The Bank's secured borrowings are typically secured by way of standard loan assets, present and future assets including receivables, book debts, government securities, etc. of the Bank. 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 the Bank.

4. ***Pre-payment**:* Certain loans availed by the Bank have pre-payment provisions which allow for pre-payment of the outstanding loan by serving notice to the lender and subject to payment of such pre-payment penalties as may be prescribed. These pre-payment penalties typically range from 2.50% to 3% of the amount being prepaid. However, in respect of subordinated debts by the Bank, the Bank is restricted from pre-paying the loan without obtaining the prior approval of the majority debenture holders and prior approval of the RBI. Further, in certain instances, the Bank is restricted from pre-paying the loan during the currency of the loan, except if the underlying assets are prepaid.

5. ***Re-payment:*** The repayment period for the facilities availed by the Bank typically ranges from 136 days to 118 months.

6. ***Events of Default:*** Borrowing arrangements entered into by the Bank contain standard events of default, including among others:

   a) Failure or inability to pay amount on due dates;
   b) Cessation or change in business;
   c) Cross default in any indebtedness beyond the grace period
   d) Incorrect or misleading information;
   e) Violation of any term of the relevant agreement or any other borrowing agreement;
   f) Liquidation or dissolution of the Bank or appointment of a receiver or liquidator;
   g) Erosion of the complete net worth of the Bank; and
   h) Any other event or circumstance which 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 the Bank.

7. ***Consequences of occurrence of events of default:*** In terms of facility agreements and sanction letters, the following, among others, are the consequences of occurrence of events of default, whereby the lenders may:

   a) Subject to prior approval of the RBI, if required, enforce all rights of the debenture trustee and debenture holders under the relevant transaction documents;
   b) Charge additional interest and default interest; and
   c) Accelerate redemption of debentures.

   This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by the Bank.

Additionally, some of our lenders have the right to appoint a nominee director on the Board.

For the purpose of the Offer, our Bank has obtained necessary consents from our lenders as required under the relevant loan documentations for undertaking activities relating to the Offer including consequent actions, such as change in our capital structure, change in the board composition, amendments to the Articles of Association of our Bank, etc.

For details in relation to risks associated with our outstanding indebtedness, see "*Risk Factors – We have a substantial amount of outstanding indebtedness, which requires significant cash flows to service and is subject to certain conditions and restrictions in terms of our financing arrangements which restrict our ability to conduct our business and operations in the manner we desire. For details in relation to our outstanding indebtedness, see "Financial Indebtedness" on page "343"* on page 32.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as disclosed in this section, there are no outstanding (i) criminal proceedings; (ii) actions taken by regulatory or statutory authorities; (iii) litigation involving claims related to direct and indirect taxes (disclosed in a consolidated manner); and (iv) other pending litigation as determined to be material as per the policy dated July 29, 2022, approved by the Board of Directors, in each case involving our Bank, its Promoter and Directors ("**Relevant Parties**").*

For the purpose of material litigation in (iv) above, our Board has considered and adopted the following policy on materiality with regard to outstanding litigation pursuant to the Board resolution dated July 29, 2022.

All outstanding litigation, including any litigation involving the Relevant Parties, other than criminal proceedings, actions taken by regulatory authorities and statutory authorities, disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoter in the last five financial years including any outstanding action and litigation involving claims related to direct and indirect taxes, would be considered 'material' if: (i) the monetary amount of claim by or against the entity or person in any such pending proceeding is in excess of the lower of ₹10 million or 2.5% of the profit after tax of the Bank for latest annual Restated Financial Statements (being ₹2.22 million for Fiscal Year 2022); or (ii) where monetary liability is not quantifiable, the outcome of any such pending proceedings may have a material bearing on the business, operations, performance, prospects or reputation of the Bank.

Further, except as disclosed in this section, there are no disciplinary actions, including penalties imposed by SEBI or stock exchanges, against our Promoter in the last five financial years including any outstanding action.

It is clarified that for the above purposes, pre-litigation notices received by Relevant Parties have not been considered as litigation until such time that the Relevant Parties are impleaded as defendants in litigation proceedings before any judicial forum.

Except as stated in this section, there are no outstanding material dues to creditors of our Bank. For this purpose, our Board has, considered and adopted a policy of materiality for identification of material outstanding dues to creditors, by way of its resolution dated July 29, 2022.In terms of this materiality policy, outstanding dues to any creditor of the Bank having monetary value exceeding 5% of the total dues owed to creditors of the Bank as on the date of the latest Restated Financial Statements of our Bank included in this Draft Red Herring Prospectus, shall be considered as 'material'. Accordingly, for the purposes of this Draft Red Herring Prospectus, any outstanding dues as on March 31, 2022, exceeding ₹0.11 million have been considered as material. For outstanding dues to any micro, small or medium enterprise, the disclosure shall be based on information available with the Bank regarding the status of the creditor as defined under the Micro, Small and Medium Enterprises Development Act, 2006, as amended read with the rules and notifications thereunder.

Litigation involving our Bank

Litigation against our Bank

Civil Litigation

Uttara Foods and Feeds Private Limited ("**Plaintiff**") has filed a civil recovery suit against our Bank and one of our customers, Cherukupalli Lakshma Reddy ("**Customer**") before the Senior Civil Judge at Gadwal. The plaint was filed on October 29, 2021 by the Plaintiff for payment of bank guarantee issued by our Bank in favour of our Customer amounting to ₹3.00 million. The Customer had submitted the bank guarantee in favour of the Plaintiff as assurance of repayment of debt owed in the course of business. As per the account maintained by the Plaintiff's company, the Customer owed an outstanding balance of ₹3.36 million to the Plaintiff. The Plaintiff has alleged negligence and collusion of our Bank with the Customer due to non-repayment of the guaranteed amount. Our Bank has filed an interlocutory application stating that the bank guarantee was a document created by collusion of a former employee, Samudrala Ramesh of Warangal branch and the Customer. Further, the proper and necessary party to the present suit is our former employee and not our Bank. The matter is currently pending.

Criminal Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

Nil

Tax Litigation litigation involving our Bank above the materiality threshold

a. Our Bank has received a notice from the Income Tax Department office of the Assistant Commissioner of Income Tax, Ahmedabad with a financial claim of ₹309.03 million under Section 156 of the Income Tax Act, 1961 for the assessment year 2018-2019. Our Bank has submitted the requisite details and documents towards the notice. An online appeal was filed by our Bank on October 27, 2021 which is pending for hearing.

b. Our Bank has received a notice from the Income Tax Department office of the Assistant Commissioner of Income Tax, Ahmedabad with a financial claim of ₹1,789.08 million under Section 156 of the Income Tax Act, 1961 for the assessment year 2017-2018. Our Bank has submitted the requisite details and documents towards the notice. An online appeal was filed by our Bank on October 27, 2021 which is pending for hearing.

Litigation by our Bank

Civil Litigation

1. Our Bank filed an application against Sambandh Finserve Private Limited ("**Respondent**") under section 19 of the Recovery of Debts and Bankruptcy Act, 1993 on December 7, 2020 before the Debt Recovery Tribunal, Bengaluru seeking from the Respondent to repay a sum of ₹90.44 million among other reliefs. Our Bank upon the request of the Respondent sanctioned three term loans of the following amounts, ₹75 million, ₹50 million and ₹55 million and the date of sanctions were March 22, 2019, September 27, 2019 and March 18, 2020, respectively, all having a repayment period of 24 months. The loans were advanced pursuant to RBI guidelines for income generation purposes for Micro Finance Borrowers. Our Bank claims that the Respondent had started breaching certain covenants of the loan agreements which the Bank considers as an event of default in terms of the loan agreement entered into. This matter is currently pending.

2. Our Bank has filed an application against Jumbo Finvest (India) Limited ("**Respondent**") under section 19 of the Recovery of Debts and Bankruptcy Act, 1993 before the Debt Recovery Tribunal II, Bengaluru on June 30, 2020. Our Bank had sanctioned a term loan of ₹100 million on February 24, 2018 and another term loan of ₹65 million dated August 11, 2018. The Defendants started defaulting on the terms and conditions of the loan agreement pursuant to which the loans were availed. In furtherance to such default, our Bank issued a notice dated November 21, 2019 recalling a sum of ₹49.30 million, which was the total outstanding from both the term loans issued. The Defendants have repaid the sum of ₹39.77 million and a balance of ₹9.53 million was owed to our Bank as on July 30, 2022. This matter is currently pending.

3. Our Bank has filed a petition against R. Mani Chandar ("**First Respondent**") and Padma ("**Second Respondent**") (collectively, "**Respondents**") under section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 for recovery of ₹2.79 million before the Court of the Chief Judicial Magistrate, Puducherry. Our Bank had sanctioned loan facilities to the Respondents of a sum repayable in equated monthly instalments. In order to secure the loan facility, the Second Respondent had deposited title deeds in respect of the suit schedule property. The memorandum of deposit of title deeds in relation to the title deeds deposited was duly executed and the mortgage was created. Subsequently, on account of repeated defaults in repayment of the sanctioned amount, the loan accounts were declared a non-performing assets in the books of our Bank. Demand notices to this effect were sent to the Respondents but to no avail. Thereafter, our Bank sought to enforce the underlying security and sought assistance from the Chief Judicial Magistrate in directing the jurisdictional police to assist in taking possession of the mortgaged property. An order dated September 25, 2021 was passed by the Chief Judicial Magistrate in favour of our Bank directing the appointment of a court commissioner to assist our Bank in obtaining peaceful possession of the petition mentioned property. The matter is currently pending.

4. Our Bank has filed a petition against Lathiya Anil Naranbhai, Yash Anilbhai Lathiya and Lathiya Bhavnaben Anilbhai under Section 14 of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 before the Hon'ble District Magistrate, Surat to direct the jurisdictional police to assist in taking possession of the relevant mortgaged property where the financial impact of such proceedings amounts to₹4.92 million. The matter is currently pending.

Criminal Litigation

1. There are 1,482 cases filed by our Bank pending before various forums across the country for alleged violation of Section 138 of Negotiable Instruments Act, 1881, for recovery of amounts due to our Bank for which cheques issued in favour of our Bank by our borrowers have been dishonoured. The total pecuniary value involved in all these matters aggregates to ₹749.64 million.

2. There are 43 FIRs and 10 police complaints filed by our Bank against its employees and third parties in relation to alleged violations arising in the ordinary course of business operations of the Bank, including, among others, cases filed under the IPC alleging criminal breach of trust, robbery, cheating, forgery, criminal conspiracy, misappropriation of money and involved in embezzlement of money amongst others aggregating to ₹129.62 million.

Litigation involving our Promoter

Litigation against our Promoter

Civil Litigation

Nil

Criminal Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

Nil

Disciplinary action including penalties imposed by SEBI or stock exchanges, against our Promoter in the last five financial years preceding the date of this Draft Red Herring Prospectus, including any outstanding action against our Promoter

Nil

Tax litigation involving our Promoter above the materiality threshold

Direct tax litigation

A notice was received from the Income Tax Department on December 30, 2017 under Section 156 of the Income Tax Act, 1961 by our Promoter for a demand of ₹150.16 million pertaining to Financial Year ended March 31, 2015 (assessment year 2015-2016). Our Promoter has filed an appeal against the disputed amount and has paid ₹60.06 million (i.e., 40% of the disputed amount) as appeal deposit. The appeal is currently pending.

Indirect tax litigation

Our Promoter is involved in a service tax matter which is pending before the Commissioner of Central Excise/ Service Tax – Tirupati for the Financial Years 2009-2012 in relation to central value added tax credits related dues for a demand amount of ₹5.80 million. This matter pertains to FFSPL, an entity which has merged with our Promoter. Our Promoter has appealed against this demand. Our Promoter has settled the demand amount through the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 by paying 50% of the demand amount. The matter is currently pending.

Litigation by our Promoter

Civil Litigation

Nil

Criminal Litigation

There are 54 cases filed by our Promoter pending before various forums across the country for alleged violation of Section 138 of Negotiable Instruments Act, 1881, for recovery of amounts due to our Promoter for which cheques issued in favour of our Promoter by our borrowers have been dishonoured. The total pecuniary value involved in all these matters aggregates to ₹17.32 million.

Litigation involving our Directors

Litigation against our Directors

Civil Litigation

Nil

Criminal Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

Nil

Litigation by our Directors

Civil Litigation

Nil

Criminal Litigation

Nil

Tax Claims

Except as disclosed below, as on the date of this Draft Red Herring Prospectus, there are no claims related to direct and indirect taxes, involving our Bank, Directors and Promoter.

Nature of case	Number of cases	Amount involved (₹ in million)
Bank		
Direct Tax	2	2,098.11
Indirect Tax	Nil	NA
Directors		
Direct Tax	3	5.01
Indirect Tax	Nil	NA
Promoter		
Direct Tax	1	150.16
Indirect Tax	1	5.80

Outstanding dues to Creditors

As of March 31, 2022, the total number of creditors of our Bank is 20 and the total outstanding dues to these creditors by our Bank was ₹2.14 million. As on March 31, 2022, our Bank owes ₹0.01 million to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

As per the materiality policy, creditors of our Bank to whom our Bank owes an amount exceeding 5% (i.e., ₹0.11 million) of the total dues owed to creditors as on March 31, 2022, have been considered to be 'material' creditors. As of March 31, 2022, there are two material creditors to whom our Bank owes ₹1.99 million in aggregate. The details pertaining to outstanding dues towards our material creditors are available on the website of our Bank at www.fincarebank.com/regulatory.

Details of outstanding dues owed to MSMEs and other creditors as of March 31, 2022, is set out below:

Types of Creditors	Number of creditors	Amount involved (₹ in million)
Micro, Small and Medium Enterprises	2	0.01
Other creditors	18	2.13
Total Outstanding Dues	**20**	**2.14**

Material Developments

Other than as stated in "*Management's Discussion And Analysis of Financial Condition And Results Of Operations"* on page 315, there have not arisen, 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 trading, our profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

Set out below an indicative list of approvals obtained by our Bank which are considered material and necessary for the purpose of undertaking its business activities. In view of these key approvals, our Bank can undertake this Offer and its business activities. In addition, certain of our key approvals may have expired or 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.

Approvals in relation to our Bank

I. **Incorporation Details**

1. Certificate of incorporation dated April 5, 1995 issued to our Bank, under the name Banas Finlease Private Limited by the RoC;

2. Fresh certificate of incorporation dated March 26, 2010 issued by the RoC, consequent upon change of name of our Bank from Banas Finlease Private Limited to Disha Microfin Private Limited;

3. Fresh certificate of incorporation dated December 13, 2016 issued by the RoC, consequent upon change of name of our Bank on conversion to a public limited company from Disha Microfin Private Limited to Disha Microfin Limited;

4. Fresh certificate of incorporation dated June 14, 2017 issued by the RoC, consequent upon change of name of our Bank from Disha Microfin Limited to Fincare Small Finance Bank Limited; and

5. The CIN of our Bank is U67120GJ1995PLC025373.

II. **Approvals in relation to the Offer**

For details regarding the approvals and authorisations obtained by our Bank and the Selling Shareholders in relation to the Offer, see "*The Offer*" and "*Other Regulatory and Statutory Disclosures*" on page 60 and 354, respectively.

III. **Key approvals in relation to our Bank**

A. Regulatory approvals

1. Certificate of registration dated April 5, 2010 issued by the RBI to carry on business of non-banking financial institution without accepting deposits, in its former name, Disha Microfin Private Limited, in lieu of the certificate dated November 27, 1999 issued by RBI. The registration certificate also refers to our Bank being converted to an NBFC-MFI with effect from December 6, 2013;

2. In-principle approval issued by RBI dated October 7, 2015 to convert into a small finance bank in private sector under Section 22 of the Banking Regulation Act, 1949, in its former name, Disha Microfin Private Limited;

3. License issued by the RBI bearing number MUM:135 dated May 12, 2017, to carry on small finance bank business in India in terms of Section 22 (1) of the Banking Regulation Act, 1949;

4. The RBI has, pursuant to a no objection certificate dated November 3, 2017, has permitted our Bank to undertake distribution of insurance products on non-risk sharing basis;

5. Certificate of registration issued by the IRDAI, bearing number CA0552, dated April 17, 2021 to act as a corporate agent (composite);

6. The RBI has permitted our Bank to open:

    a. 110 general banking branches consisting of 54 branches in tier 1 centres and 56 branches in tier 2 and 6 centres which includes 34 branches in unbanked rural centres pursuant to its letter dated March 29, 2017.

    b. Six banking branches in the districts of Bangalore, Ahmedabad and Chittoor pursuant to its letter dated June 30, 2017.

    c. Four administrative offices (including the registered office and corporate office) and three centralised processing centres in districts of Ahmedabad, Bengaluru, Chittoor, Indore and Nagpur, pursuant to its letter dated July 5, 2017.

    d. 20 banking outlets in the districts of Anand, Vadodra, Vellore, Navsari, etc pursuant to its letter dated August 9, 2017.

    e. One banking outlet in the district of Chittoor pursuant to its letter dated September 20, 2017.

f. 51 banking outlets in the districts of Dohad, Madurai, Vellore, Navsari, etc pursuant to its letter dated December 19, 2017.

g. 94 banking outlets in districts of Vellore, Narmada, Sabar Kantha, Bharuch, Gandhinagar, Ahmedabad, etc pursuant to its letter dated January 5, 2018.

h. 132 banking outlets in districts of east Godavari, Guntur, Vishakhapatnam, Nalgonda, etc pursuant to its letter dated May 18, 2018.

i. 1 banking outlet in Mumbai, pursuant to its letter dated June 4, 2018

j. 149 banking outlets in the districts of Mysore, Chittoor, Surat, Vishakhapatnam, Mumbai, Pune, Ahmedabad, Gurgaon, Bellary, New Delhi, Agra, Hyderabad, etc, pursuant to its letter dated October 24, 2018.

k. 35 banking outlets in the districts of Chittoor, Thane, Kozhikode, Jaipur, Mumbai, etc pursuant to its letter dated March 05, 2019.

l. Eight banking outlets in the districts of Anuppur, Chindwara, Shahpura, Pali, Shahdol, Belgaum, Bidar and Davanagere pursuant to its letter dated May 13, 2019.

m. Seven banking outlets in the districts Prakasam, Sri Potti Srimulu Nellore and Rewa pursuant to its letter dated May 24, 2019.

n. 20 banking outlets in districts Kurnool, Prakasam, Nizamabad, Siddipet, Jagital, Kamareddy, Vikarabad, etc. pursuant to its letter dated June 3, 2019.

o. 15 banking branches were substituted pursuant to a letter dated July 22, 2019.

p. 3 banking outlets in districts Adilabad and Nirmal pursuant to its letter dated August 2, 2019.

q. 21 banking outlets in the districts of Kanpur, Guntur, Ajmer, Dhule, Bijapur, Tapi, etc pursuant to its letter dated November 18, 2019.

r. 38 banking outlets in the districts of Gwalior, Solapur, Nashik, Buldana, Surguja, west Godavari, etc pursuant to its letter dated February 4, 2020.

s. 24 banking outlets in the districts of Nalgonda, Jalor, Jhabua, east Godavari, etc pursuant to its letter dated March 2, 2020.

t. Extension of the validity period of authorisation letter dated March 5, 2019, in respect of two banking outlets in the districts of Gandhinagar and Bangalore, up to June 4, 2020 pursuant to its letter dated March 4, 2020.

u. 19 banking outlets in the districts Bangalore Urban, New Delhi, Allahabad, Meerut, Chennai, Jalandhar, Ludhiana, Amritsar, etc. pursuant to its letter dated March 18, 2020.

7. The RBI pursuant to its letter dated November 6, 2017 approved the ABOEP for financial year 2017-2018 of 485 banking outlets consisting of 256 outlets (converted from existing micro finance branches) and 229 new banking outlets. The tier-wise classification is as follows: 101 outlets in Tier 1 centres and 384 outlets in Tier 2 to Tier 6 centres including at least 132 outlets in URCs;

8. The RBI pursuant to its letter dated September 3, 2018 approved the ABOEP for financial year 2018-2019 of 238 banking outlets being 61 outlets in Tier 1 centres and 177 outlets in Tier 2 to Tier 6 centres including at least 70 outlets in URCs;

9. The RBI pursuant to its letter dated October 9, 2019 approved the ABOEP for Financial Year 2019-20 of 683 banking outlets consisting of 445 in Tier 1 centres, 238 in Tier 2 to Tier 6 centres including at least 151 in URCs;

10. The RBI has, pursuant to a letter dated July 6, 2017, granted our Bank approval to participate in the Centralised Payment Systems viz. RTGS and NEFT;

11. The RBI has, pursuant to a letter dated May 30, 2018 and the Clearcorp Dealing Systems (India) Limited pursuant to the letter dated July 20, 2018, granted our Bank membership of NDS – OM and has activated the membership;

12. The RBI has, pursuant to a letter dated August 14, 2017, granted our Bank membership of RTGS System in the 'Type A' category and a RTGS settlement account;

13. The RBI has, pursuant to the letter dated July 5, 2017, permitted our Bank to open one registered office in Ahmedabad, Gujarat one corporate office in Bengaluru, one CPC in Bengaluru and two CPCs in Chittoor and one state office in Indore and Nagpur, each;

14. The RBI has, pursuant to a letter dated July 20, 2017, granted our Bank approval to commence and operate mobile banking services, with flexible channels of registration for customers;

15. The DICGC has, pursuant to a letter dated August 10, 2017, granted our Bank registration as an insured bank in terms of the Deposit Insurance and Credit Guarantee Corporation Act, 1961;

16. The FIMMDA, pursuant to a letter dated July 30, 2017, has approved the membership of our Bank as a member. An annual membership fee has been made by our Bank on May 16, 2022 for the Financial Year 2022-23;

17. The Indian Banks' Association, pursuant to its letter dated December 2, 2017, has granted our Bank, an ordinary membership of the association;

18. The RBI has, pursuant to a letter dated June 6, 2019, intimated our Bank of its inclusion in the Second Schedule to the RBI Act, 1934, by way of its notification, dated March 28, 2019 published in the Gazette of India (Part III – Section 4) dated April 13, 2019;

19. The RBI has, pursuant to a letter dated July 18, 2017, permitted our Bank to open a current account with the RBI in the name of our Bank;

20. The RBI has, pursuant to an email dated August 1, 2017, issued a 3-digit Basic Statistical Return – BSR Code 215, to our Bank;

21. The RBI has, pursuant to a letter dated August 4, 2017, permitted our Bank to open a subsidiary ledger account in the name of our Bank;

22. The RBI has, pursuant to an e-mail dated August 2, 2017, allotted primary IFSC FSFB0000001, to our Bank;

23. The RBI has, pursuant to a letter dated September 19, 2017, granted our Bank membership of the Bankers Clearing House, Chennai;

24. The RBI has, pursuant to a letter dated September 25, 2017, granted our Bank membership of the Western Grid Bankers Clearing House;

25. The NPCI, pursuant to an agreement dated September 7, 2017, has granted RuPay membership to our Bank;

26. The RBI has, pursuant to a letter dated November 16, 2017, has granted our Bank membership of the Bankers' Clearing House, New Delhi as a member;

27. The RBI has, pursuant to a letter dated March 20, 2018, granted our Bank permission to set up one call centre in Chittoor, Andhra Pradesh and one call centre in Ahmedabad, Gujarat;

28. The RBI through various letters has allotted the MICR code to 594 banking outlets of our Bank

29. The CERSAI has, pursuant to an e-mail dated May 23, 2019, confirmed the registration of our Bank in the Central KYC Registry;

30. The Department of Telecommunication, Ministry of Communication and Information Technology, Government of India has, pursuant to certificates dated January 10, 2018, March 12, 2018 and June 5, 2020 granted our Bank license to set up DOSPs in Ahmedabad, Gujarat, Chittoor, Andhra Pradesh and Bangalore, Karnataka, respectively;

31. The Ministry of Electronic & Information Technology, Unique Identification Authority of India (Authentication Division) pursuant to a letter dated September 18, 2017, has granted our Bank to act as an authentication user agency and/or e-KYC user agency;

32. The Foreign Exchange Department, RBI has, pursuant to certificate dated August 24, 2018, authorised our Bank as an Authorized Dealer – Category II;

33. The NACH has, pursuant to various emails, granted our Bank membership;

34. The RBI has, pursuant to a letter dated September 3, 2018, permitted our Bank to open one CPC in Ahmedabad, Gujarat;

35. Our Bank has been in compliance with the Foreign Account Tax Compliance Act, 2010, pursuant to registration dated July 9, 2018;

36. The RBI has, pursuant to a letter dated July 14, 2017, granted the INFINET membership to our Bank;

37. The CCIL has, pursuant to a letter dated January 21, 2019, granted our Bank memberships to the CCIL under the Triparty Repo under the Securities Segment;

38. The Clearcorp Dealing Systems (India) Limited, pursuant to its letter dated March 6, 2019, has granted our Bank membership of the Negotiated Dealing System – Screen Based Quote Driven Dealing Systems for Call, Notice and Term Money Operation (NDS-CALL Version 4.2.0);

39. The RBI has, pursuant to a letter dated April 20, 2018, permitted our Bank to open NRO and NRE accounts in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016;

40. The NPCI has, pursuant to a certificate dated February 9, 2021 has granted our Bank registration under the Aadhaar Enabled Payment System to use the AEPS (Off US 2.5- Revised Flow) – Issuer only {BE,CW, FT, PT, MS} feature;

41. Our Bank has, pursuant to a certificate dated September 27, 2017, obtained the IMPS Specification (P2A & P2U) Version 1.6. The NPCI has authorised our Bank to use IMPS P2A (Remitter + Beneficiary) feature for the customers of our Bank;

42. The NPCI has, pursuant to a certificate dated May 30, 2019 has authorised our Bank to use UPI 2.0 'Issuer' for its customers;

43. Our Bank is registered as a member with the NPCI – National Financial Switch;

44. The Financial Intelligence Unit – India has, registered our Bank as a reporting entity bearing reporting entity number 215;

45. The RBI has, pursuant to a letter dated September 29, 2020 given their 'In Principle' approval under the Payment and Settlement Systems Act, 2007, to operate as a Bharat Bill Payment Operating Unit;

46. Our Bank has registered with Mastercard Principle Participation with effect from June 4, 2021 pursuant to the letter dated June 4, 2021 received from Mastercard Asia/Pacific Pte. Ltd.; and

47. The RBI has, pursuant to a letter dated June 14, 2021 giving their 'no objection' to our Bank for obtaining pre-paid payment instrument license for operation and issuance of pre-paid payment instrument from department of payment and settlement systems.

B. Tax related approvals

Our Bank has obtained registrations under various central and state specific tax laws such as the Income Tax Act, 1961, goods and service tax acts, state specific service tax and profession tax acts. Our Bank has obtained the necessary licenses and approvals from the appropriate regulatory and governing authorities in relation to such tax laws.

1. The permanent account number of our Bank is AABCB6398N.

2. The tax deduction account number of our Bank is AHMF01283C.

3. The GST registration number of our Bank is 24AABCB6398N1Z6, for the state of Gujarat.

C. Labour related approvals

Our Bank has obtained registrations under various employee and labour related laws including the Employee State Insurance Act, 1948, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the relevant shops and establishment legislations.

D. Key approvals obtained for the banking outlets

Our Bank has obtained registrations in the normal course of business for its banking outlets across various states in India including licenses for location of business issued by relevant municipal authorities under applicable laws, shops and establishments registrations issued under relevant state legislations and registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Employee State Insurance, Act, 1948. Our Bank has obtained goods and services tax registrations with the relevant authorities for 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 applications.

IV. **Key approvals applied for but not received**

Except as disclosed below, as on the date of this DRHP, there are no key approvals which our Bank has applied for but not received:

1. Application dated December 22, 2021 to the RBI for the approval of scheduled private sector banks as agency banks of the RBI for the government agency business under the RBI circular CO.DGBA.GBD.No.S77/42.01.033/2021-22 dated May 10, 2021 and RBI notification CO.DGBA.GBD.No.S1112/42-01-033/2021-2022 dated December 15, 2021, as updated; and

2. Application dated July 20, 2021 for approval of issuance and operation of prepaid payment instruments under Master Direction on issuance and operation of prepaid payment instruments dated October 11, 2017, as updated.

V. **Key approvals required, but not obtained or applied for**

As on the date of this DRHP, there are no key approvals which our Bank was required to obtain or apply for, but which has not been obtained or been applied for.

VI. **Intellectual property**

As on the date of this DRHP, our bank does not have any registered intellectual property. For details, see "*Our Business – Intellectual Property*" and "*Risk Factors - We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.*" on pages 154 and 42 and "*History and Certain Corporate Matters - License agreement dated December 14, 2016 entered into between our Promoter and our Bank (in the name and style of Disha Microfin Limited)"* on page 208.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

Our Board has approved the Offer pursuant to the resolution passed at its meeting held on July 29, 2022 and our Shareholders have approved the Fresh Issue pursuant to a resolution dated August 5, 2022. This Draft Red Herring Prospectus has been approved by our Board pursuant to a resolution passed on August 6, 2022. Further, our Board has taken on record the approval for the Offer for Sale by the Selling Shareholders pursuant to its resolution dated August 6, 2022.

Each Selling Shareholder has, severally and not jointly, confirmed and approved its participation in the Offer for Sale in relation to its portion of the Offered Shares. For details, see "*The Offer*" on page 60.

Our Bank has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively.

Pursuant to the RBI In-Principle Approval and the RBI Final Approval, the Equity Shares of our Bank are mandatorily required to be listed within a period of three years from the date of reaching a net worth of ₹5,000 million, i.e. by September 30, 2021. Our Bank received a letter dated June 29, 2022 from the RBI observing that the date of completion of the initial public offer by our Bank had passed and our Bank had failed to complete its listing. Our Bank responded to the RBI vide its letter dated July 11, 2022 informing the RBI that we had re-initiated the initial public offer process and are working towards completing the listing of our Equity Shares and meeting the licensing conditions. For further details, see "*Risk Factors - Our inability to comply with laws and regulations applicable to us may have an adverse effect on our business, results of operations, financial condition and cash flows. Further, regulation with respect to ownership and eligibility requirements of shareholders of equity securities of an SFB may impact our ability to raise capital and restrict investment in us.*" on page 21.

Prohibition by SEBI or other Governmental Authorities

Our Bank, Promoter, Directors, the persons in control of the Bank and the persons in control of our Promoter and the Selling Shareholders, are not prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

None of the companies with which our Promoter or Directors or persons in control of the Bank are associated with as promoters, directors or persons in control have been debarred from accessing capital markets under any order or direction passed by SEBI or any other authorities.

Except for (i) Pramod Kabra, who is associated with True North Managers LLP (which is a sponsor and manager to category II AIFs registered with SEBI), (ii) Sunil Gulati, who is associated with Merisis Advisors Private Limited (portfolio managers), and (iii) Divya Sehgal, who is associated with True North Fund VI LLP (a category II AIF registered with SEBI), none of our Directors are associated with securities market related business. There is no outstanding action initiated by SEBI in the past five years against Pramod Kabra, Sunil Gulati and Divya Sehgal.

Our Promoter or Directors have not been declared as fugitive economic offenders under the Fugitive Economic Offenders Act, 2018.

Confirmation under Companies (Significant Beneficial Owners) Rules, 2018

Our Bank and the Selling Shareholders are in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, to the extent applicable to each of them, as on the date of this Draft Red Herring Prospectus.

Eligibility for the Offer

Our Bank is eligible for the Offer in accordance with Regulation 6(1) of the SEBI ICDR Regulations as set out under the eligibility criteria calculated in accordance with the Restated Financial Statements:

a. Our Bank has had net tangible assets of at least ₹30 million, calculated on a restated and consolidated basis, in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets;

b. Our Bank has an average operating profit of at least ₹150 million, calculated on a restated and consolidated basis, during the preceding three years (of 12 months each), with operating profit in each of these preceding three years;

c. Our Bank has a net worth of at least ₹10 million in each of the preceding three full years (of 12 months each), calculated on a restated and consolidated basis; and

d. Our Bank has not changed its name in the last one year.

Our Bank's net tangible assets, monetary assets, monetary assets as a percentage of the net tangible assets, operating profits and net worth, derived from the Restated Financial Statements included in this Draft Red Herring Prospectus as at, and for the last three Financial Years, are set forth below:

(₹ in million, unless otherwise stated)

Particulars	Financial Year 2022	Financial Year 2021	Financial Year 2020
Net tangible assets, as restated*	107,579.56	77,879.34	69,681.18
Monetary assets, as restated**	12,359.59	11,556.32	10,829.06
Monetary assets, as a percentage of net tangible assets, as restated	11.49%	14.84%	15.54%
Pre-tax operating profit, as restated***	57.46	1,464.19	2,027.25
Net worth, as restated****	11,088.43	9,513.96	8,635.79

Notes:
**"Net Tangible Assets" mean the sum of all net assets (net of provision on non performing advances, provision on tax, provision for depreciation on Fixed Assets and Investments) of the Bank excluding intangible assets as defined in Accounting Standard 26 (AS 26), issued by the Institute of Chartered Accountants of India. It also excludes deferred tax assets and standard asset provisions which are not netted off in the restated summary statement of assets and liabilities*
***For the purpose of the above computation. "Monetary Assets" is computed by adding "Cash and Balances with Reserve Bank of India" and "Balances with Banks and Money at Call and Short Notice".*
****For the purpose of the above computation, "Operating Profit" is determined by deducting Interest expended, Operating expenses and Provisions and contingencies (excluding provision for tax), from Interest earned and Other income reported by the Bank as per the Restated Statement of Profit and Loss for the respective years.*
*****"Net worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of profit and loss account and employee stock option outstanding, after deducting the aggregate value of the accumulated losses, deferred expenditure (including deferred tax assets) and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation."*
Amounts in the above computation are as reported by the Bank as derived from the Restated Summary Statement of Assets and Liabilities for the respective year ends and Restated Summary Statement of Profit and Loss for the respective years.

The status of compliance of our Bank with the conditions as specified under Regulations 5 and 7(1) of the SEBI ICDR Regulations are as follows:

(i) Our Bank, our Promoter and our Directors are not debarred from accessing the capital markets by SEBI;

(ii) The companies with which our Promoter or our Directors are associated as a promoter, person in control or director are not debarred from accessing the capital markets by SEBI;

(iii) Neither our Bank, nor our Promoter, or Directors is a wilful defaulter (as defined in the SEBI ICDR Regulations) and have not been declared as wilful defaulters by any bank or financial institution or consortium thereof in accordance with the guidelines on wilful defaulters issued by the RBI;

(iv) Our Bank, Promoter or Directors have not been declared as wilful defaulters or fraudulent borrowers, as defined in the SEBI ICDR Regulations;

(v) None of our Promoter or Directors has been declared as a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018;

(vi) There are no outstanding convertible securities of our Bank or any other right which would entitle any person with any option to receive Equity Shares of our Company as on the date of filing of this Draft Red Herring Prospectus;

(vii) Our Bank along with Registrar to the Offer has entered into tripartite agreements dated September 24, 2014 and June 18, 2018 with NSDL and CDSL, respectively, for dematerialisation of the Equity Shares;

(viii) The Equity Shares of our Bank held by our Promoter are in dematerialised form;

(ix) All the Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing of this Draft Red Herring Prospectus;

(x) Our Bank has received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters dated [●] and [●], respectively; and

(xi) Our Bank has appointed [●] as the Designated Stock Exchange

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 THIS 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 OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS 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 OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED AUGUST 6, 2022 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SEBI ICDR REGULATIONS.

THE FILING OF THIS 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 OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to this Offer will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies in terms of Section 32 of the Companies Act, 2013, and the Prospectus with the Registrar of Companies in terms of sections 26, 32, 33(1) and 33(2) of the Companies Act, 2013.

Disclaimer clause of RBI

A license authorizing the Bank to carry on small finance bank business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Disclaimer from our Bank, the Selling Shareholders, our Directors and BRLMs

Our Bank, the Selling Shareholders, 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 instance and anyone placing reliance on any other source of information, including our Bank's website www.fincarebank.com, or the respective websites of our Promoter or any affiliate of our Bank would be doing so at his or her own risk. Each of the Selling Shareholders, its respective directors, affiliates, associates, and officers accepts no responsibility for any statements made in this Draft Red Herring Prospectus other than those specifically made or confirmed by such Selling Shareholder in relation to itself as a Selling Shareholder and its proportion of the Offered Shares.

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement and as will be provided for in the Underwriting Agreement.

All information shall be made available by our Bank, each of the Selling Shareholders, severally and not jointly (to the extent that the information pertain to such Selling Shareholder and its respective portions of the Offered Shares) 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, the Selling Shareholders, 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 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 Selling Shareholders, 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 issue, 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 Selling Shareholders, 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, our Promoter, the Selling Shareholders, 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, the Promoter, the Selling Shareholders and their respective 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 Offer 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 to sell 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 Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

This Draft Red Herring Prospectus does not constitute an invitation to subscribe or purchase the Equity Shares in the Offer in any jurisdiction, including in India. Invitations to subscribe to or purchase the Equity Shares in the Offer will be made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises the Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India.

No person outside India is eligible to Bid for Equity Shares in the Offer unless that person has received the preliminary offering memorandum for the Offer, which contains the selling restrictions for the Offer outside India.

Eligibility and Transfer Restrictions

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any other applicable law of the United States and, unless so registered, 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. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs") in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs".

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 this Offer, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in this Offer) may violate the registration requirements of the U.S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer within the United States, by its acceptance of the Draft Red Herring Prospectus and the purchase of the Equity Shares, will be deemed to have acknowledged, represented to and agreed, on behalf of itself and each person for which it is acting, with the Bank and BRLMs that it has received a copy of the Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

2) the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly 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;

3) the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB with respect to which it exercises sole investment discretion;

4) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

5) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act, and (B) in accordance with all applicable laws, including the securities laws of the states of the United States. The purchaser understands that the transfer restrictions will remain in effect until our Bank determines, in its sole discretion, to remove them;

6) the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any such Equity Shares;

7) the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

"THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLCABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES."

9) the purchaser acknowledges that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares; and

10) the purchaser acknowledges that the Bank, BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Offer

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer outside the United States, by its acceptance of this Draft Red Herring Prospectus and the purchase of the Equity Shares offered pursuant to this Offer, will be deemed to have acknowledged, represented to and agreed with the Bank and BRLMs that it has received a copy of this Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

2) the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly 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;

3) the purchaser is purchasing the Equity Shares offered pursuant to this Offer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Offer, was located outside the United States at the time (i) the offer of such Equity Shares was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

5) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Bank determines, in its sole discretion, to remove them;

7) the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   "THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLCABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES."

9) the purchaser acknowledges that the Bank, BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that, if any of such acknowledgements, representations, warranties and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents and warrants that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

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.

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, 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 details, see *"Key Regulations and Policies"* and "*Offer Procedure"* on pages 186 and 377, respectively.

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 offered through the Red Herring Prospectus and the Prospectus are proposed to be listed on the BSE and the NSE. Applications 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.

Consents

Consents in writing of the Selling Shareholders, our Directors, legal counsel appointed for the Offer, the BRLMs, the Registrar to the Offer, and the Banker to the Bank in their respective capacities, have been obtained and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus. Further, consents in writing of the Syndicate Members, the Banker(s) to the Offer/ Escrow Collection Bank(s)/ Refund Bank(s), Sponsor Bank, the Share Escrow Agent 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, 2013.

Expert to the Offer

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent dated August 6, 2022 from S.R. Batliboi and Associates LLP, Chartered Accountants, to include their name as required under section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, in this Draft Red Herring Prospectus, and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 to the extent and in their capacity as our Statutory Auditors, and in respect of their (i) examination report dated July 29, 2022 on our Restated Financial Statements; and (ii) their report dated August 6, 2022 on the Statement of 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.

In addition, our Bank has received written consent dated from, Manian and Rao, Chartered Accountants, as the independent chartered accountants to include its name as an "expert" under Section 2(38) of the Companies Act, and other applicable provisions of the Companies Act in its capacity as an independent chartered accountant, in respect of the certificates dated August 6, 2022, and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

Particulars regarding capital issues by our Bank and listed group companies, subsidiaries or associate entity during the last three years

Other than as disclosed in "*Capital Structure*" on page 73, our Bank has not made any capital issues during the three years preceding the date of this Draft Red Herring Prospectus.

Our Bank does not have any associate entity or group company or subsidiary.

Commission and Brokerage paid on previous issues of the Equity Shares in the last five years

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 in the last five years.

Performance vis-à-vis objects – Public/ rights issue of our Bank

Our Bank has not undertaken any public issue in the five years preceding the date of this Draft Red Herring Prospectus. Further, except as disclosed in "*Capital Structure*" on page 73, our Bank has not undertaken any rights issue in the five years preceding the date of this Draft Red Herring Prospectus. The objects for which the rights issue was undertaken has been achieved without any delay or shortfall.

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Bank

Our Promoter is not listed on any stock exchange. Our Bank does not have any subsidiaries.

Price information of past issues handled by the BRLMs

A. I-Sec

1. Price information of past issues handled by I-Sec:

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	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)	December 10, 2021	845.00	-14.78%,[+1.72%]	-29.79%,[-6.66%]	-22.21%,[-6.25%]
2	Shriram Properties Limited^^	6,000.00	118.00(2)	December 20, 2021	90.00	-12.42%,[+9.02%]	-33.39%,[+4.05%]	-46.69%,[-7.95%]
3	Metro Brands Limited^	13,675.05	500.00	December, 22, 2021	436.00	+21.77%,[+4.45%]	+14.57%,[+0.64%]	+7.93%,[-9.78%]
4	Supriya Lifescience Limited^	7,000.00	274.00	December 28, 2021	425.00	+78.61%,[-0.07%]	+72.12%,[-0.92%]	+20.36%,[-8.93%]
5	AGS Transact Technologies Limited^	6,800.00	175.00	January 31, 22	176.00	-42.97%,[-3.05%]	-28.63%,[-1.64%]	-52.69%,[-0.77%]
6	Adani Wilmar Limited^^	36,000.00	230.00(3)	February 8, 2022	227.00	+48.00%,[-5.34%]	+180.96%,[-4.95%]	+193.26%,[+0.76%]
7	Vedant Fashions Limited^^	31,491.95	866.00	February 16, 2022	935.00	+3.99%,[-0.20%]	+14.53%,[-8.54%]	NA*
8	Life Insurance Corporation of India^	2,05,572.31	949.00(4)	May 17, 2022	867.20	-27.24%,[-3.27%]	NA*	NA*
9	Prudent Corporate Advisory Services Limited^	4,282.84	630.00(5)	May 20, 2022	660.00	-20.71%,[-5.46%]	NA*	NA*
10	Paradeep Phosphates Limited^	15,017.31	42.00	May 27, 2022	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.*

Summary statement of price information of past issues handled by I-Sec:

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ 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	3	4	5	5	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 trading day*

B. Ambit

1. Price information of past issues handled by Ambit:

Sr.No.	Issue Name	Issue Size (₹ Mn)	Issue price (₹)	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	Metro Brands(1)	13,675.05	500.00	22-Dec-21	436.00	+21.77%, [+4.45%]	+14.57%, [+0.64%]	+7.93%, [-9.78%]
2	Star Health and Allied Insurance Company Limited(2)	60,186.84	900.00	10-Dec-21	845.00	-14.78%, [+1.72%]	-29.79%, [-6.66%]	-22.21%, [-6.25%]
3	Ami Organics Limited(1)	5,696.36	610.00	14-Sep-21	902.00	+116.86%,[+4.27%]	+63.94%, [+0.93%]	+47.34%, [-4.63%]
4	Chemplast Sanmar Limited(2)	38,500.00	541.00	24-Aug-21	550.00	+2.06%, [+5.55%]	+12.68%, [+6.86%]	-3.30%, [+3.92%]
5	Anupam Rasayan India Limited(1)	7,600.00	555.00	24-Mar-21	534.70	-0.11%, [-2.24%]	+29.93%, [+6.90%]	+36.96%, [+20.00%]

Source: www.nseindia.com and www.bseindia.com

(1) BSE as designated stock exchange
(2) NSE as designated stock exchange

a. Issue Size derived from Prospectus/final post issue reports, as available.
b. The CNX NIFTY or S&P BSE SENSEX is considered as the Benchmark Index as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable
c. Price on NSE or BSE is considered for all of the above calculations as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable.
d. In Star Health and Allied Insurance Company Limited, the issue price to eligible employees was ₹ 820 after a discount of ₹ 80 per equity share
e. In Anupam Rasayan India Limited, the issue price to eligible employees was ₹ 500 after a discount of ₹ 55 per equity share

2. Summary statement of price information of past issues handled by Ambit:

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ 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*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021-22	4	118,058.25	-	-	1	1	-	2	-	-	2	-	1	1
2020-21	1	7,600.00	-	-	1	-	-	-	-	-	-	-	1	-

Source: www.nseindia.com and www.bseindia.com

Note:
*1. *For FY 2022-23, the information is as on the date of this draft red herring prospectus*

2. The total number of initial public offerings and the total amount of funds raised have been included for each financial year based on the of initial public offerings listed during such financial year

C. Axis

1. Price information of past issues handled by Axis:

Sr. No.	Issue name	Issue size (₹ million)	Issue price (₹)	Listing date	Opening price on listing date (in ₹)	+/- % 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	Paradeep Phosphates Limited(1)	15,017.31	42.00	27-May-22	43.55	-10.24%, [-3.93%]	-	-
2	Prudent Corporate Advisory Services Limited^(1)	4,282.84	630.00	20-May-22	660.00	-20.71%, [-5.46%]	-	-
3	Life Insurance Corporation Of India@(1)	205,572.31	949.00	17-May-22	867.20	-27.24%, [-3.27%]	-	-
4	Vedant Fashions Limited(2)	31,491.95	866.00	16-Feb-22	935.00	+3.99%, [-0.20%]	+14.53%, [-8.54%]	-
5	CMS Info Systems Limited(1)	11,000.00	216.00	31-Dec-21	218.50	+21.99%, [-1.81%]	+25.35%, [+0.74%]	+3.75%, [-8.71%]
6	Supriya Lifescience Limited(1)	7,000.00	274.00	28-Dec-21	425.00	+78.61%, [-0.07%]	+72.12%, [-0.92%]	+20.36%, [-8.93%]
7	Medplus Health Services Limited*(1)	13,982.95	796.00	23-Dec-21	1,015.00	+53.22%, [+3.00%]	+23.06%, [+1.18%]	-6.55%, [-9.98%]
8	Metro Brands Limited(1)	13,675.05	500.00	22-Dec-21	436.00	+21.77%, [+4.45%]	+14.57%, [+0.64%]	+7.93%, [-9.78%]
9	C.E. Info Systems Limited(1)	10,396.06	1,033.00	21-Dec-21	1,581.00	+70.21%, [+6.71%]	+48.48%, [+2.74%]	+21.40%, [-8.80%]
10	Shriram Properties Limited$(2)	6,000.00	118.00	20-Dec-21	90.00	-12.42%, [+9.02%]	-33.39%, [+4.05%]	-46.69%, [-7.95%]

Source: www.nseindia.com and www.bseindia.com
(1)BSE as Designated Stock Exchange
(2)NSE as Designated Stock Exchange
^Offer Price was Rs. 571.00 per equity share to Eligible Employees
@Offer Price was Rs. 904.00 per equity share to Retail Individual Bidders and Eligible Employees and ` 889.00 per equity share to Eligible Policyholders
** Offer Price was Rs. 718.00 per equity share to Eligible Employees*
$ Offer Price was Rs. 107.00 per equity share to Eligible Employees

Notes:
a. Issue Size derived from Prospectus/final post issue reports, as available.
b. The CNX NIFTY or S&P BSE SENSEX is considered as the Benchmark Index as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable.
c. Price on NSE or BSE is considered for all of the above calculations as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable.
d. In case 30th/90th/180th day is not a trading day, closing price of the previous trading day has been considered.
e. Since 30 calendar days, 90 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

2. Summary statement of price information of past issues handled by Axis:

Financial Year	Total no. of IPOs	Total funds raised (₹ million)	Nos. of IPOs trading at discount on as on 30th calendar days from listing date			Nos. of IPOs trading at premium on as on 30th calendar days from listing date			Nos. of IPOs trading at premium as on 180th calendar days from listing date			Nos. of IPOs trading at premium as on 180th calendar days from listing date		
			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%
2022-2023*	3	224,872.46	-	1	2	-	-	-	-	-	-	-	-	-
2021-2022	25	609,514.77	-	2	6	6	5	6	3	4	3	5	2	7
2020-2021	11	93,028.90	-	-	6	2	1	2	-	1	1	4	3	2

** The information is as on the date of the document*

The information for each of the financial years is based on issues listed during such financial year.
Note: Since 30 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

D. IIFL:

1. Price information of past issues handled by IIFL:

Sr. No.	Issue Name	Issue Size (₹ Million)	Issue Price (₹)	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	PB Fintech Ltd.	57,097.15	980.00	November 15, 2021	1,150.00	+14.86%,[-4.33%]	-20.52%,[-4.06%]	-34.16%,[-12.85%]
2	S.J.S Enterprises Ltd.	8,000.00	542.00	November 15, 2021	542.00	-24.99%,[-4.33%]	-29.33%,[-4.06%]	-30.67%,[-12.85%]
3	Sapphire Foods India Limited	20,732.53	1,180.00	November 18, 2021	1,350.00	+3.69%,[-4.39%]	+20.78%,[-2.32%]	-7.85%,[-10.82%]
4	Star Health and Allied Insurance Company Limited	60,186.84	900.00(1)	December 10, 2021	845.00	-14.78%,[+1.72%]	-29.79%,[-6.66%]	-22.21%,[-6.25%]
5	Anand Rathi Wealth Limited	6,593.75	550.00(2)	December 14, 2021	602.05	+12.38%,[+5.22%]	+4.46%,[-4.42%]	+19.55%,[-6.56%]
6	Rategain Travel Technologies Limited	13,357.35	425.00(3)	December 17, 2021	360.00	+11.99%,[+7.48%]	-31.08%,[-0.06%]	-35.24%,[-7.38%]
7	Data Patterns (India) Limited	5,882.24	585.00	December 24, 2021	856.05	+29.70%,[+3.61%]	+13.56%,[+1.42%]	+14.16%,[-8.03%]
8	Vedant Fashions Limited	31,491.95	866.00	February 16, 2022	935.00	+3.99%,[-0.20%]	+14.53%,[-8.54%]	N.A.
9	Rainbow Childrens Medicare Limited	15,808.49	542.00(4)	May 10, 2022	510.00	-13.84%,[+0.72%]	-12.80%,[+7.13%]	N.A.
10	eMudhra Limited	4,127.86	256.00	June 1, 2022	271.00	-1.52%,[-4.27%]	N.A.	N.A.

Source: www.nseindia.com; www.bseindia.com, as applicable

(1) A discount of INR 80 Per Equity Share was offered to eligible employees bidding in the employee reservation portion
(2) A discount of INR 25 Per Equity Share was offered to eligible employees bidding in the employee reservation portion
(3) A discount of INR 40 Per Equity Share was offered to eligible employees bidding in the employee reservation portion
(4) A discount of INR 20 Per Equity Share was offered to eligible employees bidding in the employee reservation portion

Note: Benchmark Index taken as NIFTY 50 or S&P BSE SENSEX, as applicable. Price of the designated stock exchange as disclosed by the respective issuer at the time of the issue has been considered for all of the above calculations. The 30th, 90th and 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 from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. NA means Not Applicable. The above past price information is only restricted to past 10 initial public offers.

2. Summary statement of price information of past issues handled by IIFL:

Financial Year	Total No. of IPO's	Total Funds Raised (₹ 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%
2020-21	8	47,017.65	-	-	4	2	1	1	-	1	-	3	3	1
2021-22	17	3,58,549.95	-	-	5	-	4	8	-	6	4	3	-	3
2022-23	2	19,936.35	-	-	2	-	-	-	-	-	-	-	-	-

Source: www.nseindia.com; www.bseindia.com, as applicable
Note: Data for number of IPOs trading at premium/discount taken at closing price of the designated stock exchange as disclosed by the respective issuer at the time of the issue has been considered on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered.

NA means Not Applicable.

E. SBICAP:

1. Price information of past issues handled by SBICAP:

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	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	Paradeep Phosphates Limited @	15,017.31	42.00	May 27, 2022	43.55	-10.24% [-3.93%]	NA	NA
2	Life Insurance Corporation of India (1)@	205,572.31	949.00	May 17, 2022	867.20	-27.24% [-3.27%]	NA	NA
3	Star Health and Allied Insurance Company Ltd (2)#	64,004.39	900.00	December 10,2021	845.00	-14.78% [+1.72%]	-29.79% [-6.66%]	-22.21% [-6.25%]
4	Tarsons Products Limited (3)@	8,738.40	662.00	November 26, 2021	700.00	-4.16% [+0.03%]	-4.46% [+0.22%]	0.20% [-5.35%]
5	Aditya Birla Sun Life AMC Limited#	27,682.56	712.00	October 11, 2021	715.00	-11.36% [+0.55%]	-23.85% [-0.74%]	-25.65% [-0.90%]
6	Nuvoco Vistas Corporation Limited@	50,000.00	570.00	August 23, 2021	471.00	-5.83% [+6.21%]	-9.74% [+7.34%]	-32.76% [4.10%]
7	Windlas Biotech Limited@	4,015.35	460.00	August 16, 2021	439.00	-18.02% [+4.79%]	-34.42% [+9.18%]	-37.01% [+4.62%]
8	Glenmark Life Sciences Limited@	15,136.00	720.00	August 06, 2021	751.10	-6.38% [+7.10%]	-12.94% [+10.12%]	-20.67% [+8.45%]
9	G R Infraprojects Limited (4)@	9,623.34	837.00	July 19, 2021	1,700.00	90.61% [+6.16%]	138.67% [+16.65%]	132.16% [+16.50%]
10	Shyam Metalics and Energy Limited (5)@	9,085.50	306.00	June 24, 2021	367.00	41.08% [+0.53%]	22.88% [+11.97%]	0.96% [+5.93%]

Source: www.nseindia.com and www.bseindia.com

Notes:

**The 30th, 90th and 180th calendar day computation includes the listing day. If either of the 30th, 90th or 180th calendar days isa trading holiday, the previous trading day is considered for the computation. We have taken the issue price to calculate the % change in closing price as on 30th, 90th and 180th day. We have taken the closing price of the applicable benchmark index as on the listing day to calculate the % change in closing price of the benchmark as on 30th, 90th and 180th day.*

***The information is as on the date of this document.*

**The information for each of the financial years is based on issues listed during such financial year.*

@The S&P BSE SENSEX index is considered as the Benchmark Index, BSE being the designated stock exchange

#The Nifty 50 index is considered as the Benchmark Index, NSE being the designated stock exchange

1. *Price for retail individual bidders and eligible employee was Rs 904.00 per equity share and for Eligible Policy Holders and was Rs 889.00 per equity share*
2. *Price for eligible employee was Rs 820.00 per equity share*
3. *Price for eligible employee was Rs 639.00 per equity share*
4. *Price for eligible employee was Rs 795.00 per equity share*
5. *Price for eligible employee was Rs 291.00 per equity share*

2. Summary statement of price information of past issues handled by SBICAP:

Financial Year	Total no. of IPOs #	Total amount of funds raised (₹ 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*	2	2,20,589.62	-	1	1	-	-	-	-	-	-	-	-	-
2021-22	10	2,17,814.28	-	-	6	1	2	1	-	3	1	3	-	3
2020-21	7	1,05,087.00	-	-	5	-	2	-	-	1	3	-	2	1

**The information is as on the date of this offer document.*

 # Date of Listing for the issue is used to determine which financial year that particular issue falls into

Track record of the Book Running Lead Managers

For details regarding the track record of the BRLMs, as specified in circular reference CIR/MIRSD/1/2012 dated January 10, 2012 issued by SEBI, see the websites of the BRLMs, as set forth in the table below:

S. No.	Name of BRLM	Website
1.	ICICI Securities Limited	www.icicisecurities.com
2.	Axis Capital Limited	www.axiscapital.co.in
3.	IIFL Securities Limited	www.iiflcap.com
4.	SBI Capital Markets Limited	www.sbicaps.com
5.	Ambit Private Limited	www.ambit.co

Stock Market Data of Equity Shares

This being an initial public offer of Equity Shares 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 retention of records with the Registrar to the Offer for a minimum period of eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, in order to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

Investors can contact the Company Secretary and Compliance Officer, the BRLMs or the Registrar to the Offer in case of any pre-Offer or post-Offer 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 orders or non-receipt of funds by electronic mode, etc. All grievances, other than of Anchor Investors may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary with whom the ASBA Form was submitted, giving full details such as name of the sole or First Bidder, ASBA Form number, Bidder’s DP ID, Client ID, PAN, address of Bidder, number of 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), date of ASBA Form and the name and address of the relevant Designated Intermediary where the Bid was submitted. Further, the Bidder shall enclose the Acknowledgment Slip or the application number from the Designated Intermediary in addition to the documents or information mentioned hereinabove. All grievances relating to Bids submitted through Registered Brokers may be addressed to the Stock Exchanges with a copy to the Registrar to the Offer.

All grievances of the Anchor Investors may be addressed to the Registrar to the Offer, giving full details such as the name of the sole or First Bidder, Bid cum Application Form number, Bidders’ DP ID, Client ID, PAN, date of the Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for, Bid Amount paid on submission of the Bid cum Application Form and the name and address of the BRLMs where the Bid cum Application Form was submitted by the Anchor Investor.

In terms of SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/22, dated February 15, 2018, 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, 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, the investors shall be compensated by the SCSBs at the rate higher of ₹ 100 or 15% per annum of the application amount in the events of delayed or withdrawal of applications, blocking of multiple amounts for the same UPI application, blocking of more amount than the application amount, delayed unblocking of amounts for non-allotted/ partially-allotted applications for the stipulated period. 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, the post-Offer Book Running Lead Managers shall be liable to compensate the investors at the rate higher of ₹ 100 per day or 15% per annum of the application amount from the date of on which grievance is received by the BRLMs or Registrar until the date on which the blocked amounts are unblocked.

Further, in terms of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI Circular No: 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, the Selling Shareholders, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any act of the SCSBs, including any default in complying with their obligations under the applicable SEBI ICDR Regulations.

Disposal of Investor Grievances by our Bank

The Bank has obtained authentication on the SCORES and shall comply with the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 in relation to redressal of investor grievances through SCORES.

Our Bank estimates that the average time required by our Bank or the Registrar to the Offer 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 investor complaints during the period of three years preceding the date of the Draft Red Herring Prospectus, hence no investor complaint in relation to our Bank is pending as on the date of filing of the Draft Red Herring Prospectus.

Our Bank has also appointed Shefaly Kothari, Company Secretary as the Compliance Officer of our Bank for the Offer. For details, see "*General Information*" and "*Our Management*" on pages 65 and 209, respectively.

Our Bank has constituted a Stakeholders' Relationship Committee comprising of Dhiraj Poddar (*Chairman*), Sameer Yogesh Nanavati, Rajeev Yadav, Alok Prasad; and Divya Sehgal as members. For details, see "*Our Management*" on page 209.

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

Nil

SECTION VII: OFFER INFORMATION

TERMS OF THE OFFER

The Equity Shares being offered and Allotted pursuant to the Offer 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 Final Approval, 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 terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Offer. 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 Offer and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Offer.

Ranking of the Equity Shares

The Allottees, upon Allotment of Equity Shares under the Offer, 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 Offer 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*" on page 393.

Mode of Payment of Dividend

Our Bank shall pay dividends, if declared, to the Shareholders in accordance with the provisions of the Companies Act, our MoA, AoA and provisions of the Listing Regulations and any other guidelines, policies or directions which may be issued by the GoI in this regard. 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 laws. For further details, in relation to dividends, see "*Dividend Policy*" and "*Description of Equity Shares and Terms of Articles of Association*" on pages 235 and 393, respectively.

Face Value, Offer Price and Price Band

The face value of each Equity Share is ₹10 and the Offer Price at the lower end of the Price Band is ₹[●] per Equity Share and at the higher end of the Price Band is ₹[●] per Equity Share. The Anchor Investor Offer Price is ₹[●] per Equity Share.

The Price Band, minimum Bid Lot for the Offer and Employee Discount will be decided by our Bank, in consultation with the BRLMs, and will be advertised in [●] editions of the English national newspaper [●], [●] editions of [●], a Hindi national daily newspaper and [●] edition of [●], a Gujarati national daily newspaper (Gujarati being the regional language of Gujarat, where our Registered Office is located) each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading the same on their 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.

The Offer

The Offer comprises a Fresh Issue by our Bank and an Offer for Sale by the Selling Shareholders.

Expenses for the Offer shall be shared amongst our Bank and the Selling Shareholders in the manner specified in "*Objects of the Offer - Offer Expenses*" on page 97.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, our equity 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;
- 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 (being an SFB) under the Companies Act, Banking Regulation Act, the Listing Regulations, as applicable, and the Articles of Association of our Bank.

For a detailed description of the main provisions of the Articles of Association 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*" on page 393.

Allotment only in dematerialised form

Pursuant to Section 29 of the Companies Act, 2013 and the SEBI ICDR Regulations, the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form on the Stock Exchanges. In this context, two agreements have been entered into amongst our Bank, the respective Depositories and Registrar to the Offer:

- Tripartite agreement dated September 24, 2014 amongst our Bank, NSDL and Registrar to the Offer; and
- Tripartite agreement dated June 18, 2018 amongst our Bank, CDSL and Registrar to the Offer.

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 Offer will be in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.

Joint Holders

Subject to the provisions of the Articles of Association, 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, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, 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 person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered 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, 2013 shall upon the production of such evidence as may be required by the 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 Offer 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/Offer Programme

BID/OFFER OPENS ON	**[●]**(1)
BID/OFFER CLOSES ON	**[●]**(2)

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

(2) Our Bank may, in consultation with the BRLMs, consider closing the Bid/Offer Period for QIBs one day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Bid/Offer 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 the Stock Exchanges	On or about [●]

* *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/Offer Closing Date, the Bidder shall be compensated by the intermediary responsible for causing such delay in unblocking in accordance with applicable law. The Bidder shall be compensated in the manner specified in the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to 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. From the date of receipt of complaint from the Bidder, in addition to the compensation to be paid by the SCSBs as above, the post-Offer BRLMs shall be liable for compensating the Bidder at a uniform rate of ₹ 100 per day or 15% per annum of the Bid Amount, whichever is higher from the date of on which grievance is received by the BRLMs or Registrar until the date on which the blocked amounts are unblocked. 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/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.*

The above timetable, other than the Bid/Offer Closing Date, is indicative and does not constitute any obligation or liability on our Bank, the Selling Shareholders or the BRLMs.

Whilst 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/Offer Closing Date, the timetable may be extended due to various factors, such as extension of the Bid/Offer 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. 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.

Submission of Bids (other than Bids from Anchor Investors):

Bid/Offer Period (except the Bid/Offer Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time (“**IST**”)
Bid/Offer Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

On the Bid/ Offer 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/Offer Closing Date, extension of time may be granted by Stock Exchanges only for uploading Bids received by RIBs 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.

The Registrar to the Offer shall submit the details of cancelled/withdrawn/deleted applications to the SCSB’s on daily basis within 60 minutes of the Bid closure time from the Bid/ Offer Opening Date till the Bid/Offer Closing Date by obtaining the same from the Stock Exchanges. The SCSB’s shall unblock such applications by the closing hours of the Working Day.

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 would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Offer 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/Offer 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 Offer. Bids will be accepted only during Working Days.

None among our Bank and the Selling Shareholders or any member of the Syndicate is 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 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 BRLMs reserve the right to revise the Price Band during the Bid/ Offer Period. The revision in the Price Band shall not exceed 20% on either side, i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly. The Cap Price shall be at least 105% of the Floor Price and less than or equal to 120% of the Floor Price.

In case of revision in the Price Band, the Bid/ Offer Period shall be extended for at least three additional Working Days after such revision, subject to the Bid/ Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank in consultation with the BRLMs, for reasons to be recorded in writing, extend the Bid/ Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in Price Band, and the revised Bid/ Offer 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 (i) the minimum subscription of 90% of the Fresh Issue on the date of closure of the Offer; and (ii) subscription in the Offer equivalent to at least 10% post-Offer paid-up equity share capital of our Bank (the minimum number of securities 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/ Offer Closing Date on the date of closure of the Offer; or withdrawal of applications; or after technical rejections; or if the listing; or trading permission is not obtained from the Stock Exchanges for the securities so offered pursuant to the Red Herring Prospectus and the Prospectus; or if the subscription level falls below the threshold under Rule 19(2)(b) of the SCRR mentioned above after the Bid/Offer Closing Date, our Bank shall forthwith refund the entire subscription amount received, in accordance with applicable law including the SEBI circular bearing no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021. If there is a delay beyond four days after our Bank becomes liable to pay the amount, our Bank and every Director of our Bank, who are officers in default, shall pay interest at the rate prescribed under applicable law, including the Companies Act, 2013 and the SEBI ICDR Regulations The requirement for minimum subscription is not applicable for the Offer for Sale.

The requirement for minimum subscription is not applicable to the Offer for Sale. In case of under-subscription in the Offer, after meeting the minimum subscription requirement of 90% of the Fresh Issue, the balance subscription in the Offer will be met in the following order of priority: (i) through the sale of the Offered Shares being offered by the Selling Shareholders in the Offer for Sale on a pro-rata basis on the basis of the number of Offered Shares being offered for sale by each Selling Shareholder; and (ii) through the issuance of balance part of the Fresh Issue.

The Selling Shareholders shall reimburse any expenses and interest incurred by our Bank on behalf of the Selling Shareholders for any delays in making refunds as required under the Companies Act and any other applicable law, provided that the Selling Shareholders shall not be responsible or liable for payment of such expenses or interest, unless such delay is solely and directly attributable to an act or omission of the Selling Shareholders.

Further, our Bank shall ensure that the number of Allottees shall not be less than 1,000.

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.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except for lock-in of the pre-Offer capital of our Bank, lock-in of the Promoter's Contribution and the Anchor Investor lock-in as provided in "*Capital Structure*" on page 68 and except as provided under the Banking Regulation Act and the rules and regulations made thereunder and the Articles of Association, there are no restrictions on transfer of the Equity Shares. Further, there are no restrictions on transmission of any shares/debentures of our Bank and on their consolidation or splitting, except as provided in the Articles of Association. For details, see "*Description of Equity Shares and Terms of Articles of Association*" on page 393.

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 "*Offer Procedure*" on pages 186 and 377.

OFFER STRUCTURE

Offer of up to [●] Equity Shares for cash at price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹[●] million comprising of a Fresh Issue of up to [●] Equity Shares aggregating up to ₹6,250.00 million by our Bank and an Offer for Sale of up to 17,000,000 Equity Shares aggregating up to ₹[●] million by the Selling Shareholders.

The Offer shall constitute [●]% of the post-Offer paid-up equity share capital of our Bank. The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up equity share capital. The Offer less the Employee Reservation Portion is the Net Offer. The Offer and Net Offer shall constitute [●]% and [●]% of the post-Offer paid-up equity share capital of our Bank, respectively.

Our Bank may, in consultation with the BRLMs, consider a Pre-IPO Placement of such number of securities for an aggregate amount of up to ₹1,250.00 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the BRLMs and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer complying with Rule 19(2)(B) of the SCRR.The Offer 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 Allotment/ allocation [(2)]	Up to [●] Equity Shares	Not more than [●] Equity Shares	Not less than [●] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and RIBs	Not less than [●] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Offer Size available for Allotment/ allocation	The Employee Reservation Portion shall constitute upto [●]% of the post-Offer paid-up Equity Share capital of our Bank	Not more than 50% of the Net Offer Size shall be Allotted to QIBs. However, up to 5% of the Net 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 Net QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to QIBs in the remaining Net QIB Portion.	Not less than 15% of the Offer or the Offer less allocation to QIB Bidders and RIBs will be available for allocation. Further, one-third of the Non-Institutional Portion will be made available for allocation to Bidders with a Bid 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 a Bid size of more than ₹1,000,000 and under-subscription in either of these two subcategories of the Non-Institutional Portion may be allocated to Bidders in the other subcategory of the Non-Institutional Portion in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price	Not less than 35% of the Net Offer
Basis of Allotment/ allocation if respective category is oversubscribed	Proportionate, unless the Employee Reservation Portion is undersubscribed, the value of allocation to an Eligible Employee shall not exceed ₹200,000 (net of Employee Discount, if any). In the event of undersubscription in the Employee Reservation Portion, the unsubscribed portion may be allocated, on a proportionate basis, to Eligible Employees for	Proportionate as follows (excluding the Anchor Investor Portion): a) [●] Equity Shares shall be available for allocated on a proportionate basis to Mutual Funds only; and b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) 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	The allotment to each Non-Institutional Bidder shall not be less than the Minimum NIB Bid Size, 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 SEBI ICDR Regulations	Allotment 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 allotted on a proportionate basis. For details see, "*Offer Procedure*" on page 377

Particulars	Eligible Employees	QIBs[1]	Non-Institutional Bidders	Retail Individual Bidders
	value exceeding ₹200,000 (net of Employee Discount, if any), subject to total Allotment to an Eligible Employee not exceeding ₹500,000 (net of Employee Discount if any).	allocation to domestic Mutual Funds only, subject to valid Bid received from domestic Mutual Funds at or above the Anchor Investor Allocation Price		
Minimum Bid	[●] Equity Shares	Such number of Equity Shares and in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹200,000	Such number of Equity Shares and in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹200,000	[●] Equity Shares.
Maximum Bid	Such number of Equity Shares and in multiples of [●] Equity Shares, so that the maximum Bid Amount by each Eligible Employee in Eligible Employee Portion does not exceed ₹500,000, less Employee Discount, if any	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Net Offer, subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Net Offer, (excluding the QIB Portion), subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹200,000
Who can apply[3]	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 through resolution F. No.2/3/2005-DD-II dated November 23, 2005, 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, and FPIs who are individuals, corporate bodies and family offices and registered with SEBI	Resident Indian individuals, Eligible NRIs and HUFs (in the name of Karta)
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)
Mode of Allotment	Compulsorily in dematerialized form			
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter			
Allotment Lot	A minimum of [●] Equity Shares and thereafter in multiples of one Equity Share.			
Trading Lot	One Equity Share			
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[4] **In case of all other Bidders**: Full Bid Amount shall be blocked in the bank account of the ASBA Bidder (other than Anchor Investors) or by the Sponsor Bank(s) through the UPI Mechanism (for Eligible Employees, RIBs or individual investors bidding under the Non – Instiutional Portion for an amount of more than ₹ 200,000 and up to ₹ 500,000, using the UPI Mechanism), that is specified in the ASBA Form at the time of submission of the ASBA Form			

(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 price 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 to the Net QIB Portion. For details, see "Offer Structure" on page 373*

(2) *Subject to valid Bids being received at or above the Offer Price. This is an Offer in terms of Rule 19(2)(b) of the SCRR in compliance with Regulation 6(1) of the SEBI ICDR Regulations.*

(3) *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. Our Bank in consultation with the BRLMs, reserves the right to reject all or any multiple Bids, except as otherwise permitted, in any or all categories. Further, a Bidder Bidding in the Employee Reservation Portion may also Bid under the Net Offer and such Bids shall not be treated as multiple Bids. To clarify, an Eligible Employee Bidding in the Employee Reservation Portion above ₹500,000 shall not be allowed to Bid in the Net Offer as such Bids shall be treated as multiple Bids.*

(4) *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 Anchor Investor Allocation Price and the Anchor Investor Offer Price shall be payable by the Anchor Investor pay-in date as indicated in the CAN.*

Any unsubscribed portion remaining in the Employee Reservation Portion shall be added to the Net Offer. Allotment to an Eligible Employee in the Employee Reservation Portion may not exceed ₹ 200,000 in value (net of Employee Discount, if any).

Only in the event of an under-subscription in the Employee Reservation Portion, post the initial Allotment, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, subject to the total Allotment to an Eligible Employee not exceeding ₹ 500,000 in value (net of Employee Discount, if any).

Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in the Non-Institutional Portion or the Retail Portion or the Employee Reservation 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, on a proportionate basis. For further details, see "*Terms of the Offer*" on page 369.

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, no person either by himself or acting in concert with any other person can acquire, directly or indirectly, 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. 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 5% or more of the post-Offer 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 5% or more of the post-issue paid-up share capital of our Bank.

Our Bank, the Selling Shareholders, the BRLMs and the Registrar to the Offer 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 5% of the post-Offer 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 Offer and 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 5% or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly 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 Offer at least two Working Days 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 Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer 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, 1949. A 'person acting in concert" has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

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 possess the requisite approvals to acquire the Equity Shares.

Withdrawal of the Offer

Our Bank in consultation with the BRLMs, reserves the right not to proceed with the Offer, after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and shall promptly inform the Stock Exchanges on which the Equity Shares are proposed to be listed. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Bank, 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 Bankers to the Offer to process refunds to the Anchor Investors, as the case may be.

If our Bank in consultation with the BRLMs withdraws the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an initial public offering of the Equity Shares, our Bank shall file a fresh draft red herring prospectus with SEBI. Notwithstanding the foregoing, this Offer 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 final RoC approval of the Prospectus after it is filed with the RoC.

OFFER PROCEDURE

All Bidders should read the General Information Document, 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 and is a 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 Offer.

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) category of investors eligible to participate in the Offer; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) payment instructions for ASBA Bidders/Applicants; (v) issuance of CAN and Allotment in the Offer; (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 the Companies Act, 2013 relating to punishment for fictitious applications; (x) mode of making refunds; and (xi) interest in case of delay in allotment or refund.

*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), issued by SEBI, 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 for the UPI Mechanism for applications by UPI Bidders ("**UPI Phase III**") and modalities of the implementation of UPI Phase III maybe notified and made effective subsequently, as may be prescribed by SEBI. The Offer 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. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, and its circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, has introduced certain additional measures for streamlining the process of initial public offers and redressing investor grievances. The provisions of these circulars are deemed to form part of this Draft Red Herring Prospectus. This circular shall come into force for initial public offers opening on/or after May 1, 2021, except as amended pursuant to SEBI circular 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 SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, all individual bidders in initial public offerings whose application sizes are up to ₹500,000 shall use the UPI Mechanism.*

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/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day for the entire duration of delay exceeding four Working Days from the Bid/Offer 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, SEBI vide its circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, has reduced the timelines for refund of Application money to four days.

Our Bank, the Selling Shareholders and the Members of the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section 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 the 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, the Selling Shareholders and the Members of the Syndicate are not liable for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in this Offer.

Book Building Procedure

The Offer is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Net Offer 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. In the event of under-subscription, or non-allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. 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 Offer Price. Further, not less than 15% of the Net Offer shall be available for allocation to Non-Institutional Bidders out of which (a) one third of such portion shall be reserved for Non-Institutional Bidders with Bid size exceeding ₹ 200,000 and up to ₹ 1,000,000; and (b) two third of such portion shall be reserved for Non-Institutional Bidders with Bid size of more than ₹ 1,000,000, provided that the unsubscribed portion in either of such sub-categories may be allocated to Non-Institutional Bidders in the other sub-category of Non-Institutional Bidders and not less than 35% of the Net Offer shall be available for allocation to RIBs in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.

The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed [●]% of our post-Offer paid-up equity share capital subject to valid Bids being received at or above the Offer Price, net of Employee Discount, if any.

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Investors must ensure that their PAN is linked with Aadhaar and are in compliance with the notification by the Central Board of Direct Taxes dated February 13, 2020 read with press releases dated June 25, 2021 and September 17, 2021.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised 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, for UPI Bidders Bidding using 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 Offer, subject to compliance with Applicable Law.

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 RIBs 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, a 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 and was to initially continue for a period of three months or floating of five main board public issues, whichever is later. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 has decided to extend the timeline for implementation of UPI Phase II until March 31, 2020. Subsequently, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for implementation of UPI Phase II till further notice. Under this phase, submission of the ASBA Form by RIBs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds has been discontinued and replaced by the UPI Mechanism. However, the time duration from public issue closure to listing continues to be six Working Days during this phase

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.

SEBI through its circular (SEBI/HO/CFD/DIL2/CIR/P/2022/45) dated April 5, 2022, has prescribed that all individual investors applying in initial public offerings opening on or after May 1, 2022, where the application amount is up to ₹ 500,000, shall use UPI. Individual investors bidding under the Non-Institutional Portion bidding for more than ₹ 200,000 and up to ₹ 500,000, using the UPI Mechanism, shall provide their UPI ID in the Bid-cum-Application Form for Bidding through Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs, or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.

Further, in terms of the UPI Circulars, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the BRLMs, 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.

The Offer will be made under UPI Phase II of the UPI Circular, unless UPI Phase III of the UPI Circular becomes effective and applicable on or prior to the Bid/Offer Opening Date. If the Offer is made under UPI Phase III of the UPI Circular, the same will be advertised in shall be advertised in [●] editions of the English national daily newspaper [●], [●] editions of the Hindi national daily newspaper [●] and [●] editions of the Gujarati daily newspaper [●] (Gujarati being the regional language of Gujarat, where our Registered Office is located), each with wide circulation on or prior to the Bid/ Offer Opening Date and such advertisement shall also be made available to the Stock Exchanges for the purpose of uploading on their websites.

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 the Bidding Centres, and our Registered Office. An electronic copy of the Bid cum Application Form 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/ Offer Opening Date.

Copies of the Anchor Investor Application Form will be available at the offices of the BRLMs.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Offer only through the ASBA process. Anchor Investors are not permitted to participate in the Offer through the ASBA process. The UPI Bidders can additionally Bid through the UPI Mechanism.

UPI Bidders bidding using the UPI Mechanism must provide the valid UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Forms that do not contain the UPI ID are liable to be rejected.

ASBA Bidders (other than UPI Bidders using the UPI Mechanism) must provide bank account details and authorisation to block funds in their respective ASBA Accounts in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details are liable to be rejected.

ASBA Bidders shall ensure that the Bids are made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp are liable to be rejected. UPI Bidders using UPI Mechanism, may submit their ASBA Forms, including details of their UPI IDs, with the Syndicate, Sub-Syndicate Members, Registered Brokers, RTAs or CDPs. RIBs authorising an SCSB to block the Bid Amount in the ASBA Account may submit their ASBA Forms with the SCSBs (except UPI Bidders using the UPI Mechanism). ASBA Bidders must ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount can be blocked by the SCSB or the Sponsor Bank, 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.

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, RIBs and Eligible NRIs applying on a non-repatriation basis	[●]
Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions applying on a repatriation basis	[●]
Anchor Investors	[●]
Eligible Employees bidding in the Employee Reservation Portion	[●]

* *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 website 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

In case of ASBA forms, the relevant Designated Intermediaries shall upload the relevant Bid details in the electronic bidding system of the Stock Exchanges. For UPI Bidders using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to UPI Bidders for blocking of funds. For ASBA Forms (other than UPI Bidders 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.

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. 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.

The NPCI shall maintain an audit trail for every Bid entered in the Stock Exchanges bidding platform, and the liability to compensate the UPI Bidders (Bidding through UPI Mechanism) in case of failed transactions shall be with the concerned entity (i.e., the Sponsor Bank(s), NPCI or the issuer bank) at whose end the lifecycle of the transaction has come to a halt. The NPCI shall share the audit trail of all disputed transactions/ investor complaints to the Sponsor Bank(s) and the issuer bank. The Sponsor Bank(s) and the Bankers to the Offer shall provide the audit trail to the BRLMs for analysing the same and fixing liability.

Pursuant to NSE circular dated August 3, 2022 with reference no. 25/2022, the following is applicable to all initial public offers opening on or after September 1, 2022:

a. Cut-off time for acceptance of UPI Mandate shall be up to 5:00 pm on the initial public offer closure date and existing process of UPI bid entry by syndicate members, registrars to the offer and despitory particpants shall continue till further notice.
b. There shall be no T+1 mismatch modification session for PAN-DP mismatch and bank/ location code on T+1 day for already uploaded bids. The dedicated window provided for mismatch modification on T+1 day shall be discontinued.
c. Bid entry and modification/ cancellation (if any) shall be allowed in parallel to the regular bidding period up to 5 pm on the initial public offer closure day.
d. Exchanges shall display initial public offer demand details on its website and for UPI bids the demand shall include/ consider UPI bids only with latest status as RC 100 – Black Request Accepted by Investor/ Client, based on responses/ status received from the Sponsor Bank.

In terms of the Banking Regulation Act and the SFB Licensing Guidelines read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or acting in concert with any other person can acquire, directly or indirectly, 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. 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 5% or more of the post-Offer 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 5% or more of the post-issue paid-up share capital of our Bank.

Our Bank, the Selling Shareholder, the BRLMs and the Registrar to the Offer 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 5% of the post-Offer paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Selling Shareholders, the Registrar to the Offer and 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 5% or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly 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 Offer before two Working Days prior to 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 Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer 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, 1949. A ‘person acting in concert” has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A ‘relative’ has the same meaning as defined in Section 2(77) of the Companies Act, 2013 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, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Offer, at least two 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 Offer, 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-Offer paid-up equity share capital of our Bank.

A clearly 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 Offer at least two Working Days prior to the finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer 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.

Participation by Promoter of the Bank, the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members shall not be allowed to purchase Equity Shares in this Offer in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Members may Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis 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.

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, other than sponsored by the entities which are associates of the BRLMs) cannot apply in the Anchor Investor Portion.

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.

Except in its capacity as one of the Selling Shareholders, the Promoter will not participate in the Offer.

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 and the Selling Shareholders reserves 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 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. For details, see "*Key Regulations and Policies*" on page 186.

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 Retail Individual Investors 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 or confirm or accept the UPI mandate request (in case of RIBs using the UPI Mechanism) for the full Bid Amount, at the time of the submission of the Bid cum Application Form. NRIs applying in the Offer through the UPI Mechanism are advised to enquire with the relevant bank, whether their account is UPI linked, prior to submitting a 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).

In accordance with the FDI Policy, the total holding by any individual NRI, on a repatriation or non-repatriation basis, shall not exceed 5% of the total paid-up equity capital on a fully diluted basis or shall not exceed 5% 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, on a repatriation or non-repatriation basis, 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% if a special resolution to that effect is passed by the general body of the Indian company.

Our Bank has, pursuant to a Board resolution dated April 28, 2021 and Shareholders resolution dated May 1, 2021, increased the limit of investment of NRIs, on a repatriation basis, to up to 24% of the paid-up equity share capital of the Bank, provided that the shareholding of each NRI in the Bank shall not exceed 5% of the equity share capital or such other limit as may be stipulated by the RBI.

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 will 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-Offer equity share capital. Further, in terms of the FEM NDI 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 can be up to the sectoral cap applicable to the sector in which our Bank operates (i.e., up to 74%), as prescribed under the FEM NDI Rules. The aggregate limit as provided above could have been decreased by the Indian company concerned to a lower threshold limit of 24% or 49% or 74% as deemed fit, with the approval of its board of directors and its shareholders through a resolution and a special resolution, respectively before March 31, 2020.

With effect from April 1, 2020, the aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. automatic up to 49% and government route beyond 49% and up to 74%).

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 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 in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for Non-Residents ([●] in colour).

To ensure compliance with the above requirement, SEBI has, pursuant to its circular dated July 13, 2018, directed that at the time of finalisation of the Basis of Allotment, the Registrar shall (i) use the PAN issued by the Income Tax Department of India for checking compliance for a single FPI; and (ii) obtain validation from Depositories for the FPIs who have invested in the Offer to ensure there is no breach of the investment limit, within the timelines for issue procedure, as prescribed by SEBI 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.

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) such 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.

The FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for non-residents.

Further, Bids received from FPIs bearing the same PAN will 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 which were issued in November 2019 to facilitate implementation of SEBI FPI Regulations (such structure "**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 are making multiple Bids utilize the MIM Structure and indicate the names of their respective investment managers in such confirmation. In the absence of such confirmation from the relevant FPIs, such multiple Bids will be rejected.

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.

Bids by SEBI registered VCFs, AIFs and FVCIs

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. While the SEBI VCF Regulations have since been repealed, the funds registered as VCFs under the SEBI VCF Regulations continue to be regulated by such regulations till the existing fund or scheme managed by the fund is wound up. 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 public offering.

Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs. 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.

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 (net of Employee Discount, if any). The Allotment in the Employee Reservation Portion will be on a proportionate basis. Eligible Employees under the Employee Reservation Portion may bid at Cut-off Price provided that the Bid does not exceed ₹500,000 (net of Employee Discount, if any).

However, Allotments to Eligible Employees in excess of ₹200,000 (net of Employee Discount, if any), shall be considered on a proportionate basis, in the event of undersubscription in the Employee Reservation Portion, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000 (net of Employee Discount if any). Subsequent undersubscription, if any, in the Employee Reservation Portion shall be added back to the Net Offer. Eligible Employees Bidding in the Employee Reservation Portion may bid at the Cut-off Price.

Bids under Employee Reservation Portion by Eligible Employees shall be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [●] colour form).

(b) The Bidder should be an Eligible Employee as defined. In case of joint bids, the first Bidder shall be an Eligible Employee.

(c) Only Eligible Employees would be eligible to apply in this Offer under the Employee Reservation Portion.

(d) Only those Bids, which are received at or above the Offer Price, net of Employee Discount, if any, would be considered for Allotment under this category.

(e) Eligible Employees can apply at Cut-off Price.

(f) If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

(g) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Offer.

In case of under-subscription in the Net Offer, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion. If the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis.

Please note that any individuals who are directors, employees or promoters of (a) the BRLMs, Registrar to the Offer, or the Syndicate Members, or of the (b) 'associate companies' (as defined in the Companies Act, 2013, as amended) and 'group companies' of such BRLMs, Registrar to the Offer or Syndicate Members are not eligible to bid in the Employee Reservation Portion.

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**"), 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*" on page 186

Bids by SCSBs

SCSBs participating in the Offer are required to comply with applicable law including 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 of India (Investment) Regulations, 2016 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 Offer 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, FPIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of the 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 Non-Banking Financial Companies

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 Offer 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 the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus.

General Instructions

***Do's*:**

1. Investors must ensure that their PAN is linked with Aadhaar and are in compliance with Central Board of Direct Taxes notification dated February 13, 2020 and press release dated June 25, 2021.

2. 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;

3. Ensure that you have Bid within the Price Band;

4. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;

5. Ensure that you (other than in the case of Anchor Investors) have mentioned the correct ASBA Account number if you are not an UPI Bidder bidding using the UPI Mechanism in the Bid cum Application Form and if you are an UPI Bidder using the UPI Mechanism ensure that you have mentioned the correct UPI ID (with maximum length of 45 characters including the handle), in the Bid cum Application Form;

6. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre (except electronic Bids) within the prescribed time;

7. 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;

8. If you are an ASBA Bidder and the first applicant is not the ASBA 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;

9. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms;

10. 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;

11. 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;

12. UPI Bidders in the Offer to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID to make an application in the Offer and not ASBA Account or bank account linked UPI ID of any third party;

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. 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, 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 Offer through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;

15. 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;

16. Ensure that the Demographic Details are updated, true and correct in all respects;

17. 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;

18. Ensure that the category and the investor status is indicated;

19. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;

20. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;

21. 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;

22. UPI Bidders must ensure that when applying in the Offer using UPI, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, UPI Bidders shall also ensure that the name of the app and the UPI handle being used for making the application is also appearing in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019;

23. UPI Bidders who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which UPI Bidder should ensure acceptance of the UPI Mandate Request received from the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount in the UPI Bidder's ASBA Account;

24. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Bank prior to 12:00 p.m. of the Working Day immediately after the Bid/ Offer Closing Date;

25. UPI Bidders shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, an UPI Bidder may be deemed to have verified the attachment containing the application details of the UPI Bidder in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to block the Bid Amount mentioned in the Bid Cum Application Form; and

26. 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).

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 RIBs) and ₹500,000, net of Employee Discount, if any (for Bids by Eligible Employees);

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 Offer;

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 a Bid using UPI ID, if you are not a UPI Bidder;

20. 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;

21. Do not bid for Equity Shares in excess of what is specified for each category;

22. Do not fill up the Bid cum Application Form such that the number of Equity Shares Bid for, exceeds the Offer 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 the Red Herring Prospectus;

23. 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. RIBs and Eligible Employees Bidding in the Employee Reservation Portion can revise or withdraw their Bids on or before the Bid/Offer Closing Date;

24. Do not submit Bids to a Designated Intermediary at a location other than the Bidding Centres;

25. If you are an UPI Bidder 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;

26. 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-Offer or post-Offer related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors can reach out to the Company Secretary and Compliance Officer. For details of Company Secretary and Compliance Officer, see "*General Information*" and "*Our Management*" on pages 65 and 209, respectively.

For helpline details of the BRLMs pursuant to the SEBI/HO.CFD.DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, see "*General Information*" on page 65.

Names of entities responsible for finalising the basis of allotment in a fair and proper manner

The authorised employees of the Stock Exchanges, 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 Red Herring Prospectus and the Prospectus, 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 Net Offer may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the RIBs, 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 Bidder shall not be less than the minimum bid lot, subject to the availability of shares in Retail Portion, and the remaining available Equity Shares, if any, shall be allotted on a proportionate basis. The allotment to each Non-Institutional Bidder shall not be less than the Minimum NIB Application Size, subject to the availability of Equity Shares in the Non-Institutional Portion, and the remaining Equity Shares, if any, shall be allotted on a proportionate basis.

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 and the Syndicate, the Escrow Collection Bank and the Registrar to the Offer to facilitate collections of Bid amounts from Anchor Investors.

Pre- Offer Advertisement

Subject to Section 30 of the Companies Act, 2013, our Bank shall, after filing the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in: (i) [●] editions of [●], a widely circulated English national daily newspaper (ii) [●] editions of [●], a widely circulated Hindi national daily newspaper and (iii) [●] editions of [●], a widely circulated Gujarati national daily newspaper (Gujarati being the regional language of Gujarat, where our Registered Office is located).

In the pre-Offer advertisement, we shall state the Bid/Offer Opening Date and the Bid/Offer 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.

The above information is given for the benefit of the Bidders/applicants. Our Bank, the Selling Shareholders 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, the Selling Shareholders and the Syndicate intend to enter into an Underwriting Agreement on or immediately after the finalisation of the Offer 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 Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and will be complete in all material respects.

Undertakings by our Bank

Our Bank undertakes the following:

- adequate arrangements shall be made to collect all Bid cum Application Forms submitted by Bidders (including Anchor Investor Application Form from Anchor Investors);
- the complaints received in respect of the Offer 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 Exchanges where the Equity Shares are proposed to be listed shall be taken within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed by SEBI;
- 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, 2013, 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 Offer 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;

- where release of block on the application amount for unsuccessful bidders or part of the application amount in case of proportionate allotment, a suitable communication shall be sent to the applicants;

- except for Equity Shares that may be allotted pursuant to the exercise of employee stock options granted under the ESOP 2018, Pre-IPO Placement and the Equity Shares allotted pursuant to the Offer, no further issue of the Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.

Undertakings by the Selling Shareholders

Each of the Selling Shareholders, severally and not jointly, undertakes and confirms, as applicable, in respect of itself as a selling shareholder and its portion of the Equity Shares offered by it in the Offer for Sale that:

- it is the legal and beneficial owner of its respective portion of the Offered Shares, and holds clear and marketable title to such of the Offered Shares;

- its respective portion of the Offered Shares are eligible for being offered in the Offer for Sale in terms of Regulation 8 of the SEBI ICDR Regulations;

- the Equity Shares being offered for sale by each Selling Shareholder pursuant to the Offer are free and clear of any encumbrance, are and shall continue to be held by it in dematerialized form at the time of transfer;

- it shall deposit its respective portion of the Offered Shares in an escrow demat in accordance with the share escrow agreement to be executed between the parties to such share escrow agreement;

- it shall provide such reasonable assistance to our Bank and the BRLMs in redressal of such investor grievances that pertain to its respective portion of the Offered Shares;

- it shall provide such reasonable cooperation to our Bank in relation to its respective portion of the Offered Shares for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges; and

- it shall not have recourse to the proceeds of the Offer until final approval for trading of the Equity Shares from the Stock Exchanges has been received.

The decisions with respect to the Price Band, the minimum Bid lot, Employee Discount (if any), revision of the Price Band, Offer Price, the Bid/ Offer Period, will be taken by our Bank in consultation with the BRLMs.

Only the statements and undertakings in relation to each of the Selling Shareholders and its portion of the Offered Shares which are specifically "confirmed" or "undertaken" by such Selling Shareholder in this Draft Red Herring Prospectus, shall be deemed to be "statements and undertakings specifically confirmed or undertaken" by such Selling Shareholder, severally and not jointly. All other statements and/ or undertakings in this Draft Red Herring Prospectus shall be statements and undertakings made by our Bank even if the same relate to the Selling Shareholders.

Utilisation of Offer Proceeds

Our Board of Directors certifies and declares that:

- all monies received out of the Fresh 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, 2013;

- details of all monies utilised out of the Fresh Issue shall be disclosed, and continue to be disclosed till the time any part of the Fresh 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 Fresh 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.

Impersonation

Attention of the Bidders 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 ₹1.00 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 ₹5.00 million or with both.

RESTRICTIONS 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, subsumes and supersedes all press notes, press releases, clarifications, circulars issued by the DPIIT, which were in force as on October 15, 2020. The FDI Policy will be valid and remain in force until superseded in totality or in part thereof.

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 Offer.

Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the FEM NDI Rules, 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, will require prior approval of the Government of India, as prescribed in the FDI Policy and the FEM NDI 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 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. Each Bidder should seek independent legal advice about its ability to participate in the Offer. 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 Bid/ Offer Period.

Foreign Exchange Laws

The foreign investment in our Bank is governed by *inter alia* the FEMA, as amended, the FEM NDI Rules, as amended, and the FDI Policy issued and amended by way of press notes.

In terms of the FDI Policy, FEMA Regulations 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 approval route beyond 49% up to 74%). At all times, at least 26% of the paid-up capital will have to be held by residents.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any other applicable law of the United States and, unless so registered, 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. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs") in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs.

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

Capitalized terms used in this section have the meanings that have been given to such terms in the Articles of Association of our Bank. Pursuant to Schedule I of the Companies Act, 2013 and the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Bank are detailed below.

The Articles of Association of the Bank comprise of two parts, Part A and Part B, which parts shall, unless the context otherwise requires, co-exist with each other. In case of inconsistency between Part A and Part B, the provisions of Part B shall be applicable. However, Part B shall be deemed to fall away and automatically terminate and cease to have any force and effect from the date of listing of Equity Shares of the Bank on a recognized stock exchange in India pursuant to an initial public offering of the Equity Shares without any further action, including any corporate action, by the Bank or by the Shareholders. The Articles of Association was approved by the Board and our Shareholders at their meetings March 23, 2021 and March 31, 2021, respectively. Further, the Board took note of certain changes suggested by the RBI to the Articles of Association of the Bank at their meeting dated June 14, 2021. The RBI has approved the Articles of Association vide its correspondence dated July 13, 2021.

All special rights available to our Shareholder(s) shall be subject to approval of our Shareholders by way of a special resolution, in a general meeting post listing of the Equity Shares, wherein appropriate disclosure in this regard shall be given to the Shareholders.

PART A

Authorised share capital

The authorized share capital of the Bank shall be such as given in Clause V of the Memorandum 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 the provisions of the 1949 Act, the Act, the Guidelines or any other rules under Applicable.

Alteration of capital

Subject to the provisions of Sections 66 of the Companies Act and to confirmation by the court/ tribunal, 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 Bank may in its general meeting:

a. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

b. sub-divide its shares or any of them into shares of smaller amount than is fixed by its MoA, so however, that in the 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;

c. 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.

Allotment of shares

Subject to the provisions of the Companies Act, the Banking Regulation Act and the AoA, the shares in the capital of the Bank for the time being (including any shares forming a part of any increased 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 and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Bank in its general meeting, to give to any person the option to call for or be allotted shares of any class of the Bank either at par or at premium such option being exercisable at such time and for such consideration as the Directors think fit.

Forfeiture and lien

The provisions of forfeiture shall apply in the case of non- payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified. When any share shall have been so forfeited, notice of the forfeiture shall be given to the Shareholders in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members of the Bank. Upon forfeiture, such Shareholder shall cease to be a Shareholder of the Bank in respect of such forfeited shares.

The Bank shall have no lien on its fully paid-up shares.

The Bank shall have a first and paramount lien (i) on every share to the extent of all moneys called or payable at a fixed time in respect of such shares and (ii) on all shares (not being fully paid-up) standing registered in the name of a single person, for all monies presently payable by him or his estate to the Bank.

Any lien on shares shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall not operate as a waiver of the Bank's lien, if any, on such shares. The Board may at any time declare any shares to be wholly or in part exempt from the provisions of the AoA.

Shares

The Bank may issue the following kinds of shares in accordance with the AoA, the Companies Act, the Banking Regulation Act and other applicable laws:

a. Equity shares only; or

b. Equity shares and preference shares

It is clarified that in the event the Bank is permitted to issue equity shares with differential rights as to dividend, voting or otherwise under the Banking Regulation Act, then the AoA shall be deemed to empower the Bank to do so.

The shares in the capital shall be numbered progressively accordingly to their several denominations, and except in the manner hereinbefore mentioned, no share shall be subdivided.

The Board or the Bank, as the case may be, in accordance with the AoA, the Companies Act, the Banking Regulation Act and other applicable laws, may issue further shares to-

a. the persons who at the date of the offer are holders of the equity shares in the Bank: such offer shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person; or

b. to employees under a scheme of employees' stock option; or

c. to any persons, whether or not those persons include the persons referred to above.

A further issue of shares may be made in any manner whatsoever as the Board may determine including by way of public offer, preferential offer or private placement, subject to and in accordance with the AoA, the Companies Act, the Banking Regulation Act, SFB Licensing Guidelines, SFB Operating Guidelines and other applicable laws.

Subject to the provisions of the AoA and the Companies Act, the Board shall have the power to issue or re-issue preference shares of one or more classes which are liable to be redeemed, or converted to equity shares, on such terms and conditions in such manner as determined by the Board in accordance with the Act.

Nothing in the AoA shall apply to the increase of the subscribed capital of the Bank caused by the exercise of an option attached to the debentures issued or loans raised by the Bank to convert such debentures or loans into shares of the Bank in accordance with the provisions of the Companies Act, the Banking Regulation Act and guidelines issued by the RBI from time to time.

Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the Bank in general meeting.

The Bank shall not issue any shares on discount except in case of sweat equity shares in accordance with the terms and conditions prescribed in the Companies Act.

Share Certificate

The certificates of title to shares shall be issued as per provisions of the Companies Act.

Unless where the shares are issued in dematerialized form, every Shareholder or allottee or transferee of shares shall be entitled to receive within two months after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be provided,-

a. One certificate for all his shares without payment of any charge; or

b. Several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

Share certificates shall be generally issued in marketable lots and where share certificates are issued in lots other than marketable lots, subdivision or consolidation of share certificates into marketable lots shall be done by the Bank free of charge.

Every share certificate shall specify the name of the person in whose favour it is issued. Every share shall be distinguished by its appropriate number and shall specify the shares to which it relates and the amount paid-up thereon. Every share certificate shall be signed by two Directors or by a Director and the Company Secretary.

No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or where the pages on the reverse for recording transfers have been duly utilized, unless the certificate in lieu of which it is issued is surrendered to the Bank. The Bank shall make entry of such share certificates issued shall be made in the Register of Renewed and Duplicate Share Certificates in such manner and within such timeframe prescribed under applicable law.

If any share stands in the names of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends, or cash bonus, or service of notice, or any other matter connected with the Bank, except voting at meetings and transfer of the shares, be deemed the sole holder thereof, but the joint holders of a share shall be severally as well as jointly liable for the repayment of all installments or calls and other payments due in respect of such shares. 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 which shall be sufficient delivery to all such holders.

Save as herein or in the Act otherwise provided, the Bank shall be entitled to treat the registered holder of any share as the absolute owner thereof, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or by statute, or the Companies Act, be bound to recognize any equitable, beneficial or other claim to or interest in such share on the part of any other person.

Transfer and transmission of shares

No transfer shall be registered unless a proper instrument of transfer has been delivered to the Bank. Every such instrument of transfer shall be duly stamped and executed both by the transferor and transferee and duly attested. The transferor shall be deemed to remain as the holder of such share until the name of the transferee shall have been entered in the Register of Members of the Bank in respect thereof. A common form of transfer shall be used.

The instrument of transfer of any share shall be in the prescribed form and in accordance with the requirements of Section 56 of the Companies Act. Provided that where on an application in writing made to the Bank by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Bank may register the transfer on such terms as to indemnity as the Board may think fit.

No person/ group of persons shall acquire or agree to acquire directly or indirectly by himself or acting in concert with any other person, any shares of the Bank or voting rights therein, in contravention of the provisions of the Banking Regulation Act or the SFB Licensing Guidelines and SFB Operating Guidelines.

Any issue/ acquisition of shares which results in a person holding (by himself or acting in concert with any other person), 5% or more of the paid-up equity share capital or voting rights of the Bank, or such other percentage of shares as may be prescribed by the RBI beyond which percentage, the approval of the RBI or any other authority will be required for such acquisition of share capital or voting rights of a company, shall be made with prior approval of RBI.

The legal heir, nominee, executors or administrators of a deceased Shareholders shall be the only persons recognized by the Bank as having any title to his share except in cases of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be so recognised; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. The Bank shall not be bound to recognise such executor or administrator, unless he shall have obtained probate or letters of administration or other legal representation, as the case may be, from a competent court in India. Provided nevertheless that in case, which the Board in its discretion considers to be special cases and in such cases only, it shall be lawful for the Board to dispense with the production of probates or letters of administration or such other legal representations upon such terms as to indemnity, publication of notice or otherwise as the Board may deem fit.

Buyback

Subject to the provisions of Section 68 to 70 of the Act, provisions of 1949 Act and guidelines issued by the RBI from time to time, FEMA and any other Applicable Law for the time being in force, the Bank may purchase its own shares or specified securities in such manner as may be prescribed.

Borrowing powers

The Board may, from time to time, by a resolution passed at a meeting of the Board borrow monies for the purpose of the Bank. Provided that the Board shall not borrow monies except with the approval of the Bank in a general meeting as may be required under the Companies Act, where monies to be borrowed together with the money already borrowed by the Bank, apart from temporary loans obtained in its ordinary course of business, shall exceed the aggregate of the paid-up capital of the Bank and its free reserves or limits as set under the Act.

Provided that nothing contained herein above shall apply to:-

a. any sums of monies borrowed by the Bank from any other banking companies or from the RBI, SBI or any other banks established by or under any applicable law for the time being in force; and

b. 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

Issue of Bonus Shares

The Bank may issue fully paid-up bonus shares to its Shareholders in accordance with the provisions in Section 63 of the Companies Act, the Banking Regulation Act and any other law for the time being in force subject to such terms and conditions as may be prescribed from time to time.

General Meetings

All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.

Meetings of Directors

The Chairman may at any time and the Company Secretary or such other officer of the Bank as authorised, shall, upon the request of any Director, convene a meeting of the Board. Notice of every meeting of the Directors shall be given in writing to every Director at his usual address in India and, in the case of any Director residing abroad, such notice shall also be given by fax or telex to such Director's fax or telex number abroad. A notice of Board meeting may also be served electronically or such other mode as may be prescribed under the Companies Act or Secretarial Standards issued by the Council of the Institute of Company Secretaries of India and approved by the Central Government from time to time.

Managing Directors

Subject to applicable provisions of the AoA, the Companies Act, the Banking Regulation Act, SFB Licensing Guidelines, SFB Operating Guidelines and other applicable laws, the Board shall appoint a non-executive director as the Chairman on part-time basis with prior approval of RBI.

The Board shall appoint one of its directors as Managing Director & CEO who shall be entrusted with the management of the whole of the affairs of the Bank and he shall exercise his powers subject to the superintendence, control and direction of the Board.

The Managing Director shall have the knowledge and experience as required under Section 10B (4) of the Banking Regulation Act.

The Managing Director shall be entrusted with the management of the whole of the affairs of the Bank. He shall be in whole-time employment of the Bank and may be appointed by the Board for such period not exceeding five years at a time as the Board may deem fit. He shall be eligible for reappointment.

Appointment of Directors

Subject to RBI approval and applicable law, the Board shall be constituted as follows:

a. Majority of the directors will be Independent Directors, who will be recommended by the Nomination and Remuneration Committee.

b. The Promoter shall have the right to nominate/ appoint three directors on the Board and a Managing Director of the Bank (subject to appropriate regulatory and corporate approvals, including but not limited to the approval of the Shareholders of the AoA post listing, by way of a special resolution after the consummation of the Offer).

Provided however, it is clarified that the residents shall have the right to appoint majority of the directors on the Board.

Extra-ordinary general meeting

The Board may, whenever it thinks fit, call an Extra- Ordinary General Meeting.

Votes of Members

Subject to the provisions of the Companies Act, votes may be given either personally or by an attorney or by proxy or, in the case of a body corporate, by a representative duly authorized under Section 113 of the Companies Act.

Subject to any rights or restrictions for the time being attached to any class or classes of shares:-

a. on a show of hands, every Shareholder present in person shall have one vote; and

b. on a poll, the voting rights of Shareholders shall be in proportion to his share in paid-up equity share capital.

Provided however that the voting rights shall be subject to the restrictions imposed under Section 12 of the Companies Act.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

No Shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of equity shares in Bank have been paid.

Dividend

No dividend shall be declared or paid by the Bank for any financial year, unless the requirements of Banking Regulation Act are complied with. Subject to the provisions of Section 123 of the Companies Act, the Board may from time to time pay interim dividends as they deem fit and justified by the profits of the Bank.

The Bank may in general meeting subject to applicable provisions of the Companies Act and the Banking Regulation Act, declare dividends, to be paid to Shareholders according to their respective right but no dividend shall exceed the amount recommended by the Board. The Bank in general meeting may declare a smaller dividend than recommended.

No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of the Companies Act or any other law for the time being in force and no dividend shall carry interest as against the Bank unless required by law. The declaration of the Directors as to the amount of the net profits of the Bank shall be conclusive.

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such shares shall rank for dividend accordingly.

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Unpaid or Unclaimed Dividend

Unclaimed/ unpaid dividend shall not be forfeited by the Board. However, if it remains unclaimed/ unpaid for a period beyond the specified under the Companies Act, the same shall be transferred to the Investor Education and Protection Fund.

Where a dividend has been declared by the Bank but has not been paid or claimed by the Shareholder who is entitled thereto within 30 days from the date of the declaration, the Bank shall, within seven days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid/ unclaimed to a special account to be opened by the Bank in that behalf in any Scheduled Bank and all the other provisions of Sections 123 and 124 of the Companies Act in respect of any such unpaid dividend or any part thereof shall be applicable, observed, performed and complied with.

Winding Up

Subject to the provisions of the Banking Regulation Act and the Companies Act:

a. If the Bank is being wound up, the liquidator may, with the sanction of a shareholders resolution as necessary and any other sanction required by the Companies Act, divide amongst the Shareholders, 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.

b. 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 Shareholders or different classes of Shareholders.

The liquidator may, with the necessary sanction of shareholders and any other sanctions required by the Companies Act, 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 Shareholder shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

Every officer or agent for the time being of the Bank shall be indemnified out of the funds of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 463 of the Companies Act in which relief is granted to him by the court.

Subject to the provisions of the Companies Act, no Director, Managing or Whole-time Director or other officer of the Bank shall be liable for the acts, receipts, neglects or defaults of any other director or officer or for joining in any respect of other act for conformity or for any loss or expenses happening to the Bank through the insufficiency or deficiency of title to any property acquired by order of the Directors in or upon which any of the moneys of the Bank shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, Bank or corporation with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment, omission or default or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

Part B

Article 66 of Part B of the AoA provides for a right of first offer on the shares of the Bank held by the shareholders of the Bank. If any shareholder of the Bank other than the Promoter ("**Transferor**"), proposes to transfer any equity shares of the Bank held by it/ them ("**ROFO Securities**"), such transfer shall be subject to Promoter's right of first offer as described in this Article 66 (1) of Part B of the AoA. If any ROFO Securities are not transferred to the Promoter pursuant to this Article 66 (1) of Part B of the AoA, the Transferor shall be required to comply with the right of first offer of the shareholders of the Promoter ("**Promoter Shareholders**") in accordance with Article 66 (2) of Part B of the AoA in respect of such ROFO Securities which have not been transferred, before transferring or offering to transfer them to any other person. Article 66 (2) of Part B of the AoA shall apply to any transfer of equity shares of the bank by: (i) the Promoter; and (ii) a Transferor proposing to transfer the ROFO Securities after following the process set out in Article 66 (1) of Part B of the AoA (each, an "**SFB Transferor**"). Prior to offering to transfer any SFB Securities to any Person, the relevant SFB Transferor shall issue a written notice to the Promoter Shareholders.

Article 66A of Part B of the AoA provides that each shareholder is free to transfer the equity shares of the bank held by it to its affiliate (as defined in the AoA) and/or in case of a Shareholder that is a natural person, any other person in which such natural person together with his/ her relatives has an interest/beneficial ownership in excess of 80% without the compliance of any restriction.

Article 66B of Part B of the AoA provides that the transfer restrictions in Article 66A of Part B of the AoA shall not apply to any sale of equity shares of the Bank by a Shareholder, *inter alia*, if such sale is detailed in the Draft Red Herring Prospectus filed by the Bank for the purpose of an initial public offer of its equity shares.

Article 66C provides for, subject to Article 66 and 66A of Part B of the AoA, in the event that any shareholder of the Bank proposes to transfer any equity securities ("'**Tag Offer Securities**") aggregating to 3% or more (cumulatively in a financial year) of the share capital ("**Tag Seller**") to any person ("**Tag Purchaser**"), then all the other shareholders of the Bank ("**Tag Eligible Shareholder**") shall have the option (but not the obligation) to require the Tag Purchaser to purchase, such number of equity shares owned by: (A) the Tag Eligible Shareholders, (B) their respective affiliates (as defined in the AoA) and (C) in case of a Tag Eligible Shareholder that is a natural person, any other person in which such natural person together with his/ her relatives has an interest/beneficial ownership in excess of 80%, which is up to their respective inter-se share (as defined in the AoA), at the relevant time, at the same price and on the same terms as have been offered to the Tag Seller ("**Tag Along Right**").For the avoidance of doubt, the Tag Along Right shall not apply to transfer of any shares aggregating to less than 3% during a financial year in separate, independent transactions prior to the transfer of the Tag Offer Securities.

Under Article 116 of Part B of the AoA, subject to RBI approval and applicable law, the Board shall be constituted as follows:

a. Majority of the directors will be Independent Directors, who will be recommended by the nomination and remuneration committee of the Bank.

b. The Promoter shall have the right to nominate/ appoint three directors on the Board and a Managing Director of the Bank

Provided however, it is clarified that the residents shall have the right to appoint majority of the directors on the Board.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following 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 or contracts entered into more than two years before 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/ Prospectus which will be delivered to the RoC for registration. Copies of the contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office between 10 a.m. and 5 p.m. on all Working Days and should be made available online on the website of Bank, from date of the Red Herring Prospectus until the Bid/ Offer Closing Date.

A. Material Contracts for the Offer

a) Offer Agreement dated August 6, 2022 between our Bank, the Selling Shareholders and the BRLMs.

b) Registrar Agreement dated August 6, 2022 between our Bank, the Selling Shareholders and the Registrar to the Offer.

c) Cash Escrow and Sponsor Bank Agreement dated [●] between our Bank, the Selling Shareholders, the Registrar to the Offer, the BRLMs, the Syndicate Members, the Escrow Collection Bank(s), Sponsor Bank, Public Offer Bank and the Refund Bank(s).

d) Share Escrow Agreement dated [●] between our Bank, the Selling Shareholders and Share Escrow Agent.

e) Syndicate Agreement dated [●] between our Bank, the Selling Shareholders, the BRLMs and Syndicate Members.

f) Underwriting Agreement dated [●] between our Bank, the Selling Shareholders and the Underwriters.

B. Material Documents

a) Certified copies of the updated Memorandum and Articles of Association of our Bank as amended from time to time.

b) Certificate of incorporation dated April 5, 1995 issued by Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli under the name Banas Finlease Private Limited.

c) Fresh certificate of incorporation dated March 26, 2010 issued by Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli consequent upon the change of name from Banas Finlease Private Limited to Disha Microfin Private Limited.

d) Fresh certificate of incorporation dated December 13, 2016 issued by the RoC consequent upon conversion to a public limited company and issued under the name of Disha Microfin Limited.

e) Fresh certificate of incorporation dated June 14, 2017 issued by the RoC consequent upon the change of name from Disha Microfin Limited to Fincare Small Finance Bank Limited.

f) RBI letter dated October 7, 2015, pursuant to which our Bank was granted an in-principle approval no. DBR.PSBD.NBC (SFB-UFSPL) No. 4922/16.13.216/2015-16, to convert into a SFB in the private sector under Section 22 of the Banking Regulation Act

g) RBI letter dated May 12, 2017, pursuant to which RBI granted license no. MUM:135 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act.

h) RBI letter bearing no. DOS. ARG. No. PS-25/ 08.70.005/2020-21 dated August 10, 2020 approving the appointment of Walker Chandiok & Co. LLP as the statutory auditors of our Bank for the Fiscal 2021.

i) RBI letter bearing no. DOS.ARG No. PS-53/08.70.005/2020-21 dated December 22, 2020 approving the appointment of S. R. Batliboi & Associates LLP, Chartered Accountants as the statutory auditors of our Bank for the Fiscal 2022.

j) RBI letter bearing no. DBR.Appt.No.577/29.44.009/2017-18 dated July 17, 2017 read with RBI email dated July 6, 2020, approving the re-appointment of Rajeev Yadav as the MD & CEO of our Bank for a period of three years with effect from July 17, 2020.

k) RBI letter bearing no. DBR.Appt.No.577/29.44.009/2017-18 dated July 17, 2017 read with email dated June 22, 2020, approving the re-appointment of Pramod Kabra as the Part-Time Chairman of our Bank for a period of three years with effect from June 24, 2020.

l) License agreement dated December 14, 2016 entered into between our Promoter and our Bank in connection with the licensing of certain trademarks to our Bank.

m) Resolutions of the Board of Directors and the Shareholders dated July 29, 2022 and August 5, 2022, authorising the Offer and other related matters.

n) Resolution of the Board of Directors dated August 6, 2022 taking on record the approval for the Offer for Sale by the Selling Shareholders.

o) Board and shareholders resolutions dated January 22, 2020 and July 31, 2020, respectively, approving the re-appointment of Rajeev Yadav as our MD & CEO.

p) Copies of the annual reports of our Bank for Fiscals 2022, 2021 and 2020.

q) The examination report of the Statutory Auditors, on our Bank's Restated Financial Statements, included in this Draft Red Herring Prospectus along with the Restated Financial Statements.

r) The statement of special tax benefits under direct tax and the statement of special tax benefits under indirect tax dated, both dated August 6, 2022 from the Statutory Auditors.

s) Written consent of the Directors, the BRLMs, the Syndicate Members, Legal Counsel to our Bank, Legal Counsel to the BRLMs as to Indian Law, International Legal Counsel to the BRLMs, Legal Counsels to the Selling Shareholders, Registrar to the Offer, Escrow Collection Bank(s), Public Issue Account Bank(s), Refund Bank(s), Sponsor Bank, Share Escrow Agent, Company Secretary and Compliance Officer as referred to in their specific capacities.

t) Written consent dated August 6, 2022 from S.R. Batliboi and Associates LLP, Chartered Accountants, to include their name as required under section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, in this Draft Red Herring Prospectus, and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 to the extent and in their capacity as our Statutory Auditors, and in respect of their (i) examination report July 29, 2022 on our Restated Financial Statements; and (ii) their report dated August 6, 2022 on the Statement of 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

u) Report titled "*Analysis of small finance banks and various retail loan products*" by CRISIL Limited and consent issued in relation to such report released in August 2022 by CRISIL, available at www.fincarebank.com/investors-relations.

v) Engagement letter of January 2021 followed by the addendum of agreement for services dated June 28, 2022 entered into between our Bank and CRISIL Limited, effective from July 2021.

w) Share purchase and share subscription agreement dated January 9, 2017, as amended by agreement dated February 27, 2017 entered into amongst our Promoter and certain shareholders in our Promoter, in relation to their shareholding in our Promoter.

x) Certified copy of the articles of association of our Promoter.

y) Board resolution dated August 6, 2022 approving the Draft Red Herring Prospectus.

z) Due diligence certificate dated August 6, 2022, addressed to SEBI from the BRLMs.

aa) In principle listing approvals dated [•] and [•], issued by BSE and NSE, respectively.

bb) SEBI interim observations observation letter no. [●] dated [●].

cc) SEBI final observations observation letter no. [●] dated [●].

dd) Tripartite agreement dated September 24, 2014 between our Bank, NSDL and the Registrar to the Offer.

ee) Tripartite agreement dated June 18, 2018, between our Bank, CDSL and the Registrar to the Offer.

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 notice to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Pramod Kabra
Part-Time Chairman and Non-Executive Director

Date: August 6, 2022
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Rajeev Yadav
Managing Director and Chief Executive Officer

Date: August 6, 2022
Place: Bengaluru

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Aarthi Sivanandh
Independent Director

Date: August 6, 2022
Place: Chennai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Alok Prasad
Independent Director

Date: August 6, 2022
Place: Gurugram

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Divya Sehgal
Nominee Director

Date: August 6, 2022
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Dhiraj Poddar
Nominee Director

Date: August 6, 2022
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Nanda Sameer Dave
Independent Director

Date: August 6, 2022
Place: New York

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Narayanan Rajagopalan Nadadur
Independent Director

Date: August 6, 2022
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Sameer Yogesh Nanavati
Nominee Director

Date: August 6, 2022
Place: Ahmedabad

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Sunil Satyapal Gulati
Independent Director

Date: August 6, 2022
Place: Goa

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Varun Sabhlok
Independent Director

Date: August 6, 2022
Place: Singapore

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Vinay Baijal
Independent Director

Date: August 6, 2022
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, 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 there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR BANK

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Keyur Doshi
Chief Financial Officer

Date: August 6, 2022
Place: Bengaluru

DECLARATION BY FINCARE BUSINESS SERVICES LIMITED AS THE PROMOTER SELLING SHAREHOLDER

Fincare Business Services Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as the Promoter Selling Shareholder and its portion of the Offered Shares, are true and correct. Fincare Business Services Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **Fincare Business Services Limited**

Name: Dasarathareddy Gunnamreddy
Designation: Managing Director

Date: August 6, 2022
Place: Andhra Pradesh

DECLARATION BY WAGNER LIMITED AS AN INVESTOR SELLING SHAREHOLDER

Wagner Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as an Investor Selling Shareholder, and its portion of the Offered Shares, are true and correct. Wagner Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings made or confirmed by, or relating to, the Bank or any other Selling Shareholder or person(s) in this Draft Red Herring Prospectus.

Signed for and on behalf of **Wagner Limited**

Name: Resmah Choomka
Designation: Director

Date: August 6, 2022
Place: Mauritius

DECLARATION BY TRUE NORTH FUND V LLP AS AN INVESTOR SELLING SHAREHOLDER

True North Fund V LLP hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as an Investor Selling Shareholder, and its portion of the Offered Shares, are true and correct. True North Fund V LLP assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings made or confirmed by, or relating to, the Bank or any other Selling Shareholder or person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **True North Fund V LLP**

Name: Divya Sehgal
Designation: Authorised Signatory

Date: August 6, 2022
Place: Mumbai

DECLARATION BY SELLING SHAREHOLDER

Indium IV (Mauritius) Holdings Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder, and its portion of the Offered Shares, are true and correct. Indium IV (Mauritius) Holdings Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **Indium IV (Mauritius) Holdings Limited**

Name: Mr. Thirumagen Vaitilingon
Designation: Director

Date: August 6, 2022
Place: Mauritius

DECLARATION BY SELLING SHAREHOLDER

We, Omega TC Holdings Pte. Ltd., a Selling Shareholder, hereby confirm that all statements, disclosures and undertakings specifically made or confirmed by us in this Draft Red Herring Prospectus in relation us, as a Selling Shareholder and our portion of the Offered Shares, are true and correct. We, Omega TC Holdings Pte. Ltd., assume no responsibility for any other statements, disclosures and undertakings, including any of the statements made or confirmed by, or relating to, the Bank or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **Omega TC Holdings Pte. Ltd.**

Name: Pritiraj Mahapatra
Designation: Director

Date: August 6, 2022
Place: Singapore

DECLARATION BY LEAPFROG RURAL INCLUSION (INDIA) LTD AS AN INVESTOR SELLING SHAREHOLDER

LeapFrog Rural Inclusion (India) Ltd hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as an Investor Selling Shareholder, and its portion of the Offered Shares, are true and correct. LeapFrog Rural Inclusion (India) Ltd assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings made or confirmed by, or relating to, the Bank or any other Selling Shareholder or person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **LeapFrog Rural Inclusion (India) Ltd**

Name: Husayn Sassa
Designation: Director

Date: August 6, 2022
Place: Ebene

DECLARATION BY KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED AS AN INVESTOR SELLING SHAREHOLDER

Kotak Mahindra Life Insurance Company Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as an Investor Selling Shareholder and its portion of the Offered Shares, are true and correct. Kotak Mahindra Life Insurance Company Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings made or confirmed by, or relating to, the Bank or any other Selling Shareholder or person(s) in this Draft Red Herring Prospectus.

Signed for and on behalf of **Kotak Mahindra Life Insurance Company Limited**

Name: Mr. Dhaval Mody/ Mr. Cedric Fernandes
Designation: Sr. Vice President / President

Date: August 6, 2022
Place: Mumbai

DECLARATION BY SELLING SHAREHOLDER

Edelweiss Tokio Life Insurance Company Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Edelweiss Tokio Life Insurance Company Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **Edelweiss Tokio Life Insurance Company Limited**

Name: Ritesh Taksali
Designation: Chief Investment Officer

Date: August 6, 2022
Place: Mumbai

DECLARATION BY SELLING SHAREHOLDER

Bharti Axa Life Insurance Company Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Bharti Axa Life Insurance Company Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **Bharti Axa Life Insurance Company Limited**

Name: Rahul Bhuskute
Designation: Chief Investment Officer

Date: August 6, 2022
Place: Mumbai

DECLARATION BY SELLING SHAREHOLDER

Silver Leaf Oak (Mauritius) Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder, and its portion of the Offered Shares, are true and correct. Silver Leaf Oak (Mauritius) Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

Signed for and on behalf of **Silver Leaf Oak (Mauritius) Limited**

Name: Mr. Thirumagen Vaitilingon
Designation: Director

Date: August 6, 2022
Place: Mauritius

DECLARATION BY SELLING SHAREHOLDER

We, TATA Capital Financial Services Limited, a Selling Shareholder, hereby confirm that all statements, disclosures and undertakings specifically made or confirmed by us in this Draft Red Herring Prospectus in relation us, as a Selling Shareholder and our portion of the Offered Shares, are true and correct. We, TATA Capital Financial Services Limited, assume no responsibility for any other statements, disclosures and undertakings, including any of the statements made or confirmed by, or relating to, the Bank or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **TATA Capital Financial Services Limited**

Name: Mahesh Jaokar
Designation: CFO – Private Equity

Date: August 6, 2022
Place: Mumbai

DECLARATION BY SELLING SHAREHOLDER

Edelweiss Tokio Life Insurance Company Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Edelweiss Tokio Life Insurance Company Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **Edelweiss Tokio Life Insurance Company Limited**

Name: Ritesh Taksali
Designation: Chief Investment Officer

Date: August 6, 2022
Place: Mumbai

DECLARATION BY SELLING SHAREHOLDER

Edelweiss General Insurance Company Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Edelweiss General Insurance Company Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **Edelweiss General Insurance Company Limited**

Name: Jitendra Attra
Designation: Chief Financial Officer

Date: August 6, 2022
Place: Mumbai