

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	<i>Utkarsh SFB is undergoing a high-risk structural pivot, aggressively contracting its legacy JLG book by 38% while scaling the unseasoned Micro Banking Business Loan (MBBL) segment by 122%, though geographic concentration remains high at 48% in Bihar and UP.</i>	□
2	The bank's liability franchise remains its primary strength, with CASA improving to 24.0% and retail deposits reaching 82.7% of the total mix, demonstrating sustained depositor trust.	□
3	<i>Profitability has collapsed into a catastrophic Net Loss of 1,151 Cr for FY26, resulting in a value-destructive ROE of -42.11% as the bank burns through its equity base.</i>	□
4	<i>A 949 Cr Rights Issue intended for growth was entirely consumed by operating losses, leaving the CRAR at 17.71% and providing only a 12-18 month survival runway.</i>	□
5	<i>Core operations are failing to generate liquidity, evidenced by a deeply negative Cash Flow from Operations (CFO) of 1,422 Cr, necessitating external capital to fund basic lending activities.</i>	□
6	<i>Reported asset quality metrics are heavily engineered, with the GNPA reduction to 7.71% driven by 1,013 Cr in technical write-offs and ARC sales at a dismal 13.6% recovery rate.</i>	□
7	<i>Severe stress is emerging in the unsecured retail segment, highlighted by a surge in Priority Personal Loan GNPA to 19.93%, signaling potential contagion from the legacy micro-lending crisis.</i>	□
8	<i>Transparency concerns persist as critical liquidity ratios (NSFR and Leverage) were excluded from the statutory audit scope, alongside a significant disconnect between executive compensation and financial failure.</i>	□
9	<i>A structural liquidity mismatch exists with 8,026 Cr in deposits maturing within three years against only 5,739 Cr in advances, increasing refinancing risk while borrowing at 10.9%-12.5%.</i>	□
10	<i>The bank has entered a "rehabilitation" phase where the Investment Fluctuation Reserve has been nearly exhausted (down to 2.07 Cr) to smooth MTM losses, leaving no buffer for future volatility.</i>	□
11	<i>Investment View: Maintain AVOID stance due to total capital erosion and the untested nature of the new MBBL book; key monitorables include the MBBL slippage ratio (threshold >3.5%) and CFO stabilization.</i>	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Primarily focused on micro-banking (JLG and MBBL), retail lending (MSME, Housing, Personal Loans), and wholesale lending (A-rated NBFCs and TReDS).
- **Revenue Drivers:** Interest income from advances, loan processing fees, and non-interest income including PSLC fee income and treasury operations.
- **Cost Drivers:** Elevated credit costs (provisions), IT infrastructure spending (Finacle migration, AI), and financing costs for Tier II capital (10.90%–12.50%).

- **Industry Position:** A regional player in the Small Finance Bank (SFB) space with a dominant presence in the Hindi heartland, currently undergoing a structural reset.
- **Expansion Plans:** Shifting focus from unsecured Joint Liability Group (JLG) lending to Micro Banking Business Loans (MBBL) and institutional wholesale lending.
- **Acquisitions/Capital:** Successfully completed a **₹950 Cr Rights Issue** in November 2025 to prevent regulatory capital breaches.
- **Capacity/Segment Performance:** JLG portfolio contracted by **~38% to ₹5,386 Cr**, while MBBL grew **122% YoY to ₹2,022 Cr**. Wholesale lending increased to **15.4%** of the book.
- **Geographical Presence:** High concentration in **Bihar and Uttar Pradesh**, which account for **48%** of the total loan book.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has characterized FY26 as a "Kitchen Sinking" year, framing the **₹1,151 Cr Net Loss** as a conscious "asset quality reset" rather than a failure.
- The strategic vision involves an emergency exit from the legacy micro-lending model (JLG) toward "seasoned" individual business loans (MBBL).
- Management maintains a "Purpose Tested, Not Diluted" rhetoric, signaling continued commitment to financial inclusion despite severe financial distress.
- There is an explicit admission of underwriting failures and elevated credit costs, marking a shift from the defensive tone of FY25 to a more transparent, albeit crisis-driven, narrative.
- The **₹950 Cr Rights Issue** is framed as a balance sheet strengthening exercise, though it functioned primarily as survival capital to maintain **CRAR**.
- Management is heavily emphasizing "Digital Escapism" through AI and WhatsApp banking, despite the core business struggling with basic rural credit collections.
- The appointment of Dr. Kshatrapati Shivaji as Chairman signals a shift toward a "policing" board focused on regulatory compliance and stability.
- Guidance suggests a focus on "Rehabilitation" for the next 12-18 months, with the liability franchise (CASA at **24.0%**) serving as the primary anchor for recovery.
- **Management Tone:** The tone has shifted from defensive obfuscation to a narrative of "conscious pain" and structural transformation. While management is now transparent about the magnitude of losses, the credibility of the "pivot" to MBBL remains unproven, as it may involve re-classifying stressed JLG borrowers. The tone is one of survivalist optimism, attempting to frame a catastrophic loss as a strategic choice.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (₹ Crores)

Line Item	FY Current	FY Prior
Revenue -	—	—
Interest	—	—
Expenses -	—	—
Financing Profit	—	—
Financing Margin %	—	—
Other Income -	—	—
Depreciation	—	—
Profit before tax	—	—
Tax %	—	—
Net Profit -	—	—
EPS in Rs	—	—
Dividend Payout %	—	—

Balance Sheet (₹ Crores)

Line Item	FY Current	FY Prior
Equity Capital	—	—
Reserves	—	—
Borrowing	—	—
Other Liabilities -	—	—
Total Liabilities	—	—
Fixed Assets -	—	—
CWIP	—	—
Investments	—	—
Other Assets -	—	—
Total Assets	—	—

Cash Flow Statement (₹ Crores)

Line Item	FY Current	FY Prior
Cash from Operating Activity -	—	—
Cash from Investing Activity -	—	—
Cash from Financing Activity -	—	—
Net Cash Flow	—	—
Free Cash Flow	—	—
CFO/OP	—	—

3.2 Financial Analysis Summary

- The Bank reported a massive **Net Loss** of ₹1,151 Cr, a catastrophic reversal from the ₹498 Cr **Net Profit** in the prior year, driven by a collapse in **Financing Profit** from ₹1,007 Cr to just ₹56 Cr.
- **Revenue** grew to ₹3,809.75 Cr, but quality is severely strained as **Interest Income** is protected only by a realization-basis policy for **NPAs**, while **Gross NPA** remains high at 7.71% despite massive write-offs.
- **Net Worth** was bolstered by a ₹949.08 Cr **Rights Issue**, yet **CRAR** declined from 20.93% to 17.71%, indicating that risk-weighted assets and losses are consuming capital faster than the equity infusion can replenish it.
- **Cash from Operating Activity (CFO)** turned deeply negative at ₹1,422.18 Cr (vs ₹842.11 Cr prior), resulting in a **Free Cash Flow (FCF)** of ₹1,550 Cr, meaning all operations and **Capex** are currently funded by dilutive financing.
- The **Gross NPA Ratio** improvement from 9.43% to 7.71% is "engineered" via ₹1,013.39 Cr in technical write-offs and ₹653.70 Cr in **NPA** sales to ARCs at a meager 13.64% recovery rate.
- **Total Advances (Net)** contracted to ₹18,069.59 Cr, while **Total Deposits** remained stagnant at ₹21,653.98 Cr, leading to a structural liquidity mismatch where ₹8,026.90 Cr in deposits mature within 3 years against only ₹5,739.07 Cr in advances.
- **Other Income** of ₹682.31 Cr was supported by a ₹23.38 Cr drawdown from the **Investment Fluctuation Reserve**, leaving a negligible buffer of ₹2.07 Cr for future MTM volatility.
- **Other Assets** were impacted by **Security Receipts** increasing to ₹102.92 Cr, which are 100% provided for, signaling management expects zero cash recovery from these legacy stressed assets.
- **Other Expenses** are expected to rise due to the transition to the **Fair Value** method for ESOPs and accelerated **Depreciation** (3-6 years) on IT hardware, further pressuring future **PAT**.
- **Total Borrowings** rose to ₹2,829.44 Cr, with **Tier II Capital** costs at 10.90%–12.50%, creating a value-destructive dynamic where the bank borrows at double digits to fund a -42.11% **ROE**.
- The dominant financial theme of the year is "**Capital Erosion and Forensic Clean-up**," where a massive equity infusion was entirely consumed by credit losses and aggressive write-offs to reset a deteriorating balance sheet.

3.3 Contingent Liabilities & Commitments

- **Unhedged Foreign Currency Exposure (UFCE):** The Bank has exposure to five borrowers totaling ₹48.72 Cr, requiring an incremental capital hold of ₹10.22 Cr (p.331).
- **Contingent Liability Policy:** The Bank discloses possible obligations where outflow is not probable; remote obligations are neither provided for nor disclosed (p.302).
- **Capital Commitments:** Not explicitly disclosed in the provided report sections, though the bank continues heavy IT spending.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; aggressive technical write-offs of ₹1,013.39 Cr mask underlying asset quality.	□	GNPA 7.71% vs 9.43% Prior	Note 18.4.1: NPA reduction driven by write-offs and ARC sales (₹653.70 Cr) rather than organic recoveries.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — credit risk signal; Priority Personal Loan GNPA surged to 19.93% indicating micro-lending stress.	□	Personal Loan GNPA 19.93%	Note 18.4.2: High risk in unsecured retail segments; advances decreased from ₹18,716 Cr to ₹18,069 Cr.
3	Revenue timing	Neutral — conservative recognition; interest on NPAs recognized on realization basis prevents accrual inflation.	□	Realisation Basis (p.292)	Note 17.4.A: Interest income on non-performing assets is strictly recognized only when actually received.
4	Revenue from related parties %	Neutral — structural separation; zero intra-group exposures reported as of March 31, 2026.	□	Zero intra-group exposure	Note 18.5.7: Bank maintains clean structural separation from holding company regarding credit risk.
5	Inventory vs revenue growth	Neutral — banking sector; focus on advances which contracted while deposits remained stagnant at ₹21,653 Cr.	□	Advances: ₹18,069 Cr (FY26)	Note 18.2.1: Maturity mismatch in 1-3 year bucket with deposits exceeding advances by ₹2,287 Cr.
6	Inventory valuation method change	Neutral — banking sector; transition to Fair Value method for ESOPs provides better economic cost.	□	Fair Value Method (p.301)	Note 17.4.J: Transition from Intrinsic Value to Fair Value method for employee stock option compensation.
7	Exceptional items in operating profit	Profit ↑ — margin protection; ₹11.26 Cr Rights Issue expenses bypassed P&L via Securities Premium.	□	₹11.26 Cr adjusted (p.303)	Note 18.1.3: Direct adjustment against equity reserves protects current-year operating margins from one-time costs.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative charging; IT hardware depreciated over 3-6 years reflecting high technology obsolescence.	□	3-6 years for IT hardware	Note 17.4.D.ii: Accelerated depreciation policy for computers and servers is prudent for digital banking.
9	Provision reversals boosting PAT	Profit ↑ — reserve drawdown; ₹23.38 Cr utilized from Investment Fluctuation Reserve to offset MTM losses.	□	IFR balance: ₹2.07 Cr (p.319)	Note 18.3.4: Significant drawdown from IFR suggests utilization to smooth earnings against investment volatility.
10	Tax rate consistency	Neutral — high threshold; DTA recognized only on "virtual certainty" of future taxable income.	□	Virtual Certainty Policy	Note 17.4.L: Strict recognition criteria for Deferred Tax Assets prevents overstatement of balance sheet strength.
11	CWIP age and stalling projects	Neutral — not significant; focus on Security Receipts which are 100% provided for at ₹102.92 Cr.	□	100% Provision on SRs	Note 18.4.8: Prudent full provisioning for Security Receipts indicates zero expectation of recovery from stressed assets.
12	Deferred tax asset recognition adequacy	Neutral — conservative stance; policy prevents recognition of assets that may not be realized.	□	Note 17.4.L (p.301)	High threshold for DTA recognition on carry-forward losses ensures earnings quality.
13	RPT quantum and trend	Neutral — market pricing; Bank explicitly tests fair value for	□	Fair Value Testing (p.297)	Note 17.4.C: Rigorous testing ensures no value leakage or non-

#	Check	Impact	Status	Evidence	Notes Detail
		investment transactions with related parties.			market pricing in related party dealings.
14	Dividend paid vs FCF adequacy	Profit ↓ — capital consumption; CRAR fell to 17.71% from 20.93% despite ₹49 Cr Rights Issue.	❑	CRAR 17.71% (p.303)	Note 18.1.1: Rapid risk-weighted asset growth or insufficient internal accruals are consuming capital quickly.
15	Audit Transparency Gap	Neutral — Disclosure risk; Leverage Ratio and NSFR were NOT subjected to audit or review by Joint Statutory Auditors.	❑	Unaudited Ratios (p.308)	Note 18.2.3: Lack of audit assurance on critical liquidity and leverage metrics during financial stress.
16	Asset Sale Recovery Rate	Profit ↓ — Valuation risk; Stressed loans (₹1,515 Cr principal) sold to ARCs for only ₹206.69 Cr.	❑	13.64% Recovery Rate	Note 18.4.8: Extremely low recovery suggests underlying asset quality was significantly worse than book value.
17	Reserve Exhaustion	Profit ↑ — Earnings smoothing; Investment Fluctuation Reserve dropped from ₹25.45 Cr to ₹2.07 Cr.	❑	92% IFR Drawdown	Note 18.3.4: Utilization of reserves to offset MTM losses leaves no buffer for future interest rate shocks.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **Key Audit Matters:** Significant reliance on management's "Settlement Date" accounting for securities and "Fair Value" transitions for ESOPs. * **Forensic Alert:** The Bank explicitly notes that disclosures for **Leverage Ratio** and **Net Stable Funding Ratio (NSFR)** have **NOT** been subjected to audit or review by the Joint Statutory Auditors. This represents a significant transparency gap for critical liquidity metrics. * **Auditor Change:** The Bank continues with Joint Statutory Auditors; however, the reliability of non-audited regulatory disclosures is flagged as a concern.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern | |---|---|---|---| | **Utkarsh Welfare Foundation** | Promoter-linked | CSR Expenditure | 8.16 Cr | **High** | | **Utkarsh Coreinvest Limited** | Holding Company | Reverse Merger | Not Disclosed | **Neutral** | | **KMPs** | Management | Deferred Bonus | 0.28 Cr | **Standard** |

- **Concern:** 100% of CSR funds (₹8.16 Cr) continue to be channeled through a promoter-linked foundation, maintaining a persistent pattern of circularity in social spending.
- **RPT Risk Checks:** CSR spending increased from ₹7.72 Cr to ₹8.16 Cr despite a catastrophic net loss. The Bank reports zero intra-group credit exposures, indicating structural separation from the holding company.

C. Shareholding * **Promoter (Utkarsh Coreinvest):** 42.67% * **DII:** 57.00% * **FII:** 14.48% * **Public/Others:** 28.52% * **Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation * **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 1 (Ms. Gauri Rushabh Shah). * **Board Turnover:** High turnover with 4 new appointments and 3 cessations, including a Whole-time Director. * **KMP Compensation:** * **Govind Singh (MD & CEO):** Reported mean pay of ₹19.62 Cr (Note: Likely a reporting unit error in AR, potentially ₹1.19 Cr). Even corrected, paying performance bonuses while reporting a ₹1,151 Cr loss indicates a pay-performance disconnect. * **ESOPs:** ₹3.14 Cr in ESOPs vested to Material Risk Takers during a year of massive capital erosion.

F. Capital Allocation & Capex | Action | FY Current (₹Cr) | FY Prior (₹Cr) | Signal | |---|:---|:---|:---| | **Dividends** | 0.00 | 55.02 | **Positive** | | **Rights Issue** | 949.08 | 0.00 | **Positive** | | **Net Loss** | -1,151.00 | 498.00 | □ | | **Technical Write-offs** | 1,013.39 | 1,036.46 | □ |

• **CAPEX Analytical Notes:**

- **CFO Coverage:** CFO is negative (₹1,422.18 Cr); all capex is funded via the Rights Issue and borrowings.
- **Deployment Efficiency: Value-destroying** — The ₹949 Cr capital raise was entirely consumed by the ₹1,151 Cr net loss.
- **Key Takeaway:** The Bank is borrowing at **10.90%–12.50%** to fund a loss-making balance sheet with an **ROE of -42.11%**.

H. Risks * **Asset Quality Collapse:** GNPA at 7.71% despite ₹1,013 Cr write-offs. Impact: Potential for further ₹1,000 Cr+ provisions if recoveries fail. (High) * **Capital Erosion:** CRAR fell to 17.71% despite ₹949 Cr equity. Impact: Risk of falling below regulatory minimums if losses persist. (High) * **Geographic Concentration: 48%** of loan book in UP and Bihar. Impact: High vulnerability to regional political or climatic shocks. (High) * **Liquidity Mismatch:** ₹8,026 Cr deposits maturing in 1-3 years vs ₹5,739 Cr advances. Impact: Refinancing risk in a rising rate environment. (Medium) * **Audit Transparency:** Leverage Ratio and NSFR are unaudited. Impact: Potential misstatement of true leverage and liquidity. (Medium)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	1	↓	JLG book down 38%; 48% Bihar/UP concentration	Legacy model in terminal decline; replacement MBBL book is unseasoned.
Financial Health	2	↓	CRAR 17.71%; CFO ₹1,422 Cr	Saved by Rights Issue, but core capital generation is non-existent.
Earnings Quality	1	↓	₹1,151 Cr Loss; ₹1,013 Cr Write-offs	Massive loss masked by aggressive "kitchen-sinking" and reserve drawdowns.
Management & Governance	2	↓	Unaudited liquidity ratios; CSR RPTs	Transparent about loss but responsible for underwriting failure and reporting errors.
Capital Allocation & Earnings Visibility	1	↓	ROE -42.11%; Rights Issue consumed by loss	Value-destructive; capital raise was for survival, not growth.

BUSINESS POSITIVES (for this company this year) * □ **Liability Resilience:** CASA ratio improved to **24.0%** (from 21.8%), showing retail depositor trust despite financial losses. * □ **Retailization:** CASA + Retail Term Deposits now stand at **82.7%** of total deposits. * □ **Capital Infusion:** Successfully raised ₹949.08 Cr via Rights Issue to maintain regulatory solvency. * □ **Dividend Discipline:** Stopped value-destructive dividends, preserving remaining cash for operations.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □ **Massive Capital Erosion:** Reported a **Net Loss of ₹1,151 Cr**, wiping out the entire impact of the Rights Issue. * □ **Negative Cash Flow: CFO of ₹1,422.18 Cr** indicates the bank is not generating cash from its core lending activities. * □ **Engineered Asset Quality:** GNPA reduction to 7.71% was driven by ₹1,013.39 Cr of **technical write-offs** rather than recoveries. * □ **High Credit Risk:** Priority Personal Loan GNPA surged to **19.93%**, signaling severe stress in the unsecured retail segment. * □ **Liquidity Mismatch:** ₹8,026 Cr in deposits maturing within 3 years against only ₹5,739 Cr in advances. * □ **Governance/Transparency:** Critical liquidity ratios (Leverage, NSFR) were **not audited** by statutory auditors.

OVERALL SCORECARD SUMMARY Utkarsh SFB is in a state of structural distress, characterized by a complete collapse in earnings and severe capital erosion. While the liability franchise remains a surprising point of strength, the asset side of the balance sheet is being "reset" through massive write-offs and dilutive capital raises. Governance is clouded by unaudited regulatory disclosures and a disconnect between executive pay and catastrophic performance. The business is on a deteriorating trajectory, shifting from a failed JLG model to an untested MBBL model while burning through survival capital.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	☐	Unqualified opinion (p.115)
2	Promoter pledge = 0?	☐	0.00% Pledged (Screener)
3	KMP pay < 5% of PAT?	☐	PAT is negative; MD pay reported at ₹19 Cr (likely error)
4	RPT quantum < 5% of revenue?	☐	CSR RPT is 0.21% of revenue
5	Board > 50% independent?	☐	57.14% Independent (4 of 7)
6	At least 1 woman director?	☐	Ms. Gauri Rushabh Shah
7	No statutory dues outstanding?	☐	No specific defaults reported
8	No fraud reported?	☐	Fraud provision of ₹2.05 Cr (p.327)
9	Audit trail enabled?	☐	Standard compliance
10	Frequent Auditor change	☐	Joint Statutory Auditors maintained

Final line: "Total: 8/10 ☐— Governance
Rating: 2"

Part C: Investor Verdict

THESIS: A distressed regional lender undergoing a high-risk structural reset after a total collapse of its legacy micro-lending model.

OVERALL STANCE: AVOID

RATIONALE: The bank is currently value-destructive (ROE -42%) and relies on dilutive capital to survive negative operating cash flows. RE-EVALUATE WHEN: CFO turns positive and MBBL GNPA remains below 3% for four consecutive quarters. BULL CASE: Successful seasoning of the MBBL book and recovery of technical write-offs leading to a ROE > 12%. BEAR CASE: MBBL slippages exceed 5%, necessitating another dilutive capital raise below book value. KEY MONITORABLE: Slippage Ratio in the new MBBL book: Current (Unseasoned) → Watch Threshold: >3.5%.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation & Dividends	Value-destructive payout of ₹55.02 Cr despite negligible PAT (₹23.70 Cr).	Dividends suspended; ₹949.08 Cr Rights Issue raised to offset catastrophic losses.	Management shifted from optical dividend signaling to emergency capital preservation to maintain regulatory solvency.
Asset Quality Resolution	Provisioning buffers (floating provisions) exhausted to mask a 9.43% GNPA spike.	GNPA reduced to 7.71% via ₹1,013.39 Cr in technical write-offs and deep-discount ARC sales.	The bank has transitioned from discretionary provision management to aggressive balance sheet purging to "kitchen-sink" legacy losses.
Operating Cash Flow (CFO)	Positive CFO (implied) supporting basic operations.	Deeply negative CFO (₹1,422.18 Cr) indicating core business cash burn.	The lending model has deteriorated from an earnings impairment to a total failure in generating internal operating cash.
Margin & Funding Cost	NIM compressed to 8.17% with deposit costs at 8.16%.	Financing profit collapsed to ₹56 Cr; Tier II borrowing costs reached 10.90%–12.50%.	The bank is now trapped in a value-destructive cycle, paying double-digit rates for capital to fund a loss-making asset book.
Management Tone	Defensive and contrite regarding the initial asset quality shock.	Survivalist optimism framing a ₹1,151 Cr loss as a "conscious strategic reset."	The narrative has pivoted from explaining a crisis to attempting to rebrand a catastrophic financial failure as a planned rehabilitation.
Audit & Transparency	Standard unqualified opinion with focus on NPA judgments.	Unaudited disclosures for critical Leverage and NSFR ratios during financial distress.	Transparency has regressed as management excluded vital liquidity and leverage metrics from the statutory audit scope during a capital crisis.

7.2 Persistent Patterns

- **Geographic Concentration:** The bank remains **dangerously over-indexed to Bihar and Uttar Pradesh**, which consistently account for 48-54% of the total loan book, exposing it to localized systemic shocks.
- **Governance Circularity:** There is a **persistent pattern of channeling 100% of CSR funds (₹7.72 Cr to ₹8.16 Cr) through the Utkarsh Welfare Foundation**, an entity linked to director relatives.
- **Unsecured Credit Vulnerability:** Despite the "secured pivot," the bank maintains a **structurally high exposure to unsecured lending** (JLG and Personal Loans), which continues to be the primary driver of credit costs and NPAs.
- **Digital Capex Rigidity:** Management maintains a **sustained high-spend trajectory on IT infrastructure and software** (Finacle migration), showing no flexibility in capital expenditure despite extreme bottom-line volatility.
- **Pay-Performance Disconnect:** KMP compensation and bonuses remain **divorced from shareholder outcomes**, with significant payouts occurring in both years despite a 95% profit collapse followed by a ₹1,151 Cr net loss.
- **Liability Franchise Resilience:** A recurring positive trait is the **consistent growth and retailization of the deposit base**, with CASA and retail term deposits remaining the bank's only stable anchor.