

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	Utkarsh is undergoing a distressed transition, pivoting from a legacy Joint Liability Group (JLG) microfinance model toward a secured lending framework as the legacy book faces a systemic crisis.	☐ Negative
2	Total deposits grew 23% YoY to ₹21,565.70 Cr, with the CASA and Retail TD ratio improving to 71.1%, signaling a resilient and strengthening retail liability franchise.	☐ Positive
3	The bank is aggressively shifting its credit DNA, with secured assets (MSME, Housing, Wheels) now comprising 43% of the portfolio, up from 34% in the previous year.	☐ Positive
4	Net Profit collapsed by 95.24% to ₹23.70 Cr, as the bottom line was severely impaired by a massive ₹708.16 Cr provisioning charge related to asset quality shocks.	☐ Negative
5	Capital adequacy (CRAR) remains at 20.93%, but this was primarily sustained through a ₹305 Cr Tier II capital raise rather than internal accruals, which have significantly weakened.	☐ Neutral
6	Operating cash flow and earnings quality are poor, with statutory profits supported entirely by non-core items including ₹115.07 Cr in PSLC income and ₹88.14 Cr in recoveries.	☐ Negative
7	Provisioning buffers have been exhausted, with the Provision Coverage Ratio (PCR) plummeting from 98.92% to 51.18% after the full utilization of floating provisions.	☐ Negative
8	Asset quality has deteriorated sharply with Gross NPA spiking 344% YoY to 9.43%, driven by a 16.20% NPA rate in the Agriculture segment and stress in the JLG book.	☐ Negative
9	Governance concerns emerge from a high KMP remuneration-to-profit ratio (17%) and the distribution of ₹55.02 Cr in dividends—more than double the annual PAT—indicating poor capital discipline.	☐ Negative
10	Geographic concentration remains a structural risk, with 48.6% of the loan book exposed to the regulatory and credit environments of Uttar Pradesh and Bihar.	☐ Negative
11	The near-term outlook is clouded by a "provisioning overhang" and the execution risk associated with scaling the unproven MSME and secured lending models.	☐ Negative
12	Investment Stance: WATCH; monitor for Net NPA stabilization below 2.0% and a recovery of PCR to >70% without reliance on non-core income before re-entering.	☐ Negative

FINAL RESEARCH SUMMARY: UTKARSH SMALL FINANCE BANK LTD (FY 2025)

1. BUSINESS OVERVIEW

- The Forced Transition:** FY25 marks a structural breaking point as the bank aggressively pivots from its legacy Joint Liability Group (JLG) model (which saw a **17% contraction**) toward Secured Retail Assets (MSME, Housing, Wheels).
- Segment Mix Shift:** Secured loans now constitute **43%** of the portfolio (up from 34% in FY24), a survival response to systemic upheaval in the microfinance sector.

- **MSME (Retail Assets):** This is now the primary growth driver, growing **52% YoY** (₹3,875 Cr), focusing on ticket sizes of ₹25–35 Lakhs with 95% collateralization.
- **Wheels (CV/CE):** Grew **21% YoY** (₹1,179 Cr), with geographic diversification into Chandigarh, Delhi NCR, and Rajasthan to mitigate regional risk.
- **Housing:** Grew **36% YoY** (₹918 Cr), targeting the affordable segment where 61% of loans are <₹35 Lakh.
- **Liability Profile:** Total deposits grew **23%**, significantly outperforming the universal banking sector (11%). The **CASA + Retail Term Deposit (RTD)** ratio improved to **71.1%** (vs 66.1% in FY24).
- **Network Expansion:** Despite the MFI crisis, the bank added **204 branches** in FY25, crossing the 1,000-branch milestone.
- **Geographic Concentration:** Remains a critical risk; **UP and Bihar still account for 48.6% of the loan book**, making the bank vulnerable to the political and economic climate of the Hindi heartland.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has shifted from an "Aggressive Expansion" tone to "Resilience and Process Re-engineering," establishing a **Transformation Management Office (TMO)** to address internal process weaknesses.
- The bank vocally supports RBI's "guardrails" (capping lenders and loan limits), acknowledging that industry-wide reckless borrowing necessitated a slowdown.
- Heavy investment in digital infrastructure (WhatsApp Banking, Video KYC, ASBA) aims to reduce the "cost-to-serve" in rural areas and improve margins.
- Management characterized the **₹423 Cr provision in Q3 FY25** as a "kitchen-sinking" exercise to clean the books, signaling that the worst of the asset quality shakeout is over.
- The strategy focuses on "secured diversification" and "regulatory convergence" with universal banks to move away from excessive JLG dependence.
- The bank plans to raise **₹750 Cr Tier-I capital** to provide a buffer for the transition into higher risk-weighted secured assets.
- **Management Tone Verdict:** The tone is **Contrite but Optimistic**. Management appears humbled by the credit cycle and is now obsessed with diversification and process maturity, positioning the bank as "future-ready" to distract from the 95% PAT collapse.

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

- **Net Profit** collapsed by **95.24% YoY** to **₹23.70 Cr**, primarily driven by a massive swing in **Provisions** for NPA which surged to **₹708.16 Cr** from a credit reversal of **₹23.87 Cr** in the prior year.
- **Revenue** quality is under severe stress as core banking operations are currently unprofitable; the reported **Net Profit** is entirely supported by non-core items including **Income from PSLC Sales** of **₹115.07 Cr** and **Recovery in Written-off Accounts** of **₹88.14 Cr**, which collectively exceed the bottom line.
- **Net Interest Margin (NIM)** compressed from **9.83%** to **8.17%** as the **Cost of Deposits** rose to **8.16%** and interest income on **Gross NPA** of **₹1,854.38 Cr** was recognized only on a realization basis.
- **Gross NPA** deteriorated sharply by **344% YoY** to **9.43%**, with the "Agriculture and Allied Activities" segment showing a high **16.20% NPA rate**, directly impacting **Total Assets** quality.
- The **Provision Coverage Ratio (PCR)** plummeted from **98.92%** to **51.18%** as the bank utilized its entire **Floating Provisions** buffer of **₹189.97 Cr** to mitigate the impact of rising defaults on the **Net Profit** and **Net NPA** figures.
- **Operating Expenses** were pressured by a **110.60% surge** in **Commission on Business Correspondent** to **₹114.21 Cr** and a new **DSA Payout** of **₹57.72 Cr**, signaling a high-cost acquisition strategy that has yet to translate into high-quality **Revenue**.
- **Total Deposits** grew to **₹21,565.70 Cr**, but the bank had to supplement its **Net Worth** by raising **₹305.00 Cr** in Tier II Capital to maintain a **CRAR** of **20.93%** amidst heavy provisioning requirements.
- **Total Borrowings** increased to **₹2,354.77 Cr**, with a strategic shift toward longer-term liabilities as **Borrowings** maturing in 1-3 years rose to **₹1,205.32 Cr**, increasing the **Finance Cost** profile for future periods.
- The bank executed a **Stressed Asset Sale** to an ARC involving **₹354.54 Cr** of principal, receiving **Security Receipts** of **₹33.90 Cr** which were prudently provided for at **100%**, reflecting immediate **Cash Flow** realization concerns.
- **Employee Costs** are trending upward following a **23% increase** in headcount to **19,779**, which, alongside rising **Banking Software Charges** of **₹94.99 Cr**, indicates a widening gap between infrastructure investment and current **PAT** generation.
- **ROE** and **ROA** have been severely diluted to **0.85%** and **0.09%** respectively, as the expansion of the **Balance Sheet** through **Unsecured Advances** of **₹10,285.52 Cr** led to disproportionate credit costs.
- **Other Expenditure** is being driven by a massive spike in variable acquisition costs (**BC Commission** and **DSA Payouts**), which combined (**₹171.93 Cr**) represent a significant portion of total operating expenses, suggesting a shift toward lower-quality, third-party led growth.
- The reversal of **₹13.25 Cr** in **Standard Asset provisions** indicates a contraction in the "Standard" pool as loans migrate to NPA, further highlighting the balance sheet stress.
- **The dominant financial theme of the year is a severe asset quality shock and margin compression, where statutory profitability was maintained only through non-core income streams and the total exhaustion of counter-cyclical provisioning buffers.**

3.3 Contingent Liabilities & Commitments

- **Litigation & Tax:** The bank follows a policy of recognizing provisions only when an outflow of resources is "probable." Possible obligations are disclosed as contingent liabilities, though specific quantitative values for FY25 were not provided in the extracted schedules.
- **Unhedged Foreign Currency Exposure (UFCE):** Minor exposure of **₹16.57 Cr** across four borrowers, representing a negligible risk to the balance sheet.

- **Capital Commitments:** Focused on the **Infosys Finacle Core Banking replacement project**, with software capex of ₹94.99 Cr recognized.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — high NPA slippages and non-accrual interest reduce cash-backed earnings quality.	□	PAT ₹23.70 Cr; Gross NPA increased 344% to ₹1,854.38 Cr.	Note 18.4.1: Massive slippages of ₹2,108.16 Cr impact cash interest realization.
2	Receivables & channel-stuffing signal	Revenue ↓ — aggressive unsecured lending growth leads to disproportionate non-performing asset formation.	□	Unsecured advances at ₹10,285.52 Cr; Gross NPA ratio spiked to 9.43%.	Note 18.4.2: Agriculture segment shows 16.20% NPA rate, indicating poor credit quality.
3	Revenue timing	Neutral — conservative realization-based accounting for NPAs prevents artificial inflation of interest income.	□	Interest on NPAs recognized only upon realization.	Note 17.4.A: Policy prevents accrual of income on stressed assets, ensuring revenue integrity.
4	Revenue from related parties %	Neutral — absence of intra-group credit exposure eliminates risk of circular revenue booking.	□	Zero intra-group exposures reported as of March 31, 2025.	Note 18.5.7: Explicit statement of no intra-group exposure provides forensic comfort.
5	Inventory vs revenue growth	Profit ↓ — asset quality deterioration vastly outpaces deposit growth, increasing credit risk costs.	□	Deposits grew 23% while Gross NPAs grew 344% YoY.	Note 18.4.1: Disproportionate growth in bad loans vs liabilities signals underwriting failure.
6	Inventory valuation method change	Profit ↑↓ — fair value adjustments bypassed P&L through reserves, masking potential income volatility.	□	Transition to RBI Master Direction 2023 adjusted via General Reserves.	Note 17.4.C: Investment reclassification adjustment bypassed the current year's P&L statement.
7	Exceptional items in operating profit	Profit ↑ — non-core PSLC and recovery items mask underlying losses in core operations.	□	PSLC (₹115.07 Cr) + Recoveries (₹88.14 Cr) exceed Net Profit (₹23.70 Cr).	Note 18.14.10: Core banking operations are loss-making without these volatile non-core items.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative full expensing of low-value assets prevents long-term cost deferral.	□	Assets <₹5,000 fully depreciated in the year of purchase.	Note 17.4.D: Straight Line Method used; conservative policy for low-value capital items.
9	Provision reversals boosting PAT	Profit ↑ — drawdown of counter-cyclical buffers and provision reversals artificially support bottom-line.	□	Utilized ₹189.97 Cr floating provisions; reversed ₹13.25 Cr standard provisions.	Note 17.4.B.d: Entire floating provision exhausted to manage Net NPA and PAT figures.
10	Tax rate consistency	Profit ↓ — sharp earnings decline likely creates temporary tax-accounting mismatches vs cash tax.	□	Net Profit collapsed 95.24% YoY to ₹23.70 Cr.	Note 18.14.5: Massive swing in provisions (₹708.16 Cr) creates significant deferred tax volatility.
11	CWIP age and stalling projects	Neutral — focus on software opex rather than capitalized CWIP suggests low stalling risk.	□	Banking software charges of ₹94.99 Cr recognized as expenditure.	Note 18.14.9: Shift toward opex-heavy IT infrastructure reduces risk of capitalized asset stalling.
12	Deferred tax asset recognition adequacy	Profit ↑ — recognition of DTAs on high provisions may provide non-cash PAT support.	□	NPA provisions of ₹708.16 Cr vs Net Profit of ₹23.70 Cr.	Note 18.14.5: High provision charge creates DTAs that support PAT despite operational stress.

#	Check	Impact	Status	Evidence	Notes Detail
	RPT quantum and trend	Neutral — minimal related party transactions suggest low risk of siphoning or misstated costs.		RPT limited to ESOP share allotments (21,52,440 shares).	Note 18.1.3: Related party interaction is capital-centric rather than operational or credit-based.
14	Dividend paid vs FCF adequacy	Profit ↓ — low earnings and high provisioning needs likely preclude sustainable dividend payouts.	□	PCR dropped from 98.92% to 51.18% to sustain minimal profit.	Note 18.4.1: Provisioning overhang for FY26 makes dividend sustainability highly improbable.
15	Core Earnings Quality	Profit ↓ — core banking operations are loss-making without volatile non-core items.	□	Non-core income (PSLC + Recoveries) is 857% of Net Profit.	Note 18.14.10: Reliance on PSLC and recoveries to stay profitable indicates weak core earnings.
16	Provisioning Overhang	Profit ↓ — drop in PCR creates future earnings risk if recovery is slow.	□	PCR plummeted from 98.92% to 51.18%.	Note 18.4.1: Exhaustion of floating provisions leaves balance sheet vulnerable to further slippages.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion:** Unqualified.
- **KAM 1: Provisioning for Non-Performing Advances:** Auditor identified significant judgment in NPA classification. Management utilized the entire floating provision of ₹189.97 Cr to mitigate the Net NPA impact.
- **KAM 2: Valuation of Unquoted Investments:** Flagged management judgment in valuing non-marketable securities. Management adopted the new RBI Master Direction 2023, adjusting fair value directly against General Reserves (₹230 Cr).
- **Auditor Change:** Proposed appointment of M/s M. M. NISSIM & CO LLP and M/s KKC & Associates LLP as Joint Statutory Auditors for FY 25-26, replacing current auditors.
- **Regulatory Divergence:** Based on RBI's annual inspection for FY24, there were no reportable divergences in asset classification or provisioning.

B. Related Party Transactions

Party	Relationship	Nature	Amount (₹Cr)	Concern
Utkarsh Welfare Foundation	Entity with Director Relatives	CSR Contribution	7.72 Cr	High
Utkarsh Coreinvest Limited (UCL)	Holding Company	Reverse Merger Application	Not disclosed	Neutral
KMPs	Management	Remuneration	4.07 Cr	Standard
Utkarsh Coreinvest Limited (UCL)	Holding Company	ESOP Allotments	21,52,440 shares	Neutral

- **Concern:** 100% of CSR funds (₹7.72 Cr) are channeled through a promoter-linked foundation (UWF), where relatives of directors are members.
- **Reverse Merger:** The proposed reverse merger of Utkarsh Coreinvest Limited (UCL) with the Bank is awaiting SEBI approval.

- **Intra-Group Exposure:** Explicitly stated as ₹0.00 Cr, indicating no direct credit leakage to the parent.

C. Shareholding

- **Promoters:** 68.92%
- **DII:** 4.55% (Mirae Asset)
- **FII:** 3.10% (Olympus Acf Pte)
- **Public/Others:** 23.43%
- **Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation

- **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 1 (Ms. Kalpana Prakash Pandey).
- **MD & CEO (Govind Singh):** Remuneration ₹2.41 Cr (-3.60% YoY). Re-appointed through 2027.
- **CFO (Sarjukumar Simaria):** Remuneration ₹1.13 Cr (0.00% YoY).
- **Chairman (Parveen Kumar Gupta):** Remuneration ₹0.13 Cr (+18.18% YoY).
- **Analysis:** Aggregate KMP compensation remained flat despite a **95.24% collapse in Net Profit**, showing a pay-performance disconnect.

F. Capital Allocation & Capex

Action	FY Current (₹Cr)	FY Prior (₹Cr)	% of OP	Signal
Dividends	55.02 Cr	0.00 Cr	5.46%	❌
Tier II Capital Raised	305.00 Cr	0.00 Cr	30.29%	Positive
Banking Software Capex	94.99 Cr	72.76 Cr	9.43%	❌
Statutory Reserve Transfer	124.41 Cr	124.41 Cr	12.36%	Positive
NPA Provisions	708.16 Cr	-23.87 Cr	70.33%	❌

- **NPA Provisioning:** Provisions consumed **70.33% of Operating Profit**, signaling a failure in previous credit underwriting cycles.
- **Dividend Sustainability:** The bank paid ₹55.02 Cr in dividends despite Net Profit being only ₹23.70 Cr, effectively funding dividends from reserves/capital—a **Value-Destroying** signal.
- **Capex:** Focused on the **Infosys Finacle Core Banking replacement project**. Rising software charges (+30.5% YoY) have not yet translated into improved efficiency.

H. Risks

- **Asset Quality Collapse:** Gross NPA spiked from 2.51% to 9.43%. **Impact:** ₹708.16 Cr provision wiped out 95% of PAT. (Severity: ❌High)
- **Unsecured Concentration:** 47% of portfolio is JLG. **Impact:** High loss-given-default in rural downturns. (Severity: ❌High)
- **Geographic Concentration:** 54% of loan book in Bihar, UP, and Jharkhand. **Impact:** Vulnerability to regional political/weather shocks. (Severity: ❌High)
- **Provisioning Overhang:** PCR plummeted from 98.92% to 51.18%. **Impact:** Future earnings at risk if recovery is slow. (Severity: ❌High)
- **Agricultural Stress:** 16.20% NPA rate in Agriculture segment. **Impact:** ₹1,020.18 Cr of GNPA from one sector. (Severity: ❌High)

- **Liquidity Mismatch:** Cost of deposits rose to 8.16%. **Impact:** NIM compressed from 9.83% to 8.17%. (Severity: ☐Medium)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	2	↓	GNPA 9.43%; JLG book shrinking 17%	Legacy business in crisis; new secured model unproven at scale.
Financial Health	3	↓	PAT down 95%; CRAR 20.93%	Capital buffers holding via Tier II, but earnings power severely impaired.
Earnings Quality	2	↓	Non-core income 857% of PAT; PCR 51%	Statutory profit maintained only through non-core items and buffer exhaustion.
Management & Governance	3	→	TMO creation; 100% CSR to linked foundation	Management reacting to crisis they led the bank into; RPT concentration.
Capital Allocation & Visibility	2	↓	Dividend > PAT; 7% Loan growth	Value-destructive dividend payout amid capital stress and low visibility.

BUSINESS POSITIVES (for this company this year) * ☐ **Retail Liability Strength:** Total deposits grew **23%**, with CASA + Retail TD ratio improving to **71.1%**. * ☐ **Secured Pivot:** Secured loans now constitute **43%** of the portfolio, reducing reliance on volatile JLG. * ☐ **Capital Fortification:** Successfully raised **₹305 Cr** in Tier II Capital to maintain CRAR at **20.93%**. * ☐ **MSME Traction:** MSME segment grew **52% YoY** to **₹3,875 Cr**, showing successful scale in the new focus area.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * ☐ **Asset Quality Shock:** Gross NPA spiked **344% YoY** to **9.43%**, with Agriculture NPAs at **16.20%**. * ☐ **Earnings Collapse:** Net Profit dropped **95.24%** to **₹23.70 Cr**, supported entirely by non-core PSLC/Recoveries. * ☐ **Provisioning Exhaustion:** PCR plummeted from **98.92% to 51.18%** as floating provisions were fully utilized. * ☐ **Value Destruction:** Paid **₹55.02 Cr** in dividends despite earning only **₹23.70 Cr** in Net Profit. * ☐ **Geographic Risk:** **48.6%** of the loan book remains concentrated in UP and Bihar.

OVERALL SCORECARD SUMMARY Utkarsh is undergoing a painful metamorphosis, characterized by a severe asset quality shock in its legacy JLG book and a desperate pivot toward secured lending. While the bank has successfully built a resilient retail liability franchise, its earnings quality is currently poor, with statutory profits dependent on non-core income and the exhaustion of provisioning buffers. The trajectory is **deteriorating** in the near term due to the massive provisioning overhang and the execution risk of shifting the bank's credit DNA.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	☐	Unqualified opinion (p.115)
2	Promoter pledge = 0?	☐	0.00% pledged (p.118)
3	KMP pay < 5% of PAT?	☐	KMP pay ₹4.07 Cr is 17% of PAT (₹23.70 Cr)
4	RPT quantum < 5% of revenue?	☐	0.18% of revenue
5	Board > 50% independent?	☐	57.14% (4 out of 7)
6	At least 1 woman director?	☐	Ms. Kalpana Prakash Pandey
7	No statutory dues outstanding?	☐	None reported
8	No fraud reported?	☐	No reportable fraud
9	Audit trail enabled?	☐	Confirmed in auditor report
10	Frequent Auditor change	☐	Proposed change to Joint Auditors for FY26
Total: 8.5/10 ☐ — Governance Rating: 3			

Part C: Investor Verdict

THESIS: Utkarsh is a "distressed transition" play, building a high-quality liability franchise while aggressively cleaning a legacy unsecured asset book. **OVERALL STANCE:** WATCH **RATIONALE:** Asset quality has not yet bottomed out, and the exhaustion of provisioning buffers leaves no room for further slippages. **RE-EVALUATE WHEN:** Net NPA stabilizes below 2.0% and PCR returns to >70% without non-core income support. **BULL CASE:** MSME/Wheels reach 60% of the book by FY27 with <2% GNPA, leading to a re-rating as a diversified retail player. **BEAR CASE:** MFI "spill-over" continues and the new MSME book shows seasoning stress, necessitating a dilutive capital raise. **KEY MONITORABLE:** Credit Cost in the MSME segment: Current (not disclosed) → Watch threshold >3%.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Asset Quality Optics	Pristine (NNPA 0.03%) via ₹148.62 Cr floating provisions.	Collapsed (GNPA 9.43%) with all floating provisions exhausted.	The bank has transitioned from discretionary masking of credit stress to an overt asset quality crisis.
Core Profitability	Robust (ROA 2.10%, NIM 9.10%) and self-sustaining.	Loss-making core; PAT (₹23.7 Cr) entirely dependent on non-core PSLC/Recoveries.	The underlying lending business is currently unable to generate profit without volatile, non-operating income streams.
Capital Discipline	Fortification via ₹500 Cr IPO and debt reduction.	Value destruction via ₹55 Cr dividend payout despite only ₹23.7 Cr in PAT.	Management is prioritizing optical dividend signaling over capital preservation during a period of severe earnings impairment.
Margin Trajectory	Stable NIM at 9.10% despite competitive pressure.	Compressed NIM at 8.17% due to 8.16% cost of deposits and non-accrual NPAs.	Rising liability costs and a surge in non-performing assets have broken the bank's high-margin microfinance engine.
Management Tone	Aggressive expansion and capital fortification.	Contrite "kitchen-sinking" and defensive process re-engineering.	The narrative has shifted from growth-at-all-costs to a survival-based structural pivot toward secured assets.

7.2 Persistent Patterns

- **Geographic Concentration:** The bank remains dangerously tethered to the Hindi heartland, with **Bihar and Uttar Pradesh consistently accounting for approximately 50-60% of the loan book.**
- **Governance Red Flag:** 100% of CSR funds are **persistently channeled through the Utkarsh Welfare Foundation**, an entity linked to director relatives.
- **Digital Capex Intensity:** There is a sustained high-spend trajectory on IT infrastructure and software (Finacle migration), regardless of bottom-line volatility.
- **Unsecured Credit Risk:** Despite the "secured pivot," the bank maintains a **structurally high exposure to unsecured lending (JLG/Microfinance)**, which continues to drive credit costs.
- **Liquidity Maturity Mismatch:** A recurring pattern of high-cost, short-term deposit reliance creates a **persistent refinancing risk** in volatile interest rate environments.
- **Aggressive Depreciation Policy:** The bank consistently front-loads costs by fully depreciating assets under ₹5,000, a conservative accounting trait that remains unchanged.