

IPO Details	
Opening Date	Feb 07, 2024
Closing Date	Feb 09, 2024
Stock Exchange	BSE, NSE
Lot Size	36 Shares
Issue Price	₹ 393 to ₹ 414 per share
Issue Size	Aggregating up to 570.00 Cr.
Fresh Issue	Aggregating up to 462.70 Cr.
Offer for Sale	Aggregating up to 108.00 Cr.
Application Amount	Min. Inv. - ₹ 14,904 (36 shares) Max. Inv. - ₹ 1,93,752 (468 shares)

IPO Objective	
Augmentation of the Bank's Tier-I capital base to meet the bank's future capital requirements.	
Issue Related Expenses.	
Benefits of listing on stock exchange.	

Pre-Issue Shareholding			
Category	No. of Shares	% of Total Shares	
Promoter & Promoter Group	2,35,75,790	25.23%	
Public	6,98,55,065	74.77%	

Promoter of the Company	
1	Jana Capital Limited
2	Jana Holdings Limited

Competitive Strengths	
1	A Digitalised bank and majority of the services are available in digital form to customers.
2	Integrated risk and governance framework.
3	Professional and experienced management and Board.
4	A customer-centric organization with more than 16 years of experience in serving underbanked and underserved customers.
5	Pan-India presence with strong brand recognition.
6	Fast-growing Retail Deposit base and diversified deposit franchise.
7	Proven execution ability

Company Background	
<ul style="list-style-type: none"> Jana Small Finance Bank Limited was originally incorporated in the year 2006 and has its registered office in Challaghatta, Bengaluru, Karnataka. The company was awarded non-banking finance company-microfinance institution ("NBFC-MFI") status on September 5, 2013. The company started operating as a Small Finance Bank with effect from March 28, 2018 The primary secured loan products are secured business loans, microloans against property ("Micro LAP"), MSME loans, affordable housing loans, term loans to NBFC, loans against fixed deposits, two-wheeler loans and gold loans. As of 30th September 2023, the bank has 20,355 employees on its payroll 	

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 3,868	₹ 4,330

Financial Summary (In Cr.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Total Assets	19,078	20,188	25,643	28,105
Net Assets	1,114	1,200	1,797	2,568
Total Borrowings	4,815	4,509	6,277	5,313
Total Revenue	2,497	2,726	3,075	3,727
Profit After Tax	72	17	255	213

Tentative Timeline	
Opening Date	Feb 07, 2024
Closing Date	Feb 09, 2024
Basis of Allotment	Feb 12, 2024
Initiation of Refunds	Feb 13, 2024
Credit of Shares to Demat	Feb 13, 2024
Listing Date	Feb 14, 2024

Company Background and Analysis

Jana Small Finance Bank Limited was incorporated on July 24, 2006, registered as a non-banking finance company (“NBFC”) on March 4, 2008, and the company was awarded non-banking finance company-microfinance institution (“NBFC-MFI”) status on September 5, 2013. The company started operating as a Small Finance Bank with effect from March 28, 2018 and became a Scheduled Commercial Bank on July 16, 2019.

Company is the fourth largest Small Finance Bank in terms of AUM and the fourth largest Small Finance Bank in terms of deposit size as of September 30, 2023. As of September 30, 2023, the Company had 771 banking outlets, including 278 banking outlets in unbanked rural centres, in 22 states and two union territories. The company has served nearly 12 million customers since 2008, including 4.87 million active customers as of September 30, 2023.

The company’s primary secured loan products are secured business loans, micro loans against property (“Micro LAP”), MSME loans, affordable housing loans, term loans to NBFC, loans against fixed deposits, two-wheeler loans and gold loans. The company’s primary unsecured loan products are individual and micro business loans, agricultural and allied loans, and group loans (group loans are offered to a group of women as per the Joint Liability Group (“JLG”) model).

Since becoming a Small Finance Bank, the company has focused on increasing secured gross advances to diversify the advances, and within unsecured advances, the company have focused on growing the agricultural and allied loans. The gross secured advances have increased from ₹5,076.00 Cr. as at March 31, 2021 to ₹9,904.75 Cr. as at March 31, 2023, representing a CAGR of 39.69%, and further increased to ₹12,257.74 Cr. as at September 30, 2023, an increase of 23.76%, and gross advances of agricultural and allied loans has increased from ₹1,551.07 Cr. as at March 31, 2021 to ₹3,094.44 Cr. as at March 31, 2023, representing a CAGR of 41.25% and further increased to ₹3,614.14 Cr. as at September 30, 2023, an increase of 16.79%. The company’s secured gross advances as a percentage of total gross advances have increased from 42.87% as of March 31, 2021, to 57.42% as of September 30, 2023. The company’s agricultural and allied loans as a percentage of gross advances have increased from 13.10% as of March 31, 2021, to 16.93% as of September 30, 2023. The table below sets forth gross advances by secured advances and unsecured advances (including agricultural and allied loans) and as a percentage of total gross advances as of the dates indicated.

(Amount in Cr.)

Particulars	As of March 31, 2021		As of March 31, 2022		As of March 31, 2023		As of September 30, 2023	
	Gross advances	%	Gross advances	%	Gross advances	%	Gross advances	%
Secured advances	5,076.00	42.88	7,027.13	53.03	9,904.75	55.02	12,257.74	57.42
Unsecured advances:	6,762.98	57.12	6,223.20	46.97	8,095.99	44.98	9,089.39	42.58
Of which:								
Agricultural and allied loans	1,551.07	13.10	1,877.00	14.17	3,094.44	17.19	3,614.14	16.93
Total AUM	11,838.98	100.00	13,250.32	100.00	18,000.74	100.00	21,347.13	100.00

Company is also a corporate agent for third-party life insurance products, general (non-life) insurance products and health insurance products, including COVID-19 insurance products. Company also offer Point of Sales (“POS”) terminals and payment gateway services through its merchant acquiring partners.

To conclude, Jana Small Finance Bank Limited was incorporated in 2006, and has good experience in the industry. Company is a customer-centric organization with more than 16 years’ experience in serving underbanked and underserved customers. Company fast growing Retail Deposits base and diversified deposit franchise.

Business Strategies

1. Focus on accelerating secured loans book with the purpose of meeting customers’ needs and diversifying the lending book –

Company plans to further accelerate its gross secured advances by: (i) offering multiple products to existing customers including evaluating new products, such as used two-wheeler loans; (ii) focusing penetration into current states and expanding the oversight of hubs to around 100 kilometres covering Tier 1 centres (having a population of 100,000 or more) and Tier 2 centres (having a population between 50,000 and 99,999); (iii) enhancing location strategy by mapping industry performance and tightening policies; (iv) focusing growth plans on the right combination of customer segment and collateral type, by assessing loss given defaults based on a strengthened collections and recovery processes; and (v) enhancing digital capabilities to source and serve customers.

2. Reshape unsecured loans (Microfinance Loans) business –

Company’s key focus for its unsecured loan business is to increase end-use based loan products, such as dairy loans, loans for home improvement, unsecured loans for business purposes and debt consolidation, by cross-selling to existing banked and newly banked customers with a proven credit record located in semi-urban and rural geographies. With respect to its current unsecured loan customers in metropolitan areas, company’s focus is to cross-sell secured loans, such as affordable housing loans, loans against property, gold loans and two-wheeler loans, to such customers.

3. Improve its risk profile –

Company plans to improve its risk profile by enhancing the overall control environment in the gold loan business, mitigating risks of default from group loans and continuing enhancing secured digitalization. As part of this strategy, company also launched a supply chain financing business in Fiscal 2021.

4. Enhance the growth of Retail Deposits –

Company plans to concentrate on growing its Retail Deposits. To improve sales performance, company is implementing a daily sales rhythm where each member of sales staff at Branches has been set a daily target of meeting with 15 potential Retail Deposit customers, generating 10 leads and converting five customers.

5. Deepen customer relationships –

Company plans to focus on cross-selling key loan and insurance products to existing customers who have shown a good repayment behaviour. Company will enhance the scorecard using the data that it has about the customer’s behaviour together with the information in the credit bureau to ensure the right segment of customers is chosen to offer loan top ups and cross-sell products. Company’s focus will be on cross-selling two-wheeler loans, house loans, personal loans, gold loans, school fee loans and computer loans and third- party products, such as health, life and general insurance.

6. Continued focus on digitized operations –

Company plans to continue to incorporate fraud checks and regulatory compliance, with a focus on enhancing and exploiting artificial intelligence and machine learning capabilities, while avoiding any manual steps. Company plans to enhance its self-fulfilment service request offerings through mobile and internet banking channels.

Competitive Scenario and Peer Mapping

Competition

Company faces intense competition in all principal products and services. Company primarily competes with other Small Finance Banks, other types of banks and NBFCs to provide secured loans to businesses, gold loans and affordable housing loans and company also compete with housing finance companies to provide affordable housing loans. There are multiple players in the microfinance sector with varied organisational structures. Loans in the microfinance sector are offered by Small Finance Banks as well as other banks, non-banking finance company-microfinance institutions (“NBFCMFIs”), other non-banking finance companies and non-profit organisations. Companies faces barrier to entry in the industry that company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Jana Small Finance Bank Limited	Spandana Sphoorthy Finance Limited	AU Small Finance Bank	Equitas Small Finance Bank	Ujjivan Small Finance Bank	Suryoday Small Finance Bank
P/E	9.71	306.24	27.04	13.00	4.48	13.01
P/B	2.15	2.22	3.74	2.25	2.84	1.20
RoNW	14.24%	0.39%	13.01%	11.13%	27.44%	4.92%
NAV per share	4.34	5.71	18.95	76.87	158.77	16.64
CRAR	15.57%	36.87%	23.59%	23.80%	25.81%	33.70%
Net Interest Margin	53.98%	13.15%	6.10%	9%	9.48%	9.50%

Particulars	Jana Small Finance Bank Limited	Fusion Micro Finance Limited	Bandhan Bank Limited	Credit Access Grameen Limited	Utkarsh Small Finance Bank Limited
P/E	9.71	8.94	14.37	17.31	10.64
P/B	2.15	3.38	1.77	4.86	3.43
RoNW	14.24%	17.69%	11.21%	16.17%	20.20%
NAV per share	4.34	28.49	100.05	5.58	41.67
CRAR	15.57%		39.29%	22.69%	21.88%
Net Interest Margin	53.98%	10.15%	7.21%		8.20%

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Jana Small Finance Bank Limited	Spandana Sphoorthy Finance Limited	AU Small Finance Bank	Equitas Small Finance Bank	Ujjivan Small Finance Bank	Suryoday Small Finance Bank
P/E	128.97	55.08	33.61	23.50	-6.69	-11.60
P/B	3.22	2.29	5.47	2.73	4.37	1.26
RoNW	1.46%	1.59%	15.04%	6.62%	-15.95%	-6.18%
NAV per share	2.90	7.95	12.46	80.65	162.12	14.81
CRAR	15.26%	50.74%	20.99%	25.16%	18.99%	37.90%
Net Interest Margin	50.97%	7.23%	5.70%	8.54%	8.79%	8.60%

Particulars	Jana Small Finance Bank Limited	Fusion Micro Finance Limited	Bandhan Bank Limited	Credit Access Grameen Limited	Utkarsh Small Finance Bank Limited
P/E	128.97	49.18	384.55	37.08	0.00
P/B	3.22	4.11	1.99	5.95	#DIV/0!
RoNW	1.46%	3.89%	0.72%	8.47%	4%
NAV per share	2.90	23.45	57.95	4.96	#DIV/0!
CRAR	15.26%		41.61%	25.87%	21.59%
Net Interest Margin	50.97%	8.39%	8.17%	9.76%	8.75%

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Jana Small Finance Bank Limited	Spandana Sphoorthy Finance Limited	AU Small Finance Bank	Equitas Small Finance Bank	Ujjivan Small Finance Bank	Suryoday Small Finance Bank
P/E	34.56	29.57	31.43	17.98	610.00	248.04
P/B	3.47	2.49	6.55	3.41	3.77	1.19
RoNW	6.48%	4.75%	18.66%	11.31%	0.27%	0.75%
NAV per share	2.69	4.58	10.65	56.04	98.95	5.75
CRAR	15.51%	39.20%	23.40%	24.18%	26.44%	51.50%
Net Interest Margin	50.57%	9.77%	5.30%	8.44%	9.45%	7.10%

Particulars	Jana Small Finance Bank Limited	Fusion Micro Finance Limited	Bandhan Bank Limited	Credit Access Grameen Limited	Utkarsh Small Finance Bank Limited
P/E	34.56	24.39	25.24	73.11	0.00
P/B	3.47	4.28	1.99	6.82	#DIV/0!
RoNW	6.48%	7.80%	12.67%	3.91%	8%
NAV per share	2.69	22.53	50.37	5.43	#DIV/0!
CRAR	15.51%		43.38%	30.50%	20.64%
Net Interest Margin	50.57%	9.22%	7.78%	9.79%	9.57%

Industry Overview

Exhibit 1: Growth in Advances and Deposits (Rs. in billion)

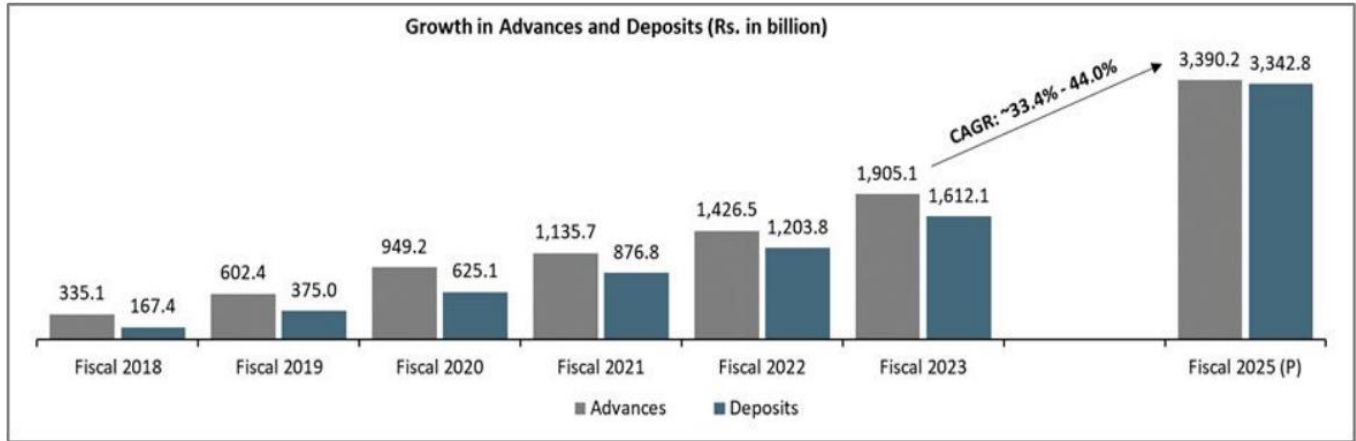
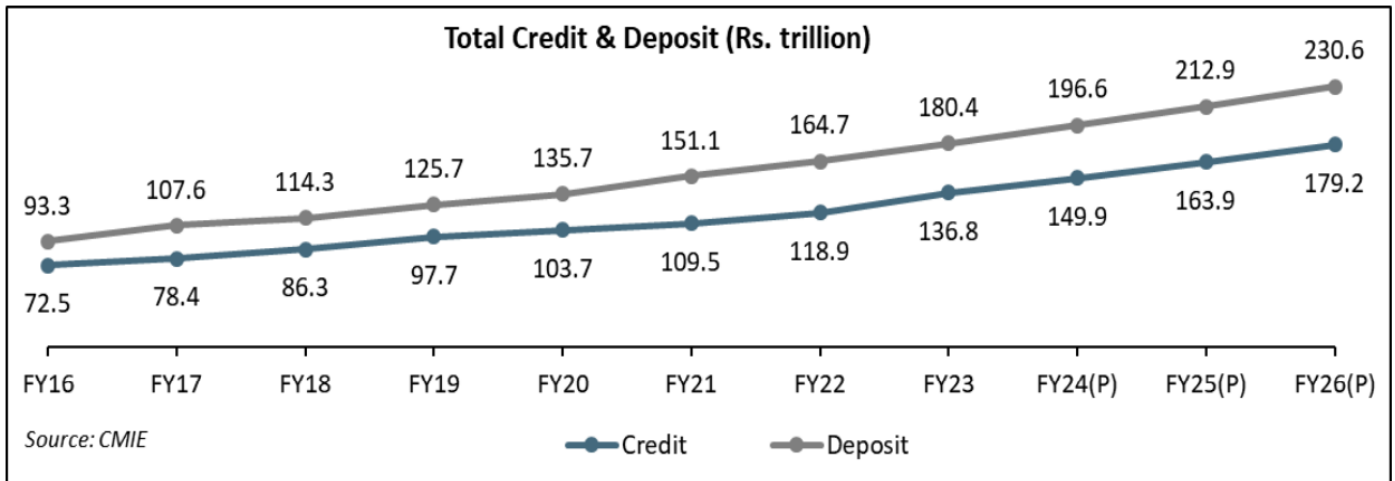


Exhibit 2: Total Credit and Deposit (Rs. trillion)



(Source: prospectus)

Small Finance Bank -

The exponential growth in the SFB industry is illustrated by the growth in both loans and deposits. As per FSIAPL's analysis, the advances and deposits in the SFB industry are projected to increase at a CAGR of 33.4% to 44.0% from Fiscal 2023 to Fiscal 2025. Being a new segment in the banking sector, the SFBs have been making strong inroads into the credit market and enabling financial inclusiveness across the country. SFBs currently hold a minor market share of 1.34% in advances and 0.86% in deposits of the entire banking sector as at March 31, 2023.

However, these banks have a good deposit mobilisation and outreach among the under-banked masses, which would drive their market share multi folds in the foreseeable future. The total deposits of SFBs in 2022-23 stood at Rs. 1,612.1 billion compared to Rs. 1,203.8 billion in 2021-22, clocking a y-o-y growth of 33.9%. Factors that will support the growth of the SFBs include robust rural growth, new product offerings and associated cross-selling opportunities on both the liability and asset side, geographical diversification and opening of new branches, knowledge of local stakeholders, access to low-cost funds, improved risk management systems and expansion of organized credit channels.

One thing to note is that the business strategies of different SFBs vary. Thus, AU Small Finance Bank, which has the largest AUM of Rs. 650.3 billion as at September 30, 2023, primarily operates in Rajasthan (34.0%), Maharashtra (16.0%) and Madhya Pradesh (14.0%). Over 60.5% of their loan book is concentrated in retail assets comprising vehicle loans and MSME loans as at September 30, 2023. Equitas SFB, the second largest player in terms of AUM with Rs. 312.3 billion as at September 30, 2023 has presence in product segments such as securities-based lending (SBL) (37%), vehicle loans (25%), and microfinance loans (19%).

Other segments like Housing Finance, MSE Finance and loans to NBFCs (corporate loans) have grown in the last few quarters and accounted for 11%, 3% and 4% of AUM as on September 30, 2023, respectively. Ujjivan SFB with AUM of Rs. 265.7 billion as at September 30, 2023, is currently the third largest player in terms of AUM and is more geographically spread, though West Bengal (12.2%), Karnataka (13.3%) and Tamil Nadu (14.6%) are their leading markets. As at September 30, 2023, aside from 57% of micro banking portfolio, 15% of the Ujjivan SFB's AUM comprised affordable housing loans followed by individual loans (15%) and MSME loans accounting for 5%. Jana SFB, the fourth largest player in terms of AUM, has an AUM of Rs. 230.3 billion as at September 30, 2023. As at September 30, 2023, Jana SFB had 771 branches across 22 states and 2 union territories in India. The bank has served over 12.00 million customers since 2008, including approximately 4.87 million active customers. These four players account for almost 69.3% of the total SFB AUM as at September 30, 2023.

South India accounts for 27.0% of the total advances of SFBs due to the major presence of players such as Ujjivan SFB, Equitas SFB, Jana SFB and ESAF SFB in the region. The north region accounts for 26.8% of the total advances of SFBs due to the presence of AU SFB which is the market leader in the SFB segment. The north-eastern region accounts for 1.4% of the total advances of SFBs. The majority of financial institutions believe that the eastern and north-eastern regions offer the maximum potential for growth in the future due to the relative saturation in the southern markets. Utkarsh SFB has a very strong presence in eastern India (Eastern UP, Bihar and Jharkhand).

(Source: prospectus)

Key Managerial Personnel

Subhash Chandra Khuntia, aged 66, is the Part-Time Chairman and an Independent Director of the Bank. He holds a bachelor's degree in science (honours) in physics from Utkal University, a master's degree in science in physics, a master's degree in technology in computer science from the Indian Institute of Technology, Kanpur, a master's degree in arts in economics from Karnatak University, Dharward, a master's degree in social policy and planning in developing countries from London School of Economics and Political Science, University of London and a bachelor's degree in law from Bangalore University. He joined the Indian Administrative Services in 1981. He retired as the chief secretary of Karnataka in 2017.

Ajay Kanwal, aged 57, is the Managing Director and Chief Executive Officer of the Bank. He holds a bachelor's degree in engineering in electronics and telecommunication from Marathwada University and a master's degree in management studies from the University of Bombay. He was previously associated with Standard Chartered Bank, India and Singapore.

Krishnan Subramania Raman, aged 60, is an Executive Director and Chief Credit and Collection Officer of the Bank. He holds a bachelor's degree in commerce from the University of Madras and a post-graduate diploma in management from the Indian Institute of Management, Calcutta. He is a certified associate of the Indian Institute of Bankers and is also an associate member of the Institute of Chartered Accountants of India. He has previously worked with Standard Chartered Bank, India as senior manager – investment services, Standard Chartered Bank, Singapore as risk director, Dunia Finance LLC as chief risk officer and Mashreq Bank PSC, UAE as senior vice president.

Ramesh Ramanathan, aged 60, is a Non-Executive Non-Independent Director of the Bank. He holds a master's degree in science in physics (Honours) from the Birla Institute of Technology and Science, Pilani and a master's degree in public and private management from the Yale School of Organisation and Management. He is also a director on the board of directors of Jana Capital Limited, Jana Holdings Limited, Jana Urban Services for Transformation Private Limited, Jana Urban Space Foundation (India) and Janaadhar (India) Private Limited.

Rahul Khosla, aged 64, is a Non-Executive Non-Independent Nominee Director of the Bank and has been appointed on behalf of TPG Asia VI SF Pte Ltd. He holds a bachelor's degree in arts (economics honours) from the University of Delhi. He is a fellow member of the Institute of Chartered Accountants of India. He was previously employed under various companies of Max Group, India as group president and as group advisor.

Ramalingam Ramaseshan, aged 67, is a Non-Executive Independent Director of the Bank. He holds a bachelor's degree in engineering from Bhopal University. He is a fellow member of the Institute of Cost and Works Accountants of India. He joined the Indian Administrative Services in 1982.

Chitra Talwar, aged 70, is a Non-Executive Independent Director of the Bank. She holds a bachelor's degree of arts in economics from the University of Madras and a post-graduate diploma in business management

from Xavier-Labour Relations Institute, Jamshedpur. She has previously worked with Britannia Industries and PepsiCo.

Kumbla Srinivas Nayak, aged 60, is a Non-Executive Independent Director of the Bank. He holds a bachelor's degree in engineering, in the chemical branch, from the Birla Institute of Technology and Science. He was previously working with Standard Chartered Global Business Services Private Limited, Standard Chartered Bank and Standard Chartered Bank, Singapore, in various capacities, including, as Head – Technology Solution Delivery, Core Banking, Programme Director Group Tech and Ops – India and South Asia and Global Head- Enterprise Data Management Repository. He has previously worked with Idenfo Limited as the Chief Technology Officer.

Pammi Vijaya Kumar, aged 62, is a Non-Executive Independent Director of the Bank. He holds a bachelor's degree in arts from the Faculty of Social Sciences, Nagarjuna University, a master's degree in arts in history and a master's degree in philosophy in history from the University of Hyderabad and a diploma in treasury, investment and risk management from the Indian Institute of Banking and Finance. He is a certified associate of the Indian Institute of Bankers. He has previously worked with the Reserve Bank of India where his last position was executive director. He has more than 36 years of experience in banking.

To conclude, the company has 2 corporate promoters. Directors of the company have good knowledge and experience in the operations of the company and in their respective fields which helps in the overall growth of the company.

Financial Snapshot

P&L Statement (Amt in Cr)				
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from operations				
Interest income	2,497.73	2,726.54	3,075.01	1,863.94
Other Income	223.01	335.83	624.87	351.63
Total Income	2,720.74	3,062.37	3,699.88	2,215.57
Expenses				
Interest Expended	1,234.58	1,336.75	1,414.99	876.31
Operating Expenses	1,047.31	1,138.82	1,284.51	783.16
Provision and Contingencies	366.59	569.32	744.40	342.88
Total Expenses	2,648.48	3,044.89	3,443.90	2,002.35
Net profit for the period	72.26	17.47	255.97	213.22
Profit brought forward	-4,126.67	-4,095.22	-4,083.03	-3,907.87
Total Profit	-4,054.41	-4,077.75	-3,827.06	-3,694.66
Net Profit Margin	2.89%	0.64%	8.32%	11.44%

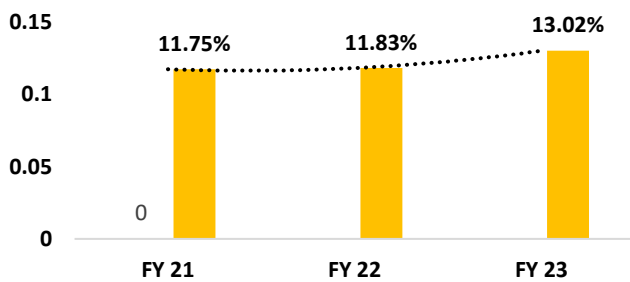
Balance Sheet (Amt in Cr)				
Particulars	FY 21	FY 22	FY 23	Sep-23
Equity				
Capital	200.73	201.41	324.98	343.53
Reserves and Surplus	914.09	999.29	1,472.28	2,225.44
Total Equity	1,114.81	1,200.70	1,797.26	2,568.97
Liabilities				
Deposits	12,316.26	13,536.49	16,334.02	18,936.72
Borrowings	4,815.32	4,509.83	6,277.46	5,313.54
Other Liabilities and Provisions	832.27	941.68	1,234.96	1,286.64
Total Liabilities	17,963.85	18,988.01	23,846.44	25,536.91
Total Capital and Liabilities	19,078.66	20,188.71	25,643.69	28,105.87
Assets				
Cash and Balances with Reserve Bank of India	2,125.29	1,530.02	1,010.94	976.83
Balances with Banks and Money at Call and Short Notice	134.48	7.07	1,076.37	35.29
Investments	4,697.79	5,065.26	5,221.23	5,509.19
Advances	11,599.67	13,006.67	17,759.56	21,008.71
Fixed Assets	212.06	171.65	127.75	133.04
Other Assets	309.37	408.03	447.85	442.81
Total Assets	19,078.66	20,188.71	25,643.69	28,105.87

Cash Flow Statement (Amt in Cr)				
Particular's	FY 21	FY 22	FY 23	Sep-23
Cash Flow from Operating Activities	615.321	858.609	-1137.18	-783.6
Cash Flow from Investing Activities	-1265.73	-1330.37	-434.465	110.209
Cash Flow from Financing Activities	1916.567	-239.52	2103.614	-407.096

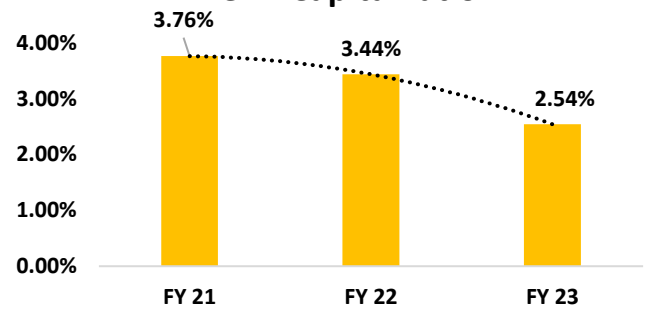
Particulars	FY 21	FY 22	FY 23
Banking ratios			
Common Equity Tier I (CET) capital ratio	11.75%	11.83%	13.02%
Tier I Capital ratio	11.75%	11.83%	13.02%
Tier II Capital ratio	3.76%	3.44%	2.54%
Total Capital ratio (CRAR) (%)	15.51%	15.26%	15.57%
CASA	16.29%	22.52%	70.22%
Return Ratios			
RoNW	6.48%	1.46%	14.24%
RoA	0.38%	0.09%	1.00%
Valuation Ratios			
P/E	34.56	128.97	9.71
P/B	3.47	3.22	2.15
Leverage Ratios			
Leverage Ratio	5.62%	5.63%	6.65%
Debt-to-Equity Ratio	4.32	3.76	3.49
Debt-to-Capital Ratio	3.39	3.07	3.08
NPA Ratios			
GNPA %	7.25%	5.71%	3.94%
NNPA %	5.33%	3.95%	2.64%
Profitability Ratios			
Net Profit Margin	2.89%	0.64%	8.32%
Net Interest Margin	50.57%	50.97%	53.98%

Financial Charts

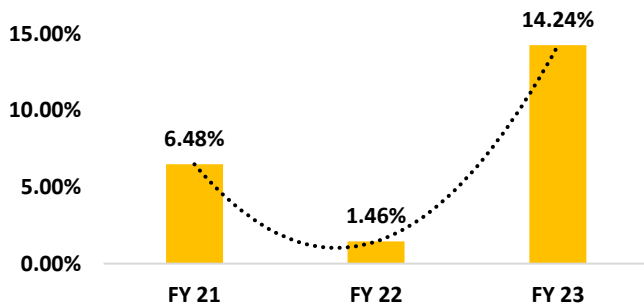
Tier I Capital ratio



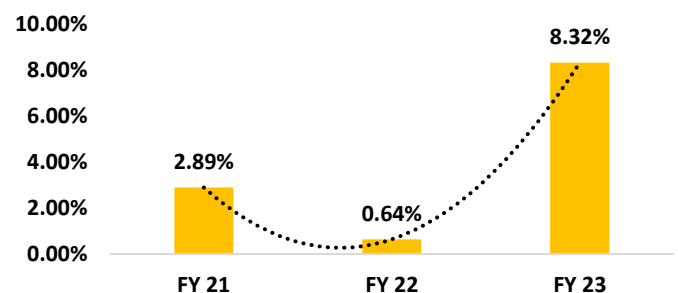
Tier II Capital ratio



RoNW



Net Profit Margin



Key Risk Factors

1. The company has not been able to comply with certain provisions of the SFB Licensing Guidelines and the RBI Final Approval. As a result, the RBI may take regulatory action against them, which could include the imposition of monetary penalties, revocation of the RBI Final Approval or such other penal actions and restrictions deemed fit by the RBI, the imposition of any of which could have a material adverse effect on company's business, financial condition, results of operations and cash flows.
2. The company faces liquidity risks due to mismatches in the maturity of its assets and liabilities.
3. The company had negative cash flows from operating activities for the half years ended September 30, 2022, and September 30, 2023, and for Fiscal 2023. Any negative cash flows in the future would adversely affect the operations of the business.
4. Customers located in the states of Tamil Nadu, Karnataka and Maharashtra represent a significant portion of the bank's advances and deposits and customers in West Bengal represent a significant portion of its deposits. Any adverse developments in these states, such as an economic downturn, political unrest, natural disasters or epidemics, could adversely affect the company's business, financial condition and results of operations.
5. Company is involved in certain legal proceedings and Rs. 919.13 Cr., any adverse developments related to which could adversely affect the reputation, business, financial condition, results of operations and cash flows.
6. The company is in dispute with the Bank of Maharashtra regarding a pool of receivables amounting to ₹100 Cr. Company has assigned to it, along with the associated interest payable.

Track Record of Lead Manager

The lead manager to the issue is ICICI Securities Limited, Axis Capital Advisors Limited, and SBI Capital Markets Limited. A table has been set below highlighting the details of the last 5 IPOs of the recent companies handled by the Lead Managers in recent times –

Axis Capital Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	EPACK Durable Limited	640.05	230.00	January 30, 2024	192.00
2.	Azad Engineering Limited	740.00	524.00	December 28, 2023	970.00
3.	Happy Forgings Limited	1,008.59	850.00	December 27, 2023	1,006.0
4.	Muthoot Microfin Limited	960.00	291.00	December 26, 2023	241.00
5.	Inox India Limited	1,459.32	660.00	December 21, 2023	1,016.0

The company has had 50 mandates in the past three years (including the current year)

ICICI Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	EPACK Durable Limited	640.05	230.00	January 30, 2024	192.00
2.	Jyoti CNC Automation Limited	1,000.00	331.00	January 16, 2024	598.00
3.	Innova Captab Limited	570.00	448.00	December 29, 2023	527.00
4.	Azad Engineering Limited	740.00	524.00	December 28, 2023	970.00
5.	Credo Brands Marketing Limited	549.78	280.00	December 27, 2023	249.00

The company has had 22 mandates in the past three years (including the current year)

SBI Capital Markets Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Medi Assist Healthcare Services Limited	1,171.58	418.00	January 23, 2024	523.00
2.	Jyoti CNC Automation Limited	1,000.00	331.00	January 16, 2024	598.00
3.	Azad Engineering Limited	740.00	524.00	December 28, 2023	669.80
4.	Muthoot Microfin Limited	960.00	291.00	December 26, 2023	241.00
5.	Indian Renewable Energy Development Agency Limited	2,150.21	32.00	November 29, 2023	180.00

The company has had 22 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 1st November 2023.

As per the offer document, for all the above-mentioned mandates, 3 have opened at a discount and the remaining all have opened at premiums on the listing day.

Recommendation

The company has been in the industry since 2006 and has vast experience in the industry. The company has seen an increase in the interest earned over the years. The company faces intensive competition. The management outlook of the company is good.

The P/E on a post-IPO basis is 10.15 times which seems to be fairly priced by looking at the performance of the company. The Sector P/E is 21.6 times.

The company has seen a good increase in its loan book over the years. The company has seen an increase in its top line, but the profitability margins do not seem to have an increasing trend with FY 22 having a decrease. The company does have a good financial outlook. The company is one of the fourth largest small finance banks in terms of AUM and terms of deposits. The bank also has had mismatches in assets and liabilities, has litigations, and also significant portion of revenue is generated from 3 states for advances, and 1 state for deposits which slightly places the company at risk and the details of such factors are mentioned in the Risk Factor of this report. The company's promoter's holding is low and will continue to dilute further which is not a good indicator for the future prospects of the company. Thus, keeping in mind all the above-mentioned points we recommend **AVOID** to this IPO.

Disclaimer

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