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

# CAPITAL SMALL FINANCE BANK LIMITED

**Corporate Identity Number:** U65110PB1999PLC022634

| REGISTERED AND CORPORATE OFFICE | CONTACT PERSON | EMAIL AND TELEPHONE | WEBSITE |
|---|---|---|---|
| MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144 001, Punjab, India | Amit Sharma, *Company Secretary and Compliance Officer* | **Email:** cs@capitalbank.co.in **Telephone:** +91 181 5051111/2222 | www.capitalbank.co.in |

**OUR PROMOTERS: SARVJIT SINGH SAMRA, AMARJIT SINGH SAMRA, NAVNEET KAUR SAMRA, SURINDER KAUR SAMRA AND DINESH GUPTA**

**DETAILS OF THE OFFER**

| Type | Fresh Issue Size | Offer for Sale Size | Total Offer size | Eligibility and Reservations among QIBs, NIBs, and RIBs |
|---|---|---|---|---|
| Fresh Issue and Offer for Sale | Fresh Issue of up to [●] Equity Shares of ₹ 10 each aggregating up to ₹ 4,500.00 million | Offer for Sale of up to 1,561,329 Equity Shares of ₹ 10 each aggregating up to ₹ [●] million | Up to [●] Equity Shares of ₹ 10 each aggregating up to ₹ [●] million | The Offer is being made pursuant to Regulation 6(1) of the SEBI ICDR Regulations. For further details, see "*Other Regulatory and Statutory Disclosures – Eligibility for the Offer*" on page 410.<br><br>For details in relation to share reservation among Qualified Institutional Buyers, Non Institutional Bidders, and Retail Individual Investors, see "*Offer Structure*" on page 431. |

**DETAILS OF THE SELLING SHAREHOLDERS, OFFER FOR SALE AND THE WEIGHTED AVERAGE COST OF ACQUISITION**

| NAMES OF THE SELLING SHAREHOLDERS | TYPE | NUMBER OF SHARES OFFERED | WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE ON A FULLY DILUTED BASIS (IN ₹) |
|---|---|---|---|
| **Oman India Joint Investment Fund II** | Investor Selling Shareholder | Up to 836,728 Equity Shares of ₹ 10 each aggregating up to ₹ [●] million | 252.00* |

| | | | |
|---|---|---|---|
| **Amicus Capital Private Equity I LLP** | Investor Selling Shareholder | Up to 151,153 Equity Shares of ₹ 10 each aggregating up to ₹ [●] million | 252.00* |
| **Amicus Capital Partners India Fund I** | Investor Selling Shareholder | Up to 17,544 Equity Shares of ₹ 10 each aggregating up to ₹ [●] million | 252.00* |
| **Certain Other Persons Listed in this Red Herring Prospectus** | Other Selling Shareholders | Up to 555,904 Equity Shares of ₹ 10 each aggregating up to ₹ [●] million | 20.00 |

**As certified by M/s VP Bhalla & Associates, by way of certificate dated February 1, 2024.*

## 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 each. The Floor Price, Cap Price and the 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 149 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 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 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 Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" on page 27.

## ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this 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 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 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 only such statements specifically made or confirmed by such Selling Shareholders in this Red Herring Prospectus to the extent of information specifically pertaining to itself and its respective portion of the Offered Shares in the Offer for Sale and assumes responsibility that such statements are true and correct in all material respects and not misleading in any material respect. Each of the Selling Shareholders, severally and not jointly, assume no responsibility for any other statement, including, inter alia, any of the statements made by or relating to the Bank or its business or any of the other Selling Shareholders in this Red Herring Prospectus.

## LISTING

The Equity Shares that will be offered through this Red Herring Prospectus are proposed to be listed on the Stock Exchanges being BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**"). For the purposes of the Offer, BSE Limited is the Designated Stock Exchange.

| BOOK RUNNING LEAD MANAGERS | | | |
|---|---|---|---|
| NAMES AND LOGOS OF THE BRLMS | | CONTACT PERSON | E-MAIL AND TELEPHONE |
| | Nuvama Wealth Management Limited (*Formerly known as Edelweiss Securities Limited*)* | Manish Tejwani | **E-mail:** capitalsfb.ipo@nuvama.com **Tel:** +91 22 4009 4400 |
| | DAM Capital Advisors Limited | Chandresh Sharma/ Akshay Bhandari | **E-mail:** capitalsfb.ipo@damcapital.in **Tel:** +91 22 4202 2500 |
| | Equirus Capital Private Limited | Mrunal Jadhav | **E-mail:** capitalsfb.ipo@equirus.com **Tel:** +91 22 4332 0734 |
| REGISTRAR TO THE OFFER | | | |
| NAME OF THE REGISTRAR | | CONTACT PERSON | E-MAIL AND TELEPHONE |
| **Link Intime India Private Limited** | | **Shanti Gopalkrishnan** | **E-mail:** capitalsfb.ipo@linkintime.co.in **Tel:** +91 810 811 4949 |
| BID/ OFFER PERIOD | | | |
| ANCHOR INVESTOR BID/ OFFER PERIOD PORTION OPENS/ CLOSES ON | | **TUESDAY, FEBRUARY 6, 2024** | |
| BID/ OFFER OPENS ON | | **WEDNESDAY, FEBRUARY 7, 2024** | |
| BID/OFFER CLOSES ON | | **FRIDAY, FEBRUARY 9, 2024**[(1)] | |

** Pursuant to order passed by Hon'ble National Company Law Tribunal, Mumbai Bench dated April 27, 2023, the merchant banking business of Edelweiss Financial Services Limited has demerged and now transferred to Nuvama Wealth Management Limited and therefore the said merchant banking business is part of Nuvama Wealth Management Limited.*

*(1) The UPI mandate end time shall be at 5:00 p.m. on Bid/Offer Closing Date.*

# CAPITAL SMALL FINANCE BANK LIMITED

Our Bank was incorporated as '*Capital Local Area Bank Limited*' on May 31, 1999 at Phagwara district Kapurthala, Punjab, as a public limited company under the Companies Act, 1956, and was granted a certificate of incorporation by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. The name of our Bank was subsequently changed to '*Capital Small Finance Bank Limited*' pursuant to a shareholders' resolution dated April 2, 2016, to reflect the change in status of our Bank from a local area bank to a small finance bank pursuant to the Reserve Bank of India approval dated March 4, 2016, and a fresh certificate of incorporation was granted by the Registrar of Companies, Punjab and Chandigarh at Chandigarh ("**RoC**") on April 15, 2016. Our Bank commenced its business pursuant to a certificate of commencement of business issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh dated August 12, 1999. For further details, see "*History and Certain Corporate Matters*" on page 243.

**Registered and Corporate Office:** MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144 001, Punjab, India
**Tel**: +91 181 5051111/2222; **Website**: www.capitalbank.co.in; **Contact Person**: Amit Sharma, Company Secretary and Compliance Officer; **E-mail**: cs@capitalbank.co.in;
**Corporate Identity Number**: U65110PB1999PLC022634

**OUR PROMOTERS: SARVJIT SINGH SAMRA, AMARJIT SINGH SAMRA, NAVNEET KAUR SAMRA, SURINDER KAUR SAMRA AND DINESH GUPTA**

**INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF CAPITAL SMALL FINANCE BANK LIMITED ("BANK" OR "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) ("OFFER PRICE"), AGGREGATING UP TO ₹ [●] MILLION (THE "OFFER"), COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹ 4,500.00 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 1,561,329 EQUITY SHARES AGGREGATING UP TO ₹ [●] MILLION (THE "OFFER FOR SALE"), COMPRISING UP TO 836,728 EQUITY SHARES AGGREGATING UP TO ₹ [●] MILLION BY OMAN INDIA JOINT INVESTMENT FUND II ("OIJIF II"), UP TO 151,153 EQUITY SHARES AGGREGATING UP TO ₹ [●] MILLION BY AMICUS CAPITAL PRIVATE EQUITY I LLP ("ACPE"), UP TO 17,544 EQUITY SHARES AGGREGATING UP TO ₹ [●] MILLION BY AMICUS CAPITAL PARTNERS INDIA FUND I ("ACPIF", TOGETHER WITH ACPE, "AMICUS", AND TOGETHER WITH ACPE, AND OIJIF II, THE "INVESTOR SELLING SHAREHOLDERS"), AND UP TO 555,904 EQUITY SHARES AGGREGATING UP TO ₹ [●] MILLION BY CERTAIN PERSONS LISTED IN THIS RED HERRING PROSPECTUS (THE "OTHER SELLING SHAREHOLDERS", AS DEFINED BELOW) (THE INVESTOR SELLING SHAREHOLDERS AND THE OTHER SELLING SHAREHOLDERS, COLLECTIVELY, THE "SELLING SHAREHOLDERS", AND SUCH EQUITY SHARES OFFERED BY THE SELLING SHAREHOLDERS, THE "OFFERED SHARES").**

**THE FACE VALUE OF EQUITY SHARES IS ₹ 10 EACH. THE PRICE BAND AND THE MINIMUM BID LOT SHALL BE DECIDED BY OUR BANK, IN CONSULTATION WITH THE BRLMS AND WILL BE ADVERTISED IN ALL EDITIONS OF FINANCIAL EXPRESS, AN ENGLISH NATIONAL DAILY NEWSPAPER, ALL EDITIONS OF JANSATTA, A HINDI NATIONAL DAILY NEWSPAPER AND JALANDHAR EDITION OF THE DAILY NAWAN ZAMANA , A PUNJABI DAILY NEWSPAPER WITH WIDE CIRCULATION (PUNJABI BEING THE REGIONAL LANGUAGE OF PUNJAB, WHERE OUR REGISTERED AND CORPORATE OFFICE IS LOCATED) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ OFFER OPENING DATE AND SHALL BE MADE AVAILABLE TO BSE LIMITED ("BSE") AND 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**

**SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (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 may, 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 Designated Intermediaries and the Sponsor Bank, as applicable.

The Offer is being made through the Book Building Process, in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended ("**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 Offer shall be available for allocation 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 (excluding the Anchor Investor 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, including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion (i.e., 5% of the Net QIB Portion) will be added to the remaining QIB Portion for proportionate allocation to QIBs. Further, not less than 15% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders of which (a) one third shall be reserved for applicants with application size of more than ₹ 200,000 and up to ₹ 1,000,000; and (b) two third shall be reserved for applicants with application size of more than ₹ 1,000,000, provided that the unsubscribed portion in either of such sub-categories may be allocated to applicants in the other sub-category of Non-Institutional Bidders, and not less than 35% of the Offer shall be available for allocation to Retail Individual Bidders ("**RIBs**") in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Anchor Investors are not permitted to participate in the Offer through the ASBA process. For details, see "*Offer Procedure*" on page 435.

**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 the 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 149 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 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 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, nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" on page 27.

**ISSUER'S AND THE SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY**

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this 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 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 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 only such statements specifically made or confirmed by such Selling Shareholders in this Red Herring Prospectus to the extent of information specifically pertaining to itself and its respective portion of the Offered Shares in the Offer for Sale and assumes responsibility that such statements are true and correct in all material respects and not misleading in any material respect. Each of the Selling Shareholders, severally and not jointly, assume no responsibility for any other statement, including, inter alia, any of the statements made by or relating to the Bank or its business or any of the other Selling Shareholders in this Red Herring Prospectus.

**LISTING**

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters each dated December 8, 2023 respectively. For the purposes of the Offer, the Designated Stock Exchange shall be BSE Limited. A signed copy of this Red Herring Prospectus and the Prospectus shall be delivered to the RoC in accordance with Sections 26(4) and 32 of the Companies Act, 2013. For details of the material contracts and documents available for inspection from the date of this Red Herring Prospectus up to the Bid/ Offer Closing Date, see "*Material Contracts and Documents for Inspection*" on page 460.

| BOOK RUNNING LEAD MANAGERS | | | REGISTRAR TO THE OFFER |
|---|---|---|---|
| nuvama | | equirus | LINKIntime |
| **Nuvama Wealth Management Limited**<br>(*Formerly known as Edelweiss Securities Limited*)* 801 - 804, Wing A, Building No 3, Inspire BKC, G Block<br>Bandra Kurla Complex, Bandra East<br>Mumbai – 400 051<br>Maharashtra, India<br>**Tel:** +91 22 4009 4400<br>**E-mail**: capitalsfb.ipo@nuvama.com<br>**Investor grievance email:** customerservice.mb@nuvama.com<br>**Contact Person**: Manish Tejwani<br>**Website:** www.nuvama.com<br>**SEBI registration no:** INM000013004 | **DAM Capital Advisors Limited**<br>One BKC, Tower C,<br>15th Floor, Unit No. 1511,<br>Bandra Kurla Complex,<br>Bandra (East), Mumbai – 400 051<br>Maharashtra, India<br>**Tel:** +91 22 4202 2500<br>**E-mail**: capitalsfb.ipo@damcapital.in<br>**Website**: www.damcapital.in<br>**Investor Grievance ID:**<br>complaint@damcapital.in **Contact Person:** Chandresh Sharma/ Akshay Bhandari **SEBI Registration Number:** MB/INM000011336 | **Equirus Capital Private Limited**<br>1201, C Wing, Marathon Futurex,<br>N.M. Joshi Marg, Lower Parel<br>Mumbai 400 013,<br>Maharashtra, India<br>**Tel:** +91 22 4332 0734<br>**E-mail:** capitalsfb.ipo@equirus.com<br>**Website**: www.equirus.com<br>**Investor Grievance ID:**<br>investorsgrievance@equirus.com<br>**Contact Person:** Mrunal Jadhav<br>**SEBI Registration Number:** INM000011286 | **Link Intime India Private Limited**<br>C-101, 1st Floor<br>247 Park<br>Lal Bahadur Shastri Marg<br>Vikhroli (West)<br>Mumbai 400 083<br>Maharashtra, India<br>**Tel:** +91 810 811 4949<br>**E-mail**: capitalsfb.ipo@linkintime.co.in<br>**Website**: www.linkintime.co.in<br>**Investor Grievance ID:**<br>capitalsfb.ipo@linkintime.co.in **Contact Person:** Shanti Gopalkrishnan<br>**SEBI Registration Number:** INR000004058 |

| BID/ OFFER SCHEDULE | |
|---|---|
| ANCHOR INVESTOR BID/ OFFER PERIOD PORTION OPENS/ CLOSES ON | TUESDAY, FEBRUARY 6, 2024 |
| BID/ OFFER OPENS ON | WEDNESDAY, FEBRUARY 7, 2024 |
| BID/ OFFER CLOSES ON | FRIDAY, FEBRUARY 9, 2024(1) |

**Pursuant to order passed by Hon'ble National Company Law Tribunal, Mumbai Bench dated April 27, 2023, the merchant banking business of Edelweiss Financial Services Limited has demerged and now transferred to Nuvama Wealth Management Limited and therefore the said merchant banking business is part of Nuvama Wealth Management Limited.*

*1. The UPI mandate end time shall be at 5:00 p.m. on Bid/Offer Closing Date.*

*(This page is intentionally left blank)*

# TABLE OF CONTENTS

## SECTION I: GENERAL

### DEFINITIONS AND ABBREVIATIONS

*This 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, regulations, rules, guidelines or policies shall be to such legislation, act, regulations, 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 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, 2013 the SCRA, 1956 the Depositories Act, 1996 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", "Outstanding Litigation and Material Developments", "Other Regulatory and Statutory Disclosures", and "Description of Equity Shares and Terms of Articles of Association" on pages 174, 231, 167, 293, 149, 243, 276, 400, 402, 409 and 455 respectively shall have the meaning ascribed to them in the relevant section.*

**General Terms**

| Term | Description |
|---|---|
| "our Bank", "the Bank", "the Issuer", "we", "us" or "our" | Capital Small Finance Bank Limited, a company incorporated under the Companies Act, 1956 and registered as a small finance bank with the RBI, having its Registered and Corporate Office at MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144 001, Punjab, India |

**Bank and Selling Shareholders Related Terms**

| Term | Description |
|---|---|
| ACPE | Amicus Capital Private Equity I LLP |
| ACPIF | Amicus Capital Partners India Fund I |
| Amicus | Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I |
| "Articles of Association" or "AoA" or "Articles" | Articles of association of our Bank, as amended |
| Audit Committee | Audit committee of the Board of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations, 2015, guidelines issued by the RBI from time to time, and as described in "*Our Management – Committees of the Board*" on page 258 |
| "Auditors" or "Statutory Auditors" | M/s T R Chadha & Co. LLP, Chartered Accountants, the current statutory auditors of our Bank |
| "Board" or "Board of Directors" | Board of directors of our Bank |
| "CFO" or "Chief Financial Officer" or "Executive Director" | Executive Director and Chief Financial Officer of our Bank, Munish Jain. For details, see "*Our Management - Key Managerial Personnel*" on page 266 |
| Company Secretary and Compliance Officer | Company Secretary and Compliance Officer of our Bank, being Amit Sharma. For details, see "*Our Management - Key Managerial Personnel*" on page 266 |
| Corporate Social Responsibility Committee | Corporate social responsibility committee of the Board of our Bank constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in "*Our Management*" on page 250 |
| CRISIL | CRISIL Limited |
| CRISIL MI&A | CRISIL Market Intelligence & Analytics |
| CRISIL MI&A Report | Report titled "*Report on Small Finance Banks and various loan products*" dated August, 2023, prepared and issued by CRISIL MI&A which was appointed by our Bank pursuant to an agreement dated August 16, 2021, as amended pursuant to an addendum dated July 11, 2023 and December 27, 2023, which has been commissioned and paid for by our Bank in connection with the Offer |
| Director(s) | The directors on the Board of our Bank |
| Equity Shares | Equity shares of face value of ₹ 10 each of our Bank |

| | |
|---|---|
| ESOP 2018 | CSFB Limited – Employee Stock Option Plan 2018 |
| ESOP 2023 | CSFB Limited – Employee Stock Option Plan 2023 |
| ESOP MRT | CSFB Limited – Employees Stock Option Plan for Material Risk Takers |
| Investor Selling Shareholders | Oman India Joint Investment Fund II, Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I |
| IPO Committee | The IPO committee of the Board of our Bank as described in "*Our Management – Committees of the Board*" on page 258 |
| | ersonnel" or Key managerial personnel of our Bank in accordance with Regulation 2(1)(bb) of the |



| Term | Description |
|---|---|
| "KMP" | Regulations as described in "*Our Management – Key Managerial Personnel*" on page 266 |
| Managing Director and Chief Executive Officer | Managing Director and Chief Executive Officer of our Bank, Sarvjit Singh Samra. For details, see "*Our Management*" on page 250 |
| Max Life SSA | Securities Subscription Agreement dated May 2, 2023 entered into by and among our Bank, Max Life Insurance Company Limited, Promoters and Santokh Singh Chokkar |
| "Memorandum of Association" or "MoA" | Memorandum of association of our Bank, as amended |
| Nomination, Remuneration and Compensation Committee | Nomination, remuneration and compensation committee of the Board of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations, 2015 and guidelines issued by the RBI from time to time and as described in "*Our Management - Committees of the Board*" on page 258 |
| Independent Directors | Independent directors on the Board, as described in "*Our Management – Board of Directors*" on page 250 |
| OIJIF II | Oman India Joint Investment Fund II |
| Part-Time Chairman / Chairman | Independent Director and Part – Time Chairman of our Bank, Navin Kumar Maini. For details, see "*Our Management*" on page 250 |
| Promoter Group | Persons and entities constituting the promoter group of our Bank in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as disclosed in "*Our Promoters and Promoter Group – Our Promoter Group*" on page 271 |
| Promoters | The promoters of our Bank, namely Sarvjit Singh Samra, Amarjit Singh Samra, Navneet Kaur Samra, Surinder Kaur Samra and Dinesh Gupta |
| RBI Final Approval | RBI letter dated March 4, 2016, pursuant to which the RBI granted license no. MUM:116 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act, 1949 |
| RBI In-Principle Approval | RBI letter dated October 7, 2015, pursuant to which the RBI granted our Bank in-principle approval to convert into a small finance bank under Section 22 of the Banking Regulation Act, 1949 |
| Registered and Corporate Office | MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144 001, Punjab, India |
| "Registrar of Companies" or "RoC" | Registrar of Companies, Punjab and Chandigarh at Chandigarh |

| | |
|---|---|
| Restated Financial Information | The restated financial information of our Bank comprising of the restated statement of assets and liabilities as at September 30, 2023, September 30, 2022, March 31, 2023, March 31, 2022 and March 31, 2021, the restated profit and loss account and restated statement of cash flows for the six months periods ended September 30, 2023, ended September 30, 2022 and for each of the years ended March 31, 2023, March 31, 2022 and March 31, 2021 and the summary statement of significant accounting policies, and other explanatory information prepared by our Bank in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time. |
| Senior Management | Senior management of our Bank in terms of Regulation 2(1)(bbbb) of the SEBI ICDR Regulations, as disclosed in "*Our Management – Senior Management*" on page 266 |
| SHA | Shareholders' agreement dated November 7, 2019, read along with the waiver cum amendment agreement dated September 30, 2021, as amended by the amendment agreement dated July 28, 2023 and the SHA Amendment Agreement executed among our Bank, PI Ventures, SIDBI, Amicus, OIJIF II, Sarvjit Singh Samra, Amarjit Singh Samra, Navneet Kaur Samra, Surinder Kaur Samra, Dinesh Gupta, Amarpreet Kaur, Shahbaz Singh Samra, Dinesh Gupta HUF and Santokh Singh Chhokar and the SHA Amendment Agreement |
| SHA Amendment Agreement | Waiver cum amendment agreement dated September 27, 2023 executed among the SHA Parties read with the first amendment agreement dated January 15, 2024 to the SHA Amendment Agreement |
| SHA Parties | Our Bank, PI Ventures, SIDBI, Amicus, OIJIF II, Sarvjit Singh Samra, Amarjit Singh Samra, Navneet Kaur Samra, Surinder Kaur Samra, Dinesh Gupta, Amarpreet Kaur, Shahbaz Singh Samra, Dinesh Gupta HUF and Santokh Singh Chhokar |
| Shareholders | Holders of Equity Shares of our Bank from time to time |
| SIDBI | Small Industries Development Bank of India |
| Stakeholders' Relationship Committee | Stakeholders' relationship committee of the Board of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations, 2015 and as described in "*Our Management - Committees of the Board*" on page 258 |

**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 regard |
| Acknowledgement Slip | The slip or document issued by a Designated Intermediary(ies) 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 Offered Shares pursuant to the Offer for Sale to the successful Bidders |
| Allotment Advice | Note or advice or intimation of Allotment sent to all the Bidders who have Bid in the Offer after the Basis of Allotment has been approved by the Designated Stock Exchange |
| Allottee | A successful Bidder to whom the Equity Shares are Allotted |
| Anchor Investor | A Qualified Institutional Buyer, applying under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and this Red Herring Prospectus and who has Bid for an amount of at least ₹ 100 million. For further details, see "*Offer Procedure*" on page 435 |
| Anchor Investor Allocation Price | Price at which Equity Shares will be allocated to Anchor Investors in terms of this 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 this Red Herring Prospectus and Prospectus |
| Anchor Investor Bid/Offer Period | The day being 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 this 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.<br>The Anchor Investor Offer Price will be decided by our Bank, in consultation with the BRLMs |
| Anchor Investor Pay-in Date | With respect to Anchor Investor(s), the Anchor Investor Bid/Offer Period, and in the event the Anchor Investor Allocation Price is lower than the Anchor Investor Offer Price, no later than two Working Days after the Bid/ Offer Closing Date |
| 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.<br>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 |
| "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 |
| 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 RIB 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 Bidder(s) | All Bidders except Anchor Investors |
| ASBA Form | Application form, whether physical or electronic, used by ASBA Bidders to submit Bids, which will be considered as the application for Allotment in terms of this Red Herring Prospectus and the Prospectus |
| Bankers to the Offer | Collectively, Escrow Collection Bank(s), Public Offer Account Bank(s), Sponsor Bank and Refund Bank(s), as the case may be |
| Basis of Allotment | Basis on which Equity Shares will be Allotted to successful Bidders under the Offer and which is described in "*Offer Structure*" beginning on page 431 |
| 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 or purchase 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 this 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. |
| Bid cum Application Form | Anchor Investor Application Form or the ASBA Form, as the context requires |



| Term | Description |
|---|---|
| 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, being February 9, 2024 which shall be notified in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Jalandhar edition of The Daily Nawan Zamana, a Punjabi daily newspaper with wide circulation (Punjabi being the regional language of Punjab, where our Registered and Corporate 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 Members of the Syndicate and communicated to the intermediaries Designated Intermediaries and the Sponsor Bank, as required under the SEBI ICDR Regulations.<br>In case of any revision, the extended Bid/ Offer Closing Date shall be widely disseminated by notification to the Stock Exchanges, and also be notified on the websites of the BRLMs and at the terminals of the Syndicate Members, 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, being February 7, 2024 which shall be notified all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Jalandhar edition of The Daily Nawan Zamana, a Punjabi daily newspaper with wide circulation (Punjabi being the regional language of Punjab, where our Registered and Corporate 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 the 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. |
| Bidder | Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor |
| Bidding Centres | 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 Managers" or "BRLMs" | The book running lead managers to the Offer, namely, Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*), DAM Capital Advisors Limited and Equirus Capital Private Limited. |
| Broker Centres | Centres notified by the Stock Exchanges where ASBA Bidders can submit the ASBA Forms to a Registered Broker.<br>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 or 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 |
| Cash Escrow and Sponsor Bank Agreement | Agreement dated February 1, 2024 entered into amongst our Bank, the Selling Shareholders, the BRLMs, Syndicate Members, the Registrar to the Offer, the Sponsor Bank, the Escrow Collection Bank, the Public Offer Bank and the Refund Bank in respect of for collection of the Bid Amounts and where applicable, remitting refunds(if any) on the terms and conditions thereof and the appointment of Sponsor Bank |
| 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 the Stock Exchanges, as updated from time to time |

| | |
|---|---|
| Cut-off Price | Offer Price, finalised by our Bank, in consultation with the BRLMs, which shall be any price within the Price Band.<br>Only Retail Individual Bidders Bidding in the Retail Portion are entitled to Bid at the Cut-off Price. QIBs (including the Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut off Price |
| DAM Capital | DAM Capital Advisors Limited |



| Term | Description |
|---|---|
| Demographic Details | The demographic 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 SCSB 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.<br>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, instruction issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Offer Account or are unblocked, as the case may be, after finalisation of the Basis of Allotment in terms of this Red Herring Prospectus following which Equity Shares will be Allotted in the Offer |
| Designated Intermediary(ies) | In relation to ASBA Forms submitted by UPI Bidders by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs.<br>In relation to ASBA Forms submitted by UPI Bidders where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such RIB using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-Syndicate/agents, Registered Brokers, CDPs and RTAs.<br>In relation to ASBA Forms submitted by QIBs and Non-Institutional Bidders (not using the UPI Mechanism), 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 (other than Anchor Investors) 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 | BSE Limited. |
| "Draft Red Herring Prospectus" or "DRHP" | The draft red herring prospectus dated September 28, 2023 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. |
| Eligible FPIs | FPIs from such jurisdictions outside India where it is not unlawful to make an offer / invitation under the Offer and in relation to whom the Bid cum Application Form and this Red Herring Prospectus constitute an invitation to subscribe to the Equity Shares |
| 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 this Red Herring Prospectus will constitute an invitation to subscribe to or to purchase the Equity Shares |
| Equirus | Equirus Capital Private Limited |
| Escrow Account | Accounts 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 members and registered with SEBI as banker(s) to an offer under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and with whom the Escrow Account in relation to the Offer for Bids by Anchor Investors, will be opened, in this case being Axis Bank Limited. |
| 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 ₹ 4,500.00 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 no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020, the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 and the UPI Circulars, as amended from time to time. The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs |
| ICDR Master Circular | SEBI circular bearing reference no. SEBI/HO/CFD/PoD-2/P/CIR/2023/00094 dated June 21, 2023 |
| 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 |



| Term | Description |
|---|---|
| NBFC | Non-banking financial company |
| Net Proceeds | Proceeds of the Fresh Issue less our Bank's share of the Offer expenses. For further details regarding the use of the Net Proceeds and the Offer expenses, see "*Objects of the Offer - Net Proceeds*" on page 145. |
| Net QIB Portion | The QIB Portion less the number of Equity Shares allocated to the Anchor Investors |
| "Non-Institutional Bidders" or "NIB(s)" or "NII(s)" | All Bidders that are not QIBs (including the Anchor Investors) or Retail Individual Bidders 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 Offer comprising [●] 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:<br>(a) one third of the portion available to Non-Institutional Bidders shall be reserved for applicants with application size of more than ₹ 200,000 and up to ₹ 1,000,000;<br>(b) two third of the portion available to Non-Institutional Bidders shall be reserved for applicants with application size of more than ₹ 1,000,000:<br>Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b), may be allocated to applicants in the other sub-category of Non-Institutional Bidders |
| Non-Resident | Person resident outside India, as defined under FEMA, 1999 |
| Nuvama | Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*) |
| Offer | The initial public offer of Equity Shares comprising the Fresh Issue and the Offer for Sale. |
| Offer Agreement | Agreement dated September 28, 2023 entered amongst our Bank, the Selling Shareholders and the BRLMs, pursuant to which certain arrangements have been agreed to in relation to the Offer, as amended pursuant to the amendment agreement dated January 15, 2024 |
| Offer for Sale | The offer for sale of up to 1,561,329 Equity Shares aggregating up to ₹ [●] million by the Selling Shareholders. |

| | |
|---|---|
| Offer Price | The final price (within the Price Band) at which Equity Shares will be Allotted to ASBA Bidders in terms of this 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 this Red Herring Prospectus and the Prospectus.<br>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 this Red Herring Prospectus |
| Offer Proceeds | The proceeds of the Fresh Issue which shall be available to our Bank and the proceeds of the Offer for Sale which shall be available to the Selling Shareholders. For further information about use of the Offer Proceeds, see "*Objects of the Offer*" beginning on page 145 |
| Offered Shares | |

| ***Sr. No.*** | ***Name of the Selling Shareholder*** | ***No. of Offered Shares*** |
|---|---|---|
| ***Investor Selling Shareholders*** | | |
| *1.* | *Oman India Joint Investment Fund II* | *Up to 8,36,728 Equity Shares aggregating up to ₹ [●] million* |
| *2.* | *Amicus Capital Private Equity I LLP* | *Up to 151,153 Equity Shares aggregating up to ₹ [●] million* |
| *3.* | *Amicus Capital Partners India Fund I* | *Up to 17,544 Equity Shares aggregating up to ₹ [●] million* |
| ***Other Selling Shareholders*** | | |
| *1.* | *Vijay Kumar Bhandari (jointly with Sneh Bhandari)* | *Up to 50,000 Equity Shares aggregating up to ₹ [●] million* |
| *2.* | *Rachna Monga* | *Up to 30,000 Equity Shares aggregating up to ₹ [●] million* |
| *3.* | *Rashpal Singh (jointly with Surinder Kaur)* | *Up to 200,000 Equity Shares aggregating up to ₹ [●] million* |
| *4.* | *Nalini Rampilla* | *Up to 37,000 Equity Shares aggregating up to ₹ [●] million* |
| *5.* | *Kalyana Chakravarthy Pilla* | *Up to 49,000 Equity Shares aggregating up to ₹ [●] million* |
| *6.* | *Darshna Devi* | *Up to 22,704 Equity Shares aggregating up to ₹ [●] million* |
| *7.* | *Ramesh Kaur* | *Up to 167,200 Equity Shares aggregating up to ₹ [●] million* |
| **Total** | | *Up to 1,561,329 Equity Shares aggregating up to ₹ [●] million* |

| | |
|---|---|
| Other Selling Shareholders | Vijay Kumar Bhandari (jointly with Sneh Bhandari), Rachna Monga, Rashpal Singh (jointly with Surinder Kaur), Nalini Rampilla, Kalyana Chakravarthy Pilla, Darshna Devi and Ramesh Kaur. |
| 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. |



| **Term** | **Description** |
|---|---|
| | The Price Band and the minimum Bid Lot size for the Offer 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 all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Jalandhar edition of The Daily Nawan Zamana, a Punjabi daily newspaper (Punjabi being the regional language of Punjab, where our Registered and Corporate 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 on or 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 | No lien and non-interest bearing 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 and ASBA Accounts on the Designated Date |
| Public Offer Account Bank(s) | 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 HDFC Bank Limited. |
| QIB Portion | The portion of the Offer (including the Anchor Investor Portion) being not more than 50% of the Offer consisting of [●] Equity Shares which shall be available for allocation to QIBs (including Anchor Investors, in which allocation shall be on a discretionary basis, as determined by our Bank in consultation with the BRLMs), subject to valid Bids being received at or above the Offer Price or Anchor Investor Offer Price |
| "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" | This Red Herring Prospectus dated February 1, 2024 issued by our Bank 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.<br>This 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, including any addenda or corrigenda thereto. |
| Refund Account(s) | No lien and non-interest bearing account 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 Axis Bank Limited. |
| Registered Brokers | Stock brokers registered under 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, and other applicable circulars issued by SEBI. |
| Registrar Agreement | Agreement dated September 28, 2023 entered by and 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, as amended pursuant to the amendment agreement dated January 15, 2024 |
| "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 the Stock Exchanges, and the UPI Circulars |
| "Registrar to the Offer" or "Registrar" | Link Intime India Private Limited |
| Resident Indian | A person resident in India, as defined under FEMA, 1999 |
| "Retail Individual Bidder(s)" or "RIB(s)" or "RII(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 Offer being not less than 35% of the Offer consisting of [●] Equity Shares which shall be available for allocation to Retail Individual Bidders (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), as applicable.<br>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. Retail Individual Bidders can revise their Bids during the Bid/ Offer Period and withdraw their Bids until Bid/Offer Closing Date |

| | |
|---|---|
| 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, |



| Term | Description |
|---|---|
| | (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 may be prescribed by SEBI and updated from time to time.<br>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 available on to the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43. The said list shall be updated on the SEBI website |
| Selling Shareholders | Collectively, the Investor Selling Shareholders and the Other Selling Shareholders |
| Share Escrow Agent | Escrow agent appointed pursuant to the Share Escrow Agreement, namely, Link Intime India Private Limited |
| Share Escrow Agreement | Agreement dated September 28, 2023 entered into 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, as amended pursuant to the amendment agreement dated January 15, 2024 |
| Specified Locations | Bidding Centres where the Syndicate shall accept ASBA Forms from Bidders, a list of which is available on the website of SEBI (www.sebi.gov.in) and updated from time to time |
| Sponsor Bank | HDFC Bank Limited and Axis Bank Limited, being Bankers 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 Mechanism 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 dated January 31, 2024 entered amongst our Bank, the Selling Shareholders, the BRLMs, the Registrar and the Syndicate Members, in relation to collection of Bids by the Syndicate |
| Syndicate Members | Intermediaries (other than the BRLMs) registered with SEBI who are permitted to accept bids, applications and place order with respect to the Offer and carry out activities as an underwriter, namely, Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*), Equirus Securities Private Limited and Sharekhan Limited. |
| Sub-Syndicate Member(s) | The sub-syndicate members, if any, appointed by the Book Running Lead Managers and the Syndicate Members, to collect ASBA Forms and Revision Forms |
| 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 Bidders | Collectively, individual investors applying as (i) Retail Individual Bidders in the Retail Portion; and (ii) Non-Institutional Bidders with an application size of up to ₹ 500,000 in the Non-Institutional Portion, and Bidding under the UPI Mechanism through ASBA Form(s) submitted with Syndicate Members, Registered Brokers, Collecting Depository Participants and Registrar and Share Transfer Agents.<br><br>Pursuant to SEBI 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 UPI 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 forsuch 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 | SEBI circular no. CFD/DIL2/CIR/P/2018/22 dated February 15, 2018, SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR /2022/75 dated May 30, 2022 and the SEBI RTA Master Circular (to the extent pertaining to UPI) along with the circular issued by the National Stock Exchange of India Limited having reference no. 25/2022 dated August 3, 2022 and the circular issued by BSE Limited having reference no. 20220803-40 dated August 3, 2022, and any subsequent circulars or notifications issued by SEBI or the Stock Exchanges 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 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 Banks to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment |



| Term | Description |
|---|---|
| UPI Mechanism | The bidding mechanism that may be used by an RIB submitted with intermediaries with UPI as a mode of payment in accordance with the UPI Circulars to make an ASBA Bid in the Offer |
| UPI PIN | Password to authenticate a UPI transaction |
| Wilful Defaulter or a Fraudulent Borrower | An entity or person categorized as a wilful defaulter or a fraudulent borrower by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or a fraudulent borrowers issued by the RBI and in terms of regulation 2(1)(lll) of the SEBI ICDR Regulations |
| 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 in India, as per circulars issued by SEBI, including the UPI Circulars |

**Technical/Industry Related Terms/Abbreviations**

| Term | Description |
|---|---|
| AFS | Available for Sale |
| AML | Anti-money laundering |
| ANBC | Adjusted net bank credit |
| ANBC | Adjusted net bank credit |
| API | Application Programming Interface |
| ASISO | Automated Sweep In Sweep Out |

| | |
|---|---|
| ATM | Automated teller machine |
| AUM | Assets under management, which is equal to gross advances plus off-balance sheet advances (i.e., securitisation/ assignment and inter-bank participation certificate) |
| Average Advances | Average advances is average of daily balances of advances |
| Average CASA | Average CASA represents average of daily balances of current and saving bank deposits for the period |
| Average Interest-Earning Advances | Average interest earnings advances represent average of daily balances of advances for the period |
| Average Term Deposits | Average term deposits represents average of daily balances of term deposits for the period |
| Average Total Assets | Average total assets is summation of average interest earning and average non interest earning assets |
| Average Total Deposits | Average total deposits represents average of daily balances of total deposits for the period |
| Average Interest-Bearing Liabilities | Average interest bearing liabilities is the summation of Average Total Deposits and average total borrowings |
| Average Total Interest-Earning Assets | Average total interest earning assets is the summation of average advances, average investments and other interest earning assets |
| Average Credit/Deposit Ratio | Ratio of average advances to average deposits for the period |
| BC | Business Correspondent |
| BCBS | Basel Committee on Banking Supervision |
| C/D ratio | Credit to deposit ratio, which is ratio of total advances to total deposits as at end of the period |
| CAR | Capital adequacy ratio |
| CASA | CASA includes outstanding balances of current deposits and saving deposits as at the end of the periods |
| CBS | Core banking solutions |
| CDR | Cash to deposit ratio |
| CFT | Combatting financing of terrorism |
| Cost of Average CASA | The ratio of interest expended on CASA to Average CASA |
| Cost of Average Term Deposits | The ratio of interest expended on term deposits to Average Term Deposits |
| Cost of funds | Cost of funds is the ratio of interest expended to Average Total Interest-Bearing Liabilities |
| CRAR | Capital to risk (weighted) assets ratio |
| CRR | Cash reserve ratio |
| ECLGS Scheme | The Emergency Credit Line Guarantee Scheme dated May 13, 2020 |
| EEDAA | Foreign Exchange Dealers Association of India |
| ESG | Environmental, Social and Governance |
| FBIL | Financials Benchmark India Private Limited |
| FBIL | Financial Benchmark India Private Limited |
| FLDG | First loss default guarantee |
| Fully Diluted Basis | The equity shareholding after considering full conversion of vested options, if any, under ESOP 2018 and ESOP MRT |

| | |
|---|---|
| GDP | Gross domestic product |
| GNPA | Gross non-performing assets |
| HFT | Held for Trading |
| HTM | Held to Maturity |
| IBA | Indian Banks Association |
| IL&FS | Infrastructure Leasing & Financial Services Limited |
| IMF | International Monetary Fund |



| Term | Description |
|---|---|
| IMPS | Immediate Payment Service |
| Interest Spread | Interest spread is difference of yield on advances and cost of deposit |
| KCC | Kisan Credit Card |
| KYC | Know your customer |
| LCR | Liquidity Coverage Ratio |
| Lower Tier-II Bonds | Lower Tier-II Bonds refer to debt securities issued by the Bank through private placement as Tier-II capital instruments and as per the framework laid down under the RBI's Master Circular on Prudential Guidelines on Capital Adequacy and Market Discipline, as applicable from time to time, which sets out the following terms and conditions, including (i) an initial maturity period of at least five years or with a remaining maturity period of more than one year, (ii) amount and coupon rate as decided by the board of directors of the Bank (iii) not issued with a 'put option', however, they may be issued with a call option subject to strict compliance with certain conditions, as specified (iv) fully paid-up, unsecured, subordinated to the claims of other creditors, free of restrictive clauses and not redeemable at the initiative of the holder or without the consent of the RBI (iv) necessary permission from the Foreign Exchange Department has to be obtained for issuing the instruments to non-resident Indians/foreign institutional investors, (v) rated and/or unrated (vii) listed and/or unlisted (viii) are limited to 50 % of Tier-I capital of the Bank, and such other criteria as specified by the RBI from time to time, to qualify for inclusion as lower Tier-II capital. These instruments, together with other components of Tier-II capital, do not exceed 100% of Tier-I capital. For more details, please refer to the Master Circular on Prudential Guidelines on Capital Adequacy and Market Discipline issued by the RBI and as amended from time to time. |
| MCLR | Marginal cost of funds based lending rate |
| MFI | Micro Finance Institution |
| MIS | Management Information System |
| MLI | Multilateral instrument |
| MNREGA | The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 |
| MSMEs | Micro, Small, and Medium Enterprises |
| MSP scheme | Minimum Support Price scheme |
| MVE | Market value of equity |
| NABARD | National Bank for Agriculture and Rural Development |
| NBFC-MFIs | Non-banking Financial Company - Micro Finance Institutions |
| NEFT | National electronic funds transfer |
| Net Interest Income | Net Interest income is the difference between the interest earned on interest-earning assets and the |

| | |
|---|---|
| | interest expense incurred in connection with interest-bearing liabilities |
| Net Interest Margin | Net Interest Margin is the difference of interest earned and interest expended divided by the Average Total Assets |
| Net Profit Before Tax | Net profit plus provisions made towards income tax |
| Net Total Income | Net total income is summation of net interest income and non-interest income |
| Net Worth | 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, after deducting the aggregate value of the accumulated losses, deferred expenditure 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 |
| NII | Net interest income |
| NIMs | Net interest margin |
| NNPA | Net non-performing assets |
| NPAs | Non–performing asset |
| NRE | Non-residential external |
| NRI | Non-resident Indian |
| NRO | Non- resident ordinary |
| NSO | National Statistics Office |
| Operating Profit | Operating profit is defined as total earnings less total expenses excluding provisions and contingencies |
| PDAI | Primary Dealers Association of India |
| PMLA | Prevention of Money Laundering Act, 2002 |
| PMLR | Prevention of Money-laundering Rules |
| POS | Point of sale |
| PSBs | Public Sector Banks |
| PSL | Priority sector lending |
| PSLCs | Priority Sector Lending Certificates |
| RoA | Return on Assets, which is ratio of profit after tax to average total assets |
| "RoAA" or "Return on Average Advances" | Return on Average Advances, which is ratio of profit after tax to average advances |
| "RoE" or "Return on equity" | Return on equity, which is ratio of profit after tax to average net worth |
| RTGS | Real time gross settlement. |
| RWAs | Risk weighted assets |
| SCBs | Scheduled Commercial Banks as per the List of Scheduled Commercial Banks of RBI |
| SFBs | Small Finance Bank |



| Term | Description |
|---|---|
| SLR | Statutory liquidity ratio |

| | |
|---|---|
| SMA accounts | Special Mention Account which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of her debt obligations, though the account has not yet been classified as NPA as per the extant RBI guidelines. SMA accounts are further categorised into SMA-0, SMA 1 and SMA 2 on the basis of principal or interest payment or any other amount wholly or partially overdue for a stipulated periods, as per the RBI Framework for Revitalising Distressed Assets in the Economy – Guidelines on Joint Lenders' Forum (JLF) and Corrective Action Plan (CAP) dated February 26, 2014, as updated on September 24, 2015 |
| SME | Small and medium enterprises |
| SMS | Short message service |
| TDS | Tax Deducted at Source |
| Upper Tier-II Bonds | Upper Tier-II Bonds refer to debt capital instruments issued by the Bank through private placement as Tier-II capital instruments and as per the framework laid down under the RBI's Master Circular on Prudential Guidelines on Capital Adequacy and Market Discipline, as applicable from time to time, which sets out the following terms and conditions, including (i) a minimum maturity period of 15 years, (ii) amount as decided by the board of directors of the Bank (iii) not issued with a 'put option', however, they may be issued with a call option subject to strict compliance with certain conditions, as specified (iv) the interest payable to the investor may be either fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate, (v) subject to lock-in clause in terms of which the Bank is not liable to pay either interest or principal, even at maturity, if (a) the Bank's capital to risk assets ratio (CRAR) is below the minimum regulatory requirement prescribed by RBI or (b) the impact of such payment results in Bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI, (vi) claims of investors in Upper Tier-II instruments is superior to the claims of investors in instruments eligible for inclusion in Tier-I capital and subordinate to the claims of all other creditors, (vii) fully paid-up, unsecured, free of restrictive clauses and not redeemable at the initiative of the holder or without the consent of the RBI, and such other criteria as specified by the RBI from time to time, to qualify for inclusion as Upper Tier-II capital. These instruments along with other components of Tier-II capital do not exceed 100 per cent of Tier-I capital. For further details, please refer to Master Circular on Capital Adequacy and Market Discipline issued by the RBI and as amended from time to time. |
| URC | Unbanked rural centre |
| Yield on Average Interest Earning Advances | Yield on Average Interest-Earning Advances represents the ratio of interest earned on advances to Average Interest-Earning Advances |
| YTM | Yield to maturity |

**Conventional and General Terms or Abbreviations**

| Term | Description |
|---|---|
| ₹/ Rs./ Rupees/ INR | Indian Rupees |
| AIFs | Alternative Investments Funds |
| Banking Regulation Act | Banking Regulation Act, 1949 |
| 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 |
| BSE | BSE Limited |
| CAGR | Compound annual growth rate |
| CSR | Corporate Social Responsibility |
| Calendar Year | A calendar year is a one-year period that begins on January 1 and ends on December 31, based on the commonly-used Gregorian calendar |
| Category I AIF | AIFs who are registered as "Category I 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 AIF | AIFs who are registered as “Category II Alternative Investment Funds” under the SEBI AIF 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 |
| CIN | Corporate Identity Number |
| 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 |
| 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, 1996 |
| EBITDA | Earnings before interest (net), taxes, depreciation and amortisation |



| Term | Description |
|---|---|
| EGM | Extraordinary General Meeting |
| EPS | Earnings Per Share |
| FDI | Foreign direct investment |
| FDI Policy | Consolidated Foreign Direct Investment Policy notified by the DPIIT through notification dated August 28, 2017 effective from August 28, 2017 |
| FEMA, 1999 | Foreign Exchange Management Act, 1999, read with rules and regulations thereunder |
| FEMA Non-debt Instruments Rules | Foreign Exchange Management (Non-debt Instruments) Rules, 2019 |
| 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 & 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 |
| 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 |
| 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, as amended |
| India | Republic of India |
| Indian GAAP/ IGAAP | Accounting principles generally accepted in India including Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Companies Act, 2013 and current practices prevailing within the banking industry in India and the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time |
| IPO | Initial public offering |
| IRDAI | Insurance Regulatory and Development Authority of India |
| IST | Indian Standard Time |
| IT | Information Technology |
| IT Act, 1961 | The Income-tax Act, 1961 |
| KYC | Know your customer |
| Listing Regulations, 2015 | 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 |
| 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 |
| 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 the date of commencement of the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003 i.e., October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA, 1999. 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 |



| Term | Description |
|---|---|
| PFRDA | Pension Fund Regulatory and Development Authority |
| RBI | The Reserve Bank of India |
| RBI Act, 1934 | The Reserve Bank of India Act, 1934 |
| Regulation S | Regulation S under the U.S. Securities Act of 1933 |
| RTA Regulations, 1993 | Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 |
| RTGS | Real Time Gross Settlement |
| SARFAESI Act, 2002 | The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 |
| SCORES | SEBI Complaints Redress System |
| SCRA, 1956 | Securities Contracts (Regulation) Act, 1956 |
| SCRR | Securities Contracts (Regulation) Rules, 1957 |
| SEBI | Securities and Exchange Board of India constituted under the SEBI Act, 1992 |
| SEBI Act, 1992 | 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 FVCI Regulations | Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 |
| SEBI ICDR Regulations | Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 |
| SEBI Merchant Bankers Regulations | Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 |
| SEBI RTA Master Circular | SEBI master circular bearing number SEBI/HO/MIRSD/POD-1/P/CIR/2023/70 dated May 17, 2023 |
| SEBI SBEBSE 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 | Reserve Bank of India's Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 |
| SFB Operating Guidelines | Reserve Bank of India's Operating Guidelines for Small Finance Banks dated October 6, 2016 |
| 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 |
| U.S. GAAP | Generally Accepted Accounting Principles in the United States |
| U.S. Securities Act, 1933 | U.S. Securities Act of 1933, as amended |
| U.S./ USA/ United States | United States of America |
| USD/US$ | United States Dollars |
| VCFs | Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations |



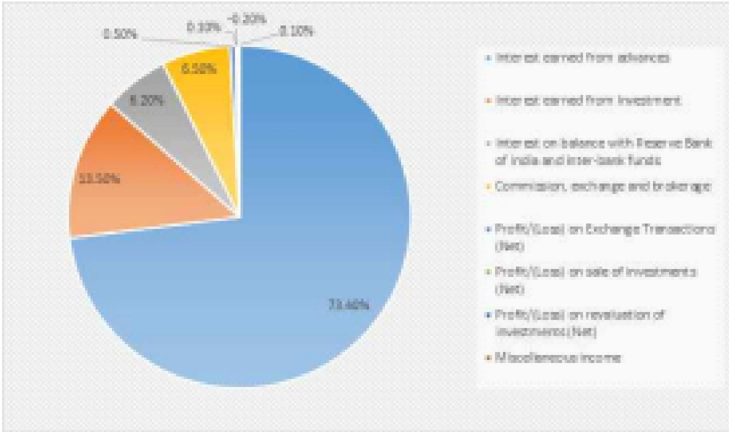
## OFFER DOCUMENT SUMMARY

*The following is a general summary of the terms of the Offer and is not exhaustive, nor does it purport to contain a summary of all the disclosures in this Red Herring 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 in "Risk Factors", "The Offer", "Capital Structure", "Objects of the Offer", "Industry Overview", "Our Business", "Our Promoters and Promoter Group", "Financial Statements", "Offer Procedure", "Outstanding Litigation and Material Developments" and "Description of Equity Shares and Terms of Articles of Association" beginning on pages 27, 78, 93, 145, 174, 203, 269, 293, 435, 402 and 455, respectively.*

**Summary of Business**

We are regulated by RBI and commenced operations as India's first small finance bank in 2016 pursuant to RBI's approval dated March 4, 2016. We offer a range of banking products on the asset and liability side, in all the states we operate in, i.e., Punjab, Haryana, Delhi, Rajasthan, Himachal Pradesh and Union Territory of Chandigarh, with our asset products primarily including agriculture loans, MSME and trading loans and mortgages. We focus primarily on the middle-income customer segments through our presence primarily in Punjab, Haryana, Rajasthan, Delhi, Himachal Pradesh and Union Territory of Chandigarh. We have an experience of over two decades in the banking industry, having been incorporated in 1999. As on the date of this Red Herring Prospectus, our Bank does not have any subsidiaries.

**Sources of revenue contribution of our Bank for the year ended March 31, 2023:**




**Summary of Industry**

Despite various measures taken by the government to boost financial penetration in India, a significant percentage of the country's population is still without access to financial services. The objectives of setting up of small finance banks were to further financial inclusion by provision of savings vehicles, 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. With a similar objective to encourage competition and enhance the easy availability of financial services to the population, RBI introduced various guidelines such as the 'Guidelines for Licensing of Payment Banks', in November 2014, the 'Operating Guidelines for Payment Banks', in October 2016 and the 'Guidelines for 'on-tap' Licensing of Small Finance Banks in the Private Sector', in December 2019. As of July 2021, the RBI had awarded SFB licenses to 12 institutions. For details on the applicable governing laws, see "*Key Regulations and Policies*" on page 231.

**Our Promoters**

Sarvjit Singh Samra, Amarjit Singh Samra, Navneet Kaur Samra, Surinder Kaur Samra and Dinesh Gupta are our Promoters. For details, see "*Our Promoters and Promoter Group*" beginning on page 269.

**Offer Size**

| | |
|---|---|
| Offer | Up to [●] Equity Shares aggregating up to ₹ [●] million |
| *of which* | |
| Fresh Issue(1) | Up to [●] Equity Shares aggregating up to ₹ 4,500.00 million |
| Offer for Sale(2) | Up to 1,561,329 Equity Shares aggregating up to ₹ [●] million by the Selling Shareholders |

(1) *The Offer has been authorized by resolution of our Board dated August 11, 2023 and the Fresh Issue has been authorized by a special resolution of our Shareholders dated September 25, 2023. Further, the Board has taken on record the approval for the Offer for Sale by the Selling Shareholders pursuant to its resolution dated January 15, 2024.*

(2) *The Equity Shares being offered by the Selling Shareholders have been held for a period of at least one year immediately preceding the date of the Draft Red Herring Prospectus with the SEBI, and are eligible for being offered for sale pursuant to the Offer in terms of the SEBI ICDR Regulations. For details of authorizations received for the Offer for Sale, see "Other Regulatory and Statutory Disclosures" on page 409.*



The Offer constitute [●]% respectively of the post-Offer Equity Share capital of our Bank. For further details, please refer to the sections titled "*The Offer*" and "*Offer Structure*" on pages 78 and 431 respectively.

**Objects of the Offer**

Our Bank proposes to utilise the Net Proceeds towards the following objects:

| **Particulars** | **Amount (in ₹ million)** |
|---|---|
| For augmentation of our Bank's Tier – 1 capital base(1) | [●] |
| **Net Proceeds** | [●] |

(1) *To be determined on finalisation of the Offer Price and updated in the Prospectus.*

For details, see "*Objects of the Offer*" beginning on page 145.

**Pre-Offer Shareholding of our Promoters, the Promoter Group and the Selling Shareholders**

| S. No. | Category of Shareholders | No. of Equity Shares | % of total pre-Offer paid-up Equity Share capital |
|---|---|---|---|
| ***Promoters*** | | | |
| 1. | Sarvjit Singh Samra | 4,174,619 | 11.78% |
| 2. | Amarjit Singh Samra | 1,640,864 | 4.63% |
| 3. | Navneet Kaur Samra | 884,800 | 2.50% |
| 4. | Surinder Kaur Samra | 936,486 | 2.64% |
| 5. | Dinesh Gupta (jointly with Deepali Gupta) | 295,920 | 0.84% |
| **Sub Total (A)** | | **7,932,689** | **22.39%** |
| ***Promoter Group*** | | | |
| 1. | Amarpreet Kaur Hayer | 44,000 | 0.12% |
| 2. | Shahbaz Singh Samra | 475,513* | 1.34% |
| 3. | Dinesh Gupta HUF | 29,333 | 0.08% |
| 4. | Deepali Gupta | 2,890 | 0.01% |
| 5. | Minni Gupta | 4,000 | 0.01% |
| 6. | Raman Kumar Gupta | 1,000 | Negligible |
| **Sub Total (B)** | | **556,736** | **1.57%** |
| ***Selling Shareholders*** | | | |
| ***Investor Selling Shareholders*** | | | |
| 1. | Amicus Capital Private Equity I LLP | 1,511,535 | 4.27% |
| 2. | Amicus Capital Partners India Fund I | 175,445 | 0.50% |
| 3. | Oman India Joint Investment Fund II | 3,346,914 | 9.45% |
| ***Other Selling Shareholders*** | | | |
| 4. | Vijay Kumar Bhandari (jointly with Sneh Bhandari) | 74,954 | 0.21% |
| 5. | Rachna Monga | 44,000 | 0.12% |
| 6. | Rashpal Singh (jointly with Surinder Kaur) | 822,729 | 2.32% |
| 7. | Nalini Rampilla | 37,000 | 0.10% |
| 8. | Kalyana Chakravarthy Pilla | 49,100 | 0.14% |
| 9. | Darshana Devi | 22,704 | 0.06% |
| 10. | Ramesh Kaur | 167,200 | 0.47% |
| **Sub Total (C)** | | **6,251,581** | **17.65%** |
| **Total (A) + (B) + (C)** | | **14,741,006** | **41.61%** |

* Transmitted by the Depository Participant in the name of the second and third holder, i.e., Shahbaz Singh Samra and Sangram Singh Samra pursuant to the death of Swaran Singh, in accordance with the applicable law.

**Summary of Restated Financial Information**

*(in ₹ million other than share data)*

| Particulars | As at and for the six months ended September 30, 2023 | As at and for the six months ended September 30, 2022 | As at and for the Financial Year ended March 31, 2023 | As at and for the Financial Year ended March 31, 2022 | As at and for the Financial Year ended March 31, 2021 |
|---|---|---|---|---|---|
| Capital | 353.51 | 342.52 | 342.52 | 340.44 | 339.10 |
| Net worth@ | 7,117.58 | 5,565.12 | 6,106.10 | 5,157.81 | 4,507.90 |
| Total income | 4,152.16 | 3,428.08 | 7,254.82 | 6,324.03 | 5,572.73 |
| Profit after tax | 543.91 | 410.92 | 935.96 | 625.69 | 407.84 |
| Basic and diluted earnings per share (₹ / share) | | | | | |
| - Basic (in ₹) | 15.59* | 12.02* | 27.35 | 18.41 | 12.04 |
| - Diluted (in ₹) | 15.49* | 11.97* | 27.21 | 18.22 | 11.98 |
| Net asset value per Equity Share^ (basic) (in ₹) | 201.34 | 162.47 | 178.27 | 151.50 | 132.93 |
| Net asset value per Equity Share^ (diluted) (in ₹) | 199.71 | 161.58 | 177.19 | 150.54 | 132.46 |
| Total borrowings (as per balance sheet) | 5,727.60 | 7,832.98 | 7,213.83 | 4,984.30 | 6,167.20 |
| EBITDA# | 806.92 | 664.30 | 1,448.23 | 1,006.05 | 702.29 |



*@ 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, after deducting the aggregate value of the accumulated losses, deferred expenditure 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*

** Not annualized*

*^ Net asset value per share= Net worth as restated / Number of equity shares as at period/ year end*

*# EBITDA stands for earnings before taxes, depreciation and amortization which has been arrived at by adding depreciation and amortization, provision for taxes (net) and deferred taxes (net) to the net profit for the period/ year. Interest Income and interest expenses are not considered in arriving EBITDA having regards to the nature of Bank's business.*

For further details of the Restated Financial Information, see "*Financial Statements*" beginning on page 293.

**Summary of Selected Statistical Information**

The following sets forth certain of the key line items included in "*Selected Statistical Information*" on page 276:

*(₹ in million, except percentages)*

| Particulars | As at and for the six months ended September 30, 2023 | As at and for the six months ended September 30, 2022 | As at and for the Financial Year ended March 31, 2023 | As at and for the Financial Year ended March 31, 2022 | As at and for the Financial Year ended March 31, 2021 |
|---|---|---|---|---|---|
| Gross Advances | 58,659.37 | 51,927.28 | 55,072.67 | 46,887.03 | 37,629.87 |
| Total Deposits | 70,002.86 | 61,845.95 | 65,606.21 | 60,463.59 | 52,210.70 |
| Net Interest Income | 1,709.74 | 1,513.56 | 3,219.83 | 2,552.82 | 1,986.11 |
| Average Total Assets | 84,669.16 | 74,507.13 | 76,895.26 | 68,329.91 | 59,106.11 |
| Cost to income ratio(1) | 62.35% | 61.23% | 59.97% | 63.42% | 70.76% |
| Operating expense to average total assets(2) | 2.95% | 2.85% | 2.90% | 2.87% | 2.93% |
| Return on average advances(3) | 1.98% | 1.73% | 1.89% | 1.56% | 1.23% |
| Deposit to advances ratio(4) | 119.34% | 119.10% | 119.13% | 128.96% | 138.75% |
| CASA to total deposit ratio(5) | 37.76% | 41.56% | 41.88% | 42.16% | 40.08% |
| Retail deposit (% of total deposits) | 93.59% | 97.92% | 97.90% | 97.37% | 97.60% |
| Secured assets (% of loan book) | 99.85% | 99.76% | 99.82% | 99.70% | 99.39% |
| Interest spread%(6) | 5.66% | 5.72% | 5.86% | 5.87% | 5.58% |
| Net interest margin%(7) | 4.04% | 4.06% | 4.19% | 3.74% | 3.36% |
| GNPA%(8) | 2.73% | 2.60% | 2.77% | 2.50% | 2.08% |
| NNPA%(9) | 1.36% | 1.35% | 1.36% | 1.36% | 1.13% |
| CRAR%(10) | 20.72% | 18.61% | 18.87% | 18.63% | 19.80% |
| RoA(11) (in %) | 1.28% | 1.10% | 1.22% | 0.92% | 0.69% |
| RoE(12) (in %) | 16.45% | 15.33% | 16.62% | 12.95% | 9.51% |

***Notes:***

*(1) Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*

*(2) It represents ratios of total operating expense other than interest expended to average total assets. Annualised for September 2023 and September 2022.*

*(3) Return on average advances is ratio of Profit after tax to average advances.*

*(4) Deposit to advances ratio represents ratio of total deposits to total advances as at end of period.*

*(5) CASA includes outstanding balances of current deposits and saving deposit as at the end of the periods. To derive ratio, total CASA is divided by total deposits.*

*(6) Interest spread is yield on advances minus cost of deposits.*

*(7) Net interest margin is the difference of interest earned and interest expended divided by the average total assets.*

*(8) GNPA is the ratio of gross NPAs to gross advances.*

*(9) NNPA is the ratio of net NPAs to net advances.*

*(10) CRAR represents total of Tier I and Tier II capital divided by risk weighted assets as per Basel II norms issued by RBI.*



*(11) ROA represents ratios of profit after tax to average total assets.*

(12) *RoE is ratio of profit after tax to average net worth. Average net worth is average of opening and closing balances of Capital plus reserves and surplus*

**Qualifications of the Statutory Auditors which have not been given effect to in the Restated Financial Information** The Restated Financial Information does not contain any qualifications by the Statutory Auditors. **Summary of Outstanding Litigation**

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

| Name of Entity | Criminal Proceedings | Tax Proceedings | Statutory or Regulator y Proceedings | Disciplinary actions by the SEBI or Stock Exchanges against our Promoters | Mate rial Civil Litigation | Aggregate amount involved (₹ in million)^ |
|---|---|---|---|---|---|---|
| **Our Bank** | | | | | | |
| By the Company | 207 | Nil | NA | NA | 6 | 633.89 |
| Against the Company | Nil | 1 | Nil | Nil | 1 | 12.21 |
| **Our Directors** | | | | | | |
| By our Directors | Nil | Nil | NA | NA | Nil | NA |
| Against the Directors | Nil | Nil | Nil | Nil | Nil | NA |
| **Our Promoters** | | | | | | |
| By Promoters | Nil | Nil | NA | NA | Nil | NA |
| Against Promoters | Nil | Nil | Nil | Nil | Nil | NA |

*^To the extent ascertainable. As at September 30, 2023, the Bank has not made any provisions for outstanding litigation. Further, the Bank has recognised an amount of ₹12.21 million as contingent liabilities under the head 'Claims against the Bank not acknowledged as debts', as at September 30, 2023, in respect of outstanding income tax litigations. The amount of ₹12.21 million as a percentage of the Bank's net worth as of September 30, 2023 is 0.17%. See "- We have not made provisions in our Restated Financial Statements for the amount involved in respect of the direct tax dispute with the Income-Tax Department, i.e., ₹ 12.21 million." on page 45.*

For further details of the outstanding litigation proceedings, see "*Outstanding Litigation and Material Developments*" beginning on page 402.

**Risk Factors**

The following are the top ten risk factors in relation to our Bank or the Equity Shares, or the industry in which we operate:

1. Our Bank has settled a matter with SEBI in the past in connection with allotment of Equity Shares to more than 49 investors.

2. We are required to ensure compliance with various regulatory requirements. If we are unable to comply with such laws, regulations and norms it may have an adverse effect on our business, financial condition, results of operations and cash flows.

3. We have certain contingent liabilities, including guarantees given by us on behalf of our customers in India which constituted 81.14% of the total contingent liabilities of our Bank as of September 30, 2023. If these contingent liabilities materialise, our financial condition, cash flows and results of operations may be adversely impacted.

4. There have been certain primary and secondary transactions involving our Equity Shares in the last three Financial Years.

5. We are subject to inspections by the RBI. Inspection by RBI is a regular exercise for all banks and financial institutions and RBI has observed various non-compliances by us in the ordinary course in the past and have required us to, among other things, take corrective actions. Non-compliance with the observations issued by RBI could adversely affect our business, financial condition, results of operations and cash flows.

6. The Indian finance industry is intensely competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows.

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

8. Our current Statutory Auditors, M/s T R Chadha & Co., LLP, Chartered Accountants, have been found ineligible by RBI for undertaking the audit activities for the Financial Year 2024 of our Bank.



9. There may be conflict of interest between the BRLMs or their respective associates/ affiliates and our Bank.

10. We derive a significant portion of our revenue from our lending business and any adverse developments in the lending business could adversely affect our business, financial condition, cash flows and results of operations.

For details in relation to certain risks applicable to us, see "*Risk Factors*" beginning on page 27.

**Summary of contingent liabilities of our Bank**

The details of our contingent liabilities as at September 30, 2023 are set forth in the table below:

| **Particulars** | **As at September 30, 2023 (₹ in million)** |
|---|---|
| Claims against the Bank not acknowledged as debts | 12.21 |
| Guarantees given on behalf of constituents | 429.39 |
| Acceptances, endorsements and other obligations | 14.95 |
| Other items for which Bank is contingently liable | 72.63 |
| **Total** | **529.18** |

For details, see "*Financial Statements – Annexure 17 – Restated Statement of Contingent Liabilities*" beginning on page 311.

**Summary of Related Party Transactions**

*(₹ in million)*

| **Particulars** | **As at and for the six months ended September 30, 2023** | **As at and for the six months ended September 30, 2022** | **As at and for the Financial Year ended March 31, 2023** | **As at and for the Financial Year ended March 31, 2022** | **As at and for the Financial Year ended March 31, 2021** |
|---|---|---|---|---|---|
| **Borrowings payable to KMPs** | | | | | |
| Munish Jain | 8.90 | 8.90 | 8.90 | 2.40 | 1.00 |
| **Borrowings payable to Relatives of KMPs** | | | | | |
| Relatives of Munish Jain[(1)] | 16.70 | 16.70 | 16.70 | 15.90 | 13.30 |
| Relatives of Amit Sharma[(2)] | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 |
| Relatives of Santosh | NA | 1.40 | 1.40 | 1.40 | NA |

| | | | | | |
|---|---|---|---|---|---|
| Kumar Dhawan[3] | | | | | |
| Relatives of Richa Mahajan[4] | NA | 0.50 | 0.50 | 0.50 | NA |
| **Deposits held by KMPs** | | | | | |
| Sarvjit Singh Samra | 0.86 | 0.72 | 0.05 | 0.08 | 0.27 |
| Munish Jain | 19.10 | 9.61 | 8.99 | 10.17 | 10.77 |
| Amit Sharma | 0.12 | 0.21 | 0.17 | 0.17 | 0.20 |
| Santosh Kumar Dhawan | NA | 2.88 | 4.13 | 2.79 | NA |
| Richa Mahajan | NA | 0.89 | 0.80 | 0.92 | NA |
| Raghav Aggarwal | NA | 0.17 | 0.16 | 0.17 | NA |
| **Deposits held by Relatives of KMPs** | | | | | |
| Relatives of Sarvjit Singh Samra[5] | 29.66 | 29.02 | 28.13 | 23.43 | 18.19 |
| Relatives of Munish Jain[6] | 11.15 | 5.47 | 7.92 | 6.02 | 10.41 |
| Relatives of Amit Sharma[7] | 6.73 | 4.61 | 5.62 | 1.83 | 3.17 |
| Relatives of Santosh Kumar Dhawan[8] | NA | 7.54 | 8.90 | 5.94 | NA |
| Relatives of Richa Mahajan[9] | NA | 1.69 | 2.33 | 1.78 | NA |
| Relatives of Raghav Aggarwal[10] | NA | 0.38 | 0.39 | 0.37 | NA |
| **Deposits held by Associates/ Joint Ventures/ Others (For CSR Expenses)** | | | | | |
| Capital Foundation Trust | 23.22 | 13.21 | 16.70 | 8.15 | 3.55 |



| | | | | | |
|---|---|---|---|---|---|
| **Advances to KMPs** | | | | | |
| Amit Sharma | 2.44 | 2.60 | 2.49 | 2.34 | - |
| Santosh Kumar Dhawan | NA | 0.77 | 0.24 | 0.84 | NA |
| Richa Mahajan | NA | 0.73 | 0.60 | 0.79 | NA |
| Raghav Aggarwal | NA | 4.00 | 3.93 | 4.13 | NA |
| **Advances to Relatives to KMPs** | | | | | |
| Relatives of Raghav Aggarwal[11] | NA | 0.16 | 0.17 | 0.15 | NA |

| | | | | | |
|---|---|---|---|---|---|
| **Interest Paid on borrowings/ deposits to KMPs** | | | | | |
| Sarvjit Singh Samra | 0.01 | 0.02 | 0.04 | 0.02 | 0.06 |
| Munish Jain | 0.86 | 0.65 | 1.37 | 0.67 | 0.65 |
| Amit Sharma | - | - | 0.01 | 0.01 | 0.00 |
| Santosh Kumar Dhawan | NA | 0.10 | 0.24 | 0.16 | NA |
| Richa Mahajan | NA | 0.03 | 0.06 | 0.06 | NA |
| Raghav Aggarwal | NA | 0.01 | 0.01 | 0.01 | NA |
| **Interest Paid on borrowings/ deposits to Relatives of KMPs** | | | | | |
| Sarvjit Singh Samra(5) | 0.96 | 0.73 | 1.59 | 1.28 | 1.27 |
| Munish Jain(6) | 1.14 | 0.97 | 1.98 | 1.86 | 2.06 |
| Amit Sharma(7) | 0.31 | 0.16 | 0.39 | 0.26 | 0.33 |
| Santosh Kumar Dhawan(8) | NA | 0.25 | 0.53 | 0.48 | NA |
| Richa Mahajan(9) | NA | 0.08 | 0.17 | 0.16 | NA |
| Raghav Aggarwal(10) | NA | 0.01 | 0.03 | 0.02 | NA |
| **Interest paid on Deposits held by Associates/ Joint Ventures/ Others -** | | | | | |
| Capital Foundation Trust | 0.09 | 0.05 | 0.05 | 0.08 | 0.06 |
| **Interest received on advances made to KMPs** | | | | | |
| Amit Sharma | 0.08 | 0.08 | 0.16 | 0.15 | - |
| Santosh Kumar Dhawan | NA | 0.04 | 0.06 | 0.05 | NA |
| Richa Mahajan | NA | 0.02 | 0.04 | 0.05 | NA |
| Raghav Aggarwal | NA | 0.12 | 0.24 | 0.23 | NA |
| **Interest received on advances made to Relatives of KMPs** | | | | | |
| Raghav Aggarwal(11) | NA | 0.01 | 0.01 | 0.01 | NA |
| **Lease Rentals paid to KMPs** | | | | | |
| Sarvjit Singh Samra | 2.53 | 2.38 | 4.79 | 4.54 | 4.53 |
| **Lease Rentals paid to Relatives of KMPs** | | | | | |
| Relatives of Sarvjit Singh Samra(12) | 8.86 | 8.33 | 16.77 | 15.89 | 15.85 |

| | | | | | |
|---|---|---|---|---|---|
| **Salary paid to KMPs** | | | | | |
| Sarvjit Singh Samra | 6.71 | 6.96 | 17.13 | 9.01 | 10.11 |
| Munish Jain | 10.68 | 9.98 | 16.76 | 16.38 | 12.68 |
| Amit Sharma | 0.76 | 0.64 | 1.28 | 1.07 | 0.76 |
| Santosh Kumar Dhawan | NA | 1.54 | 3.18 | 2.79 | NA |
| Richa Mahajan | NA | 1.08 | 2.14 | 1.79 | NA |
| Raghav Aggarwal | NA | 1.27 | 2.49 | 2.13 | NA |
| **Salary paid to Relatives of KMPs** | | | | | |
| Relatives of Sarvjit Singh Samra(13) | 1.40 | 1.21 | 2.54 | 2.32 | 1.70 |
| **CSR Expense through Trust** | | | | | |
| Capital Foundation Trust | 8.96 | 5.77 | 11.54 | 7.71 | 6.15 |

*(1) Relatives of Munish Jain include Kimti Lal Jain, Vishal Jain, Usha Jain, Ruchi Jain and Munish Jain HUF.*
*(2) Relatives of Amit Sharma include Mangal Chand Sharma.*
*(3) Relatives of Santosh Kumar Dhawan include Jeewan Asha and Vijay Kumar Dhawan.*



*(4) Relatives of Richa Mahajan include Neelam Sehgal.*
*(5) Relatives of Sarvjit Singh Samra include Amarjit Singh Samra, Amardeep Samra, Surinder Kaur Samra, Navneet Kaur Samra, Amarpreet Kaur Hayer, Shahbaz Singh Samra and Sangram Singh Samra.*
*(6) Relatives of Munish Jain include Kimti Lal Jain, Vishal Jain, Usha Jain, Ruchi Jain, Ritu Jain, Gaurish Jain, Aagam Jain and Munish Jain HUF. (7) Relatives of Amit Sharma include Mangal Chand Sharma, Bimla Sharma, Gitika Sharma and Sheetal Sharma.*
*(8) Relatives of Santosh Kumar Dhawan include Jeewan Asha, Sujata Dhawan, Rajni Dhawan, Vijay Kumar Dhawan, Ashwani Kumar Dhawan, Arun Kumar Dhawan and Anil Kumar Dhawan.*
*(9) Relatives of Richa Mahajan include Gaurav Mahajan, Arshia Mahajan, Neelam Sehgal, R.K. Sehgal and Akhil Sehgal. (10) Relatives of Raghav Aggarwal include Sunil Aggarwal and lndu Aggarwal.*
*(11) Relatives of Raghav Aggarwal include Sunil Aggarwal.*
*(12) Relatives of Sarvjit Singh Samra include Amarjit Singh Samra, Amardeep Samra, Surinder Kaur Samra and Navneet Kaur Samra. (13) Relatives of Sarvjit Singh Samra include Shahbaz Singh Samra*

*Notes:*
*1. Salary Paid shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income. Tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & superannuation perquisites*
*2. For a person being a KMP for a year or part thereof, the consideration paid during the complete financial year has been disclosed.*
*3. Salary paid to Sarvjit Singh Samra for Fiscal 2023 includes arrears amounting to ₹ 2.8 million paid for the previous years. 4. Salary paid to Sarvjit Singh Samra for Fiscal 2022 excludes arrears amounting to ₹ 1.5 million.*

For details of the related party transactions and as reported in the Restated Financial Information, see "*Financial Statements – Related Party Disclosure*" on page 350.

**Issuances of Equity Shares made in the last one year for consideration other than cash**

Our Bank has not issued any Equity Shares through bonus issue or for consideration other than cash in the last one year preceding the date of this Red Herring Prospectus.

**Financing Arrangements**

There have been no financing arrangements whereby the Promoters, members of their respective Promoter Groups, our Directors, or their relatives have financed the purchase by any other person of securities of our Bank during a period of six months immediately preceding the date of filing of this Red Herring Prospectus.

**Details of price at which Equity Shares were acquired in the last three years preceding the date of this Red Herring Prospectus**

Except as disclosed below, our Promoters, members of the Promoter Group, the Selling Shareholders, and Shareholder(s) with nominee director rights or other rights have not acquired any Equity Shares in the last three years preceding the date of this

Red Herring Prospectus:

| Name of Acquirer/Shareholder | Date of Acquisition of Equity Shares | Number of Equity Shares acquired | Acquisition price per Equity Share (in ₹) |
|---|---|---|---|
| ***Promoters*** | | | |
| Dinesh Gupta (jointly with Deepali Gupta) | May 28, 2021 | 24,450 | 132 |
| ***Promoter Group*** | | | |
| Deepali Gupta | May 28, 2021 | 5,390 | 132 |
| Minni Gupta | May 28, 2021 | 4,000 | 132 |
| Raman Kumar Gupta | August 20, 2021 | 1,000 | 150 |
| Shahbaz Singh Samra | March 29, 2022 | 475,513 | NA |
| ***Investor Selling Shareholders*** | | | |
| Amicus Capital Private Equity I LLP | Nil | Nil | Nil |
| Amicus Capital Partners India Fund I | Nil | Nil | Nil |
| Oman India Joint Investment Fund II | Nil | Nil | Nil |
| ***Other Selling Shareholders*** | | | |
| Darshna Devi | June 14, 2021 | 6,667 | 150 |
| ***Shareholders with nominee director rights or other rights*** | | | |
| Max Life Insurance Company Limited | June 17, 2023 | 1,057,700 | 468 |

**Weighted average price at which the Equity Shares were acquired by the Promoters and the Selling Shareholders in the one year preceding the date of this Red Herring Prospectus**

The weighted average price at which the Equity Shares were acquired by the Promoters and the Selling Shareholders in the one year preceding the date of this Red Herring Prospectus is:



| S. No. | Category of Shareholders | Number of Equity Shares acquired | Weighted average price per Equity Share (in ₹)* |
|---|---|---|---|
| ***Promoters*** | | | |
| Nil | | | |
| ***Investor Selling Shareholders*** | | | |
| Nil | | | |
| ***Other Selling Shareholders*** | | | |
| Nil | | | |

** As certified by M/s VP Bhalla & Associates, by way of their certificate dated February 1, 2024.*

**Weighted average cost of acquisition at which Equity Shares were acquired by our Promoters and the Selling Shareholders in the one year, eighteen months and three years preceding the date of this Red Herring Prospectus**

The weighted average cost of acquisition at which Equity Shares were acquired by our Promoters and the Selling Shareholders in (a) the one year preceding the date of this Red Herring Prospectus; (b) the 18 months preceding the date of this Red Herring Prospectus; and (c) the three years preceding the date of this Red Herring Prospectus, are as follows:

i. Weighted average cost of acquisition at which Equity Shares were acquired by our Promoters and the Selling Shareholders in the one year preceding the date of this Red Herring Prospectus:

| **Name of the Promoter** | **Number of Equity Shares acquired in last one year** | **Weighted average cost of acquisition per Equity Share (in ₹)*** |
|---|---|---|
| Not applicable | Nil | Nil |
| **Name of the Selling Shareholder** | **Number of Equity Shares acquired in last one year** | **Weighted average cost of acquisition per Equity Share (in ₹)*** |
| Not applicable | Nil | Nil |

**As certified by M/s VP Bhalla & Associates, by way of their certificate dated February 1, 2024.*

ii. Weighted average cost of acquisition of all shares transacted during the previous year, 18 months and three years from the date of this Red Herring Prospectus:

| **Period** | **Weighted average cost of acquisition** | **Cap Price is 'x' times the weighted average cost of acquisition^** | **Range of acquisition price: lowest price-highest price (in ₹)*** |
|---|---|---|---|
| Last one year | Nil | [●] | Nil |
| Last 18 months | Nil | [●] | Nil |
| Last three years | 135.86 | [●] | 132.00-150.00 |

*As certified by M/s VP Bhalla & Associates, by way of their certificate dated February 1, 2024.*
*^To be updated in the Prospectus following finalisation of Cap Price, as per the finalised Price Band.*
**Excluding Gift and Bonus transactions*

**Average Cost of Acquisition for the Promoters and the Selling Shareholders**

The average cost of acquisition per Equity Share acquired by the Promoters and the Selling Shareholders, as on the date of this Red Herring Prospectus is:

| **S. No.** | **Category of Shareholders** | **Number of Equity Shares held** | **Average cost of Acquisition per Equity Share (in ₹)*** |
|---|---|---|---|
| ***Promoters*** | | | |
| 1. | Sarvjit Singh Samra | 4,174,619 | 41.39 |
| 2. | Amarjit Singh Samra | 1,640,864 | 18.45 |
| 3. | Navneet Kaur Samra | 884,800 | 28.67 |
| 4. | Surinder Kaur Samra | 936,486 | 21.15 |
| 5. | Dinesh Gupta (jointly with Deepali Gupta) | 295,920 | 23.80 |
| ***Investor Selling Shareholders*** | | | |
| 1. | Amicus Capital Private Equity I LLP | 1,511,535 | 252.00 |
| 2. | Amicus Capital Partners India Fund I | 175,445 | 252.00 |

| | | | |
|---|---|---|---|
| 3. | Oman India Joint Investment Fund II | 3,346,914 | 252.00 |
| ***Other Selling Shareholders*** | | | |
| 1. | Vijay Kumar Bhandari (jointly with Sneh Bhandari) | 74,954 | 30.00 |
| 2. | Rachna Monga | 44,000 | 21.14 |
| 3. | Rashpal Singh (jointly with Surinder Kaur) | 822,729 | 15.91 |
| 4. | Nalini Rampilla | 37,000 | 25.68 |
| 5. | Kalyana Chakravarthy Pilla | 49,100 | 24.95 |
| 6. | Darshna Devi | 22,704 | 150.00 |
| 7. | Ramesh Kaur | 167,200 | 15.00 |

*[*] As certified by M/s VP Bhalla & Associates, by way of their certificate dated February 1, 2024.*



**Split or Consolidation of Equity Shares in the last one year**

Our Bank has not undertaken split or consolidation of the Equity Shares in the last one year preceding the date of this Red Herring Prospectus.

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

Our Bank has not made any application under Regulation 300(2) of the SEBI ICDR Regulations for seeking any exemption from strict compliance with any provisions of securities laws, as on the date of this Red Herring Prospectus.

**Other confirmations**

No person connected with the Offer shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the Offer, except for fees or commission for services rendered in relation to the Offer.

## CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

### Certain Conventions

All references in this Red Herring Prospectus to "India" are to the Republic of India. All references to the "Government", "Indian Government", "GoI", "Central Government" or the "State Government" are to the Government of India, central or state, as applicable.

Unless stated otherwise, all references to page numbers in this Red Herring Prospectus are to the page numbers of this Red Herring Prospectus.

### Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Red Herring Prospectus is derived from the restated statement of assets and liabilities as at September 30, 2023, September 30, 2022, March 31, 2023, March 31, 2022 and March 31, 2021, the restated profit and loss account and restated statement of cash flows for the six months period ended

September 30, 2023 and September 30, 2022 and for each of the Financial Years ended March 31, 2023, March 31, 2022 and March 31, 2021 and the summary statement of significant accounting policies, and other explanatory notes prepared by our Bank in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time. For further information on our Bank's financial information, see "*Financial Statements*" on page 293.

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 Indian GAAP, Ind AS, U.S. GAAP and IFRS. The Restated Financial Information included in this Red Herring Prospectus have been compiled by the management from the audited financial statements as at and for the six months periods ended September 30, 2023 and September 30, 2022 and for the Financial Years ended March 31, 2023, March 31, 2022 and March 31, 2021, prepared by our Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 accounting principles generally accepted in India including accounting standards prescribed under Section 133 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Companies Act, 2013 and current practices prevailing within the banking industry in India and the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time. Our Bank has not attempted to explain those differences or quantify their impact on the financial data included in this 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 – Banking companies in India, including us, may be required to report financial statements as per Ind AS in the future. Differences exist between Ind AS and Indian GAAP. In the future, if we are required to prepare our financial statements in accordance with Ind AS, there is a possibility that our financial condition, results of operations and cash flows could be poorly represented, owing to the difference in the accounting techniques between Ind AS and Indian GAAP.*" and "*Risk Factors – We have in this Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial condition. 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 pages 63 and 67. Accordingly, the degree to which the financial information included in this 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, 2013 and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this 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 or amounts, with respect to financial information of our Bank in this Red Herring Prospectus have been derived from the Restated Financial Information.

In this 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**

Certain non-GAAP financial measures and certain other statistical and operational information relating to our operations and financial performance have been included in this section and elsewhere in this Red Herring Prospectus. 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. Such non-GAAP measures and other statistical and operational information are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial 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 industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere. These non-GAAP financial measures and other statistical and operational information have been reconciled to their nearest GAAP measure in "*Our Business*", "*Selected Statistical Information*", "*Other Financial Information*" and "*Capitalisation Statement*" on pages 203, 276, 369 and 399 respectively.

**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.

Our Bank has presented certain numerical information in this 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 Red Herring Prospectus in such denominations or rounded-off to such number of decimal points as provided in such respective sources.

**Exchange Rates**

This 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 Rupee and USD (in Rupees per USD):

| **Currency** | **As at*** | | | | |
|---|---|---|---|---|---|
| | **September 30, 2023** | **September 30, 2022** | **March 31, 2023** | **March 31, 2022** | **March 31, 2021** |
| 1 USD | 83.06 | 81.55 | 82.22 | 75.81 | 73.50 |

*Source: RBI reference rate and www.fbil.org.in*
*Note: Exchange rate is rounded off to two decimal places.*
** In case March 31 or September 30 of any of the respective years/ period is a public holiday, the previous working day, not being a public holiday, has been considered.*

**Industry and Market Data**

Unless otherwise indicated, industry and market data used throughout this Red Herring Prospectus has been obtained or derived from various industry publications and sources, including the CRISIL MI&A Report, issued by CRISIL MI&A (appointed by our Bank pursuant to an engagement letter dated August 16, 2021, as amended by way of an addendum dated July 11, 2023 and December 27, 2023) which has been exclusively commissioned and paid for by our Bank in connection with the Offer and has been obtained from publicly available information as well as other industry publications and sources and will be available on the website of our Bank from the date of this Red Herring Prospectus till the Bid/Offer Closing Date.

This Red Herring Prospectus contains data and statistics from the CRISIL MI&A Report which is subject to the following disclaimer:

"*CRISIL Market Intelligence and Analytics (MI&A), 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. Capital 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 MI&A operates independently of and does not have access to information obtained by CRISIL Ratings Limited which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL MI&A and not of CRISIL Ratings Limited. No part of this Report may be published/reproduced in any form without CRISIL's prior written approval.*"

CRISIL is an independent agency and is not related to our Bank, our Promoters, Directors, Key Managerial Personnel or Senior



Management in any manner and is not a related party of our Bank, Directors, Promoters, Key Managerial Personnel or Senior Management.

For risks in this regard, see "*Risk Factors – Statistical and industry data in this Red Herring Prospectus is derived from the CRISIL MI&A Report commissioned and paid for by us for such purpose. The CRISIL MI&A Report is not exhaustive and is based on certain assumptions and parameters/conditions.*" on page 76.

The extent to which the market and industry data used in this 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. Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable.

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 27.

In accordance with the SEBI ICDR Regulations, "*Basis for Offer Price*" on page 149 includes information relating to our peer group companies. Such information has been derived from publicly available sources. Such industry sources and publications are also prepared based on information as at specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base this information on estimates and assumptions that may prove to be incorrect. Accordingly, no investment decision should be made solely on the basis of such information.



## FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". All statements contained in this 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", "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 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 competition in the banking / microfinance industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

1. Our business is concentrated in North India, particularly in the state of Punjab;

2. We are subject to strict regulatory requirements and prudential norms;

3. We are exposed to operational and credit risks which may result in NPAs. If we are unable to control the level of NPAs in our portfolio effectively or if we are unable to improve or maintain our provisioning coverage as a percentage of gross NPAs, our business, financial condition, results of operations and cash flows could be adversely affected;

4. We may be impacted by volatility in interest rates, which could cause our Net Interest Margin to decline; 5.

We are involved in certain legal proceedings;

6. An increase in the Cost to Income Ratio will adversely affect our financial condition, results of operations and cash flows; and

7. Our business is significantly dependent on banking operations in rural and semi-urban areas.

Certain information in "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations* on pages 174, 203 and 370, respectively of this Red Herring Prospectus has been obtained from the CRISIL MI&A Report, which was appointed by our Bank pursuant to an engagement letter dated August 16, 2021, as amended by way of an addendum dated July 11, 2023 and December 27, 2023.

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 27, 203 and 370 respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually 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 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 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 Promoters, our Directors, the Selling Shareholders, 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 and the BRLMs shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges for this Offer. Each of the Selling Shareholders shall ensure that they will keep our Bank and BRLMs informed of all material developments in relation to the portion of the Offered Shares, statements and undertakings expressly made by the Selling Shareholders in this Red Herring Prospectus and the Prospectus until the date of Allotment.



## SECTION II: RISK FACTORS

*An investment in the Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before evaluating our business and making an investment in the Equity Shares. This section should be read in conjunction with "Industry Overview", "Our Business", "Selected Statistical Information", "Financial Statements", and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 174, 203, 276, 293 and 370, respectively, before making an investment decision in relation to the Equity Shares.*

*The risks and uncertainties described in this section are not the only risks that are relevant to us or the Equity Shares or the industry and segment in which we operate. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, financial condition, results of operations and cash flows. If any of the following risks or other risks that are not currently known or are now deemed immaterial actually occur, our business, financial condition, results of operations and cash flows could be adversely affected and the trading price of the Equity Shares could decline and you may lose all or part of your investment. The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors described below. However, there are certain risk factors where such implications are not quantifiable, and hence any quantification of the underlying risks has not been disclosed in such risk factors.*

*In making an investment decision, prospective investors must rely on their own examination of our Bank and the terms of the Offer, including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares.*

*Unless otherwise indicated, industry and market data used in this section has been derived from the CRISIL MI&A Report prepared and released by CRISIL MI&A which was appointed by our Bank vide an engagement letter dated August 16, 2021, read with the addendum dated July 11, 2023 and December 27, 2023 and commissioned and paid for by our Bank for the purposes of confirming our understanding of the industry in connection with the Offer. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL MI&A Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. The CRISIL MI&A Report will be available on the website of our Bank at https://www.capitalbank.co.in/ipo-2023-documents.html. The data included herein includes excerpts from the CRISIL MI&A Report 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 Offer), that has been left out or changed in any manner. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL MI&A Report and included herein with respect to any particular year, refers to such information for the relevant financial year.*

*Our Bank's fiscal year commences on April 1 and ends on March 31 of the 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 derived from our Restated Financial Information included in this Red Herring Prospectus.*

*This Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Red Herring Prospectus. See "Forward-Looking Statements" on page 26.*

**INTERNAL RISKS**

***1. Our Bank has settled a matter with SEBI in the past in connection with allotment of Equity Shares to more than 49 investors.***

During the Financial Year 2004-2005, our Bank had made a total of 14 allotments in multiple tranches with each tranche of not more than 49 allottees to an aggregate of 402 allottees (which includes 395 distinct persons). These allotments (on a consolidated basis) were considered not in compliance with the then applicable laws relating to issuance and allotment of securities.

Since the abovementioned allotments (on a consolidated basis) made by us were considered non-compliant with the applicable laws, in accordance with the circulars issued by SEBI, the Promoter made the exit offer in compliance with the circular CIR/CFD/DIL3/18/2015, dated December 31, 2015, circular CFD/DIL3/CIR/P/2016/53 dated May 3, 2016 and the press release dated November 30, 2015 ("**Exit Offer Circulars**").

The table below sets out certain details of the outcome of the invitation to offer dated August 24, 2020 made to identified shareholders pursuant to the Exit Offer Circulars, in respect of the aforementioned exit offer:

| | |
|---|---|
| Number of identified shareholders to whom the invitation to offer was dispatched | 470 |
| Of the above, number of identified shareholders who agreed to tender the shares | Nil |
| Of the above, number of identified shareholders who | 31 |

| | |
|---|---|
| refused to tender the shares | |
| Number of identified shareholders where no reply was received on the invitation to offer and therefore, deemed to have rejected the option to tender | 439 |

Subsequently, we had filed a compounding application before the National Company Law Tribunal, Chandigarh bench on June 2, 2021 (re-filed on July 5, 2021) ("**Compounding Application**"), for any deemed breach of the threshold undertaken by our Bank erroneously and under a bona fide mistake, and a settlement application before the SEBI on September 2, 2021 (which was physically submitted on September 8, 2021), voluntarily, which was disposed of and the concerned proceedings were settled pursuant to a settlement order passed by SEBI on June 10, 2022 ("**Final Settlement Order**") and we have paid an amount of ₹ 0.58 million in terms of the Final Settlement Order. Further, the Compounding Application filed by us was disposed of vide order dated November 26, 2021 passed by the National Company Law Tribunal, Chandigarh bench and we paid a compounding fee of ₹ 0.80 million on December 2, 2021.

***2. We are required to ensure compliance with various regulatory requirements. If we are unable to comply with such laws, regulations and norms it may have an adverse effect on our business, financial condition, results of operations and cash flows.***

We are regulated under the Banking Regulation Act, 1949 and have to comply with circulars and directives issued by the RBI from time to time that apply to small finance banks. The Banking Regulation Act, 1949 limits the flexibility of shareholders and management of a small finance bank in many ways, including by way of specifying certain matters for which a banking company would require RBI approval. The RBI In-Principle Approval, RBI Final Approval, SFB Licensing Guidelines and SFB Operating Guidelines, the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021, Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 and Reserve Bank of India Guidelines on Acquisition and Holding of Shares dated January 16, 2023, require us to comply with certain restrictions relating to the Equity Shares, including, among others:

1. 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;
2. We are required to maintain a minimum paid-up Equity Share capital and a minimum net worth of ₹ 1,000 million;
3. No Shareholder will be entitled to exercise voting rights in excess of 26.00% of the total voting rights of all Shareholders; and
4. An investor proposing to acquire shares in our Bank (directly or indirectly) where the aggregate holding of such investor, their relatives, associate enterprise or persons acting in concert, entitles the investor to hold 5.00% or more of the paid-up share capital of our Bank or 5.00% or more of the voting rights in our Bank will need to apply for the RBI's approval.

While we have not been a party to such non-compliance of the relevant regulatory requirements, in case we fail to comply with the applicable directives and reporting requirements or meet the prescribed prudential norms, the RBI may charge penalties, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations. It may also impose additional conditions on us, and may terminate our SFB license, if we are unable to comply with applicable requirements. For instance, the RBI had imposed the following penalties on our Bank pursuant to its circular dated August 10, 2021 on Monitoring of Availability of Cash in ATMs:

| **Financial Year** | **Penalty Imposed (₹ in million)** |
|---|---|
| 2021-22 | Nil |
| 2022-23 | 0.61 |
| From 01-04-2023 till December 31, 2023 | 0.13 |

The above penalties were imposed pursuant to the day to day operations of our branches in the ordinary course of business and not on account of non-compliance with any material RBI requirements.

For further details on these regulatory requirements, see "*Key Regulations and Policies*" on page 231. Further, for details of the compliance by our Bank with the prudential norms applicable on us, see "- *We are subject to certain prudential norms. If we are unable to comply with these norms it may have an adverse effect on our business, financial condition, results of operations and cash flows*" below.



***3. We have certain contingent liabilities, including guarantees given by us on behalf of our customers in India which constituted 81.14% of the total contingent liabilities of our Bank as of September 30, 2023. If these contingent liabilities materialise, our financial condition, cash flows and results of operations may be adversely impacted.***

As of September 30, 2023, our Restated Financial Information disclosed the following contingent liabilities:

| **Particulars** | **As at September 30, 2023** |
| --- | --- |
| | **(in ₹ Million)** |
| Claims against our Bank not acknowledged as debts | 12.21 |
| Guarantees given on behalf of constituents – In India | 429.39 |
| Acceptances, endorsements and other obligations | 14.95 |
| Other items for which our Bank is contingently liable | 72.63 |
| Total | **529.18** |

Our contingent liabilities may become actual liabilities and if a significant portion of these liabilities materialize, it could have an adverse effect on our business, financial condition and results of operations. Further, there is no guarantee that customers on whose behalf we have given the guarantees will honour their commitment and the guarantees given by our Bank will not be invoked in whose favour such guarantees have been issued by our Bank which could adversely impact our financial condition, cash flows and results of operations. For instance, as on September 30, 2023, our Bank has given guarantees, in the ordinary course of business, on behalf of the customers in India amounting to ₹ 429.39 million which constitutes 81.14% of the total contingent liabilities of our Bank and any default on the part of our customers could result in these guarantees being invoked. Furthermore, there can be no assurance that we will not incur similar or increased levels of contingent liabilities in the current Fiscal or in the future.

***4. There have been certain primary and secondary transactions involving our Equity Shares in the last three Financial Years.***

The following are the details basis the last five primary or secondary transactions (secondary transactions where Promoters or members of the Promoter Group or Selling Shareholders or Shareholder(s) having the right to nominate Director(s) on our Board, or any other right, are a party to the transaction), not older than three years prior to the date of this Red Herring Prospectus irrespective of the size of transactions, based on certifications received from our Promoters, members of our Promoter Group, Selling Shareholders and Shareholders having the right to nominate Director(s) on our Board, or any other right:

| **Date of Acquisition of Equity Shares** | **Name of Acquirer/Shareholder** | **Number of Equity Shares acquired** | **Acquisition price per Equity Share (in ₹)** |
| --- | --- | --- | --- |
| June 17, 2023 | Max Life Insurance Co Ltd | 1,057,700 | 468 |
| March 29, 2022 | Shahbaz Singh Samra* | 475,513* | NA |
| August 20, 2021 | Raman Kumar Gupta | 1,000 | 150 |
| June 14, 2021 | Darshna Devi | 6,667 | 150 |
| May 28, 2021 | Minni Gupta | 4,000 | 132 |
| | Deepali Gupta | 5,390 | 132 |
| | Dinesh Gupta | 24,450 | 132 |

**Transmitted by the Depository Participant in the name of the second and third holder, i.e., Shahbaz Singh Samra and Sangram Singh Samra pursuant to the death of Swaran Singh, in accordance with the applicable law.*

5. ***We are subject to inspections by the RBI. Inspection by RBI is a regular exercise for all banks and financial institutions and RBI has observed various non-compliances by us in the ordinary course in the past and have required us to, among other things, take corrective actions. Non-compliance with the observations issued by RBI could adversely affect our business, financial condition, results of operations and cash flows.***

We are subject to inspections by the RBI. Inspection by the RBI is a regular exercise for all banks and financial institutions. RBI has carried out five inspections of our Bank in Fiscals 2020, 2021, 2022 and 2023 and examination of our Bank's IT systems in 2021, and processes post conversion into an SFB. Pursuant to the inspections, we have been directed by the RBI, among others, to review our NPA identification and classification system on the applicable guidelines issued by RBI, completion of e-KYC for the customers, review of AML process by the Board, audit of internal accounts of our Bank, introduction of system based controls, integration of standalone information technology systems to plug any deficiencies in our information technology infrastructure, to ensure stronger advisory role of our Chief Risk Officer, to remedy the deficiencies in staff accountability framework, risk categorisation and in the outsourcing of information technology systems and functions. While we have responded, and will respond, to such observations, from time to time, and have been submitting our compliance status to the RBI regularly, we cannot assure you that the RBI will not make similar or other observations in the future. Further, while we have responded and complied with the observations issued by RBI pursuant to the inspections undertaken for Financial Years 2020,



2021 and 2022, and are in the process of responding to the observations issued by the RBI for Fiscal 2023, the following observations are in the process of being complied with by our Bank:

| **Observation** | **Compliance Status** |
| --- | --- |
| RBI has directed our Bank to put in place a system for online submission and e-tracking of the MSME loans applications, their processing in accordance with our Bank's credit policy followed by communication of reasons for rejection and referral of Special Mention Accounts ("**SMA**") to MSME committee for effective monitoring. Further, the Bank has been directed to ensure that the restructuring is undertaken in strict conformity with the regulatory guidelines. | The Bank is currently working on the loan origination system vendor shortlisting and subsequently implementation of the same. Further, the Bank has restructured loans in accordance with RBI's resolution framework for Covid related stress and in case of any further restructuring, it shall be ensured that the regulatory guidelines are complied with. |
| Updation of the valuation dates of the properties which have been revalued by our Bank in the information technology systems of our Bank. The Bank has also been advised to share the action plan for the updation of legacy data in Core Banking System ("**CBS**") and update the monthly progress reports. | The status and action plan of record digitalization has been prepared by our Bank and our Bank is submitting monthly progress reports to RBI in this regard. |
| Details of guarantors in accordance with the loan sanction notes were found to be missing in CBS. Further, the Bank has been advised to submit the dates from which the guarantor details are being punched in the CBS. | Our Bank has captured guarantee details of approximately 96% of the accounts, w.e.f February 2020 in the CBS and our Bank is in the process of updating the legacy data in CBS. |
| Deficiencies in the post disbursal credit monitoring mechanism at branch level such as, inter alia, instances of delay in review / renewal of advances, creation of charge on security hypothecated by the borrower/ land revenue records. No monitoring/alert mechanism was evidenced to ensure timely completion of the requisite processes by the branches. Our Bank was advised to share the steps taken to strengthen post disbursal credit monitoring mechanism and submit the status of implementation of automated controls / MIS mechanisms in our core banking system to report deficiencies. | The internal audit department of the Bank is reviewing the deficiencies in the loan files of the branches to ensure stringent compliance. Further, in order to strengthen the post disbursal credit monitoring, our Bank has issued a circular on credit supervision on June 15, 2023, wherein all the branches were advised to follow the norms for monitoring of advances.<br><br>Further, to implement automated control on renewal/review, our Bank has implemented renewal/review module in the MIS mechanism and the same is being followed up on a regular basis and simultaneously, the updation of the legacy data of pending valuation in CBS is in the process of being carried out. |

| | |
|---|---|
| The AML alerts on (a) customer providing different details to avoid linkage, and (b) multiple customers working together, were observed to be poorly managed by the Bank which resulted in deficiency in implementation of Unique Customer Identity Code (“**UCIC**”) and the overall process of NPA identification. Further, RBI has directed for the creation of a single UCIC for all customers. | Our Bank has implemented alerts related to duplicate/multiple proof of identity (“**PID**”), as an integral check in the internal working module before on-boarding of new client, on real time basis and thus ensure single UCIC for all customers. Further, our dedicated operation risk department team is monitoring the alert related to multiple customers working together. |
| As on November 8, 2019, the Bank had an indicative list of 42 early warning signals (“EWS”), of which the Bank had implemented 18 manually monitored EWS. No formal approval regarding the implementation of these 18 EWS was evidenced during the audit. Further, during FY 2021-22, no detailed analysis for the concerned accounts were taken up by the Bank. This brought forth a deficiency in the EWS generation system of the Bank. | The EWS trigger for delay observed in outstanding dues is already implemented by our Bank and all eligible accounts that hit SMA-1 status are being monitored regularly.<br><br>Further, the automation process for the identified EWS triggers have been developed and the working of the same is in the testing stage. |
| Pending registration for centralised KYC for 187,283 clients of the total 397,988 existing clients of our Bank as on March 31, 2022 | Bank has completed the centralised KYC registration for 79.48% of the clients onboarded till March 31, 2022 and the registrations for 81,686 clients is pending. |
| The Bank had failed to comply with the RBI guidelines in relation to locker renewal agreements. | The timeline for renewal of agreements between banks and existing lockers holders has been extended to December 31, 2023 vide RBI circular bearing press release number 2022- 2023/1594 dated January 23, 2023.<br><br>Our Bank’s operation risk department is working on the revised locker renewal agreements as per the RBI’s guidelines and is creating awareness among its customers regarding the same vide SMS, letters and calls from the customer care team. Further, 2,993 locker accounts have been duly renewed as on August 31, 2023.<br><br>The status of these compliances has been reported by our Bank on the DAKSH supervisory portal of the RBI on a monthly basis. |



However, in the event there are any significant deficiencies identified by the RBI in a final inspection report that we are unable to rectify to the RBI’s satisfaction, it could lead to sanctions (such as restrictions being applied on carrying out certain business activities or our ability to obtain the regulatory permits and approvals required to expand our business) and penalties being imposed by the RBI on our Bank, which could materially and adversely affect our reputation, business, financial condition, results of operations and cash flows.

While we attempt to be in compliance with all regulatory provisions applicable to us, we cannot assure you that the RBI will not find any deficiencies in future inspections or the RBI will not make similar or other observations in the future. In the event that we are unable to comply with the observations made, we could be subject to penalties and restrictions which may be imposed. Imposition of any penalty or adverse finding by the RBI during any future inspections may have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

***6. The Indian small finance bank industry is intensely competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows.***

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 and cooperative banks which have significant presence in rural and semi-urban areas, public sector banks, private sector banks, housing finance companies and other financial services companies in India. In the organized sector, our competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, wider network of branches and better access to, and lower costs of funding than we do. Further, the RBI 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. This may increase competition within small finance banks operating in India, including our Bank. 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. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows. Set out below is the table of comparison of our Bank with the listed industry peers, as on March 31, 2023:

| **Name of the company** | **Total Income (₹ in million)** | **PAT (₹ in million)** | **Face Value per equity share (₹)** | **P/E** | **P/B** | **EPS (Basic) (₹)** | **EPS (Diluted) (₹)** | **RoNW (%)** | **NAV per equity share (₹)** | **GNPA (%)** | **ROA (%)** | **Gross Loan Portfolio (₹ in million)** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital Small Finance Bank Limited* | 7,254.82 | 935.96 | 10 | [●] | [●] | 27.35 | 27.21 | 15.32% | 178.27 | 2.77% | 1.22% | 55,072.67 |
| **Listed Peers** | | | | | | | | | | | | |
| IDFC First Bank | 271,950.91 | 24,371.35 | 10 | 21.76 | 2.30 | 3.91 | 3.84 | 9.44% | 38.86 | 2.51% | 1.13% | 1,171,270.00 |
| AU SFB | 92,398.73 | 14,279.25 | 10 | 33.40 | 4.50 | 21.86 | 21.74 | 13.01% | 164.64 | 1.66% | 1.79% | 591,580.00 |
| Equitas SFB | 48,314.64 | 5,735.91 | 10 | 24.13 | 2.49 | 4.71 | 4.67 | 11.12% | 46.44 | 2.76% | 1.85% | 278,610.00 |
| Ujjivan SFB | 47,541.90 | 10,999.20 | 10 | 9.97 | 2.70 | 5.82 | 5.81 | 26.13% | 21.53 | 2.88% | 3.86% | 240,850.00 |
| Suryoday SFB | 12,811.00 | 777.00 | 10 | 24.08 | 1.18 | 7.32 | 7.32 | 4.90% | 149.28 | 3.13% | 0.86% | 61,140.00 |
| ESAF SFB | 31,415.72 | 3,023.33 | 10 | 10.33 | 2.09 | 6.73 | 6.71 | 17.63% | 38.15 | 2.49% | 1.59% | 163,312.65 |

**Financial information for our Bank is derived from the Restated Financial Information for the year ended March 31, 2023.*

*Source: All the financial information for listed industry peers mentioned above is on 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, 2023 submitted to stock exchanges or on company's website as available.*

*Notes:*

1. *Basic EPS refers to the Basic EPS sourced from the annual report/ financial results of the respective company for the year ended March 31, 2023.*
2. *Diluted EPS refers to the Diluted EPS sourced from the annual report/ financial results of the respective company for the year ended March 31, 2023.*
3. *P/E Ratio has been computed based on the closing market price of equity shares on NSE on November 21, 2023 divided by the Basic EPS provided under Note 1.*
4. *RoNW is computed as net profit after tax divided by closing net worth as at March 31,2023.*
5. *Net worth has been computed as sum of share capital, reserves and surplus and employee stock options outstanding, as applicable.*
6. *Net Asset Value is computed as the closing net worth divided by the equity shares outstanding as at March 31, 2023.* 7. *GNPA as on March 31, 2023.*
8. *ROA represents ratio of profit after tax to average total asset.*
9. *Gross loan portfolio as on March 31, 2023.*



For details on key performance indicators of our Bank and comparison of KPIs with listed peers, see section titled "*Basis for Offer Price-Key Performance Indicators*" and "*Basis for Offer Price-Comparison of KPIs with listed peers*" beginning at page 151 and 154, respectively.

We also face competition from SCBs in northern India. The table below sets forth the contribution of the northern region of India to the overall credit, incremental credit, retail credit and incremental retail credit as on March 31, 2023:

| | Contribution of northern region of India (%) |
|---|---|
| Overall credit | 22% |
| Incremental credit | 15% |
| Retail credit | 16% |
| Incremental retail credit | 20% |

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 "*Our Business – Competition*" on page 225. If we are unable to compete effectively, it would adversely affect our business, financial condition, results of operations and cash flows.

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

The Offer consists of a Fresh Issue and an Offer for Sale. The Offer is up to [●] Equity Shares for cash at a price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹[●] million comprising a Fresh Issue of up to [●] Equity Shares aggregating up to ₹4,500.00 million by our Bank and an Offer for Sale of up to 1,561,329 Equity Shares aggregating up to ₹[●] million by the Selling Shareholders.

The Offer for Sale is [●] times of Fresh Issue. Details of Offered Shares offered in the Offer for Sale are as follows:

| Name | Number of Equity Shares as on the date of this Red Herring Prospectus | Average cost of acquisition per Equity Share (in ₹) | Number of Offered Shares |
|---|---|---|---|
| **Investor Selling Shareholders** | | | |
| Oman India Joint Investment Fund II | 3,346,914 | 252.00 | Up to 836,728 Equity Shares aggregating up to ₹ [●] million |
| Amicus Capital Private Equity I LLP | 1,511,535 | 252.00 | Up to 151,153 Equity Shares aggregating up to ₹ [●] million |
| Amicus Capital Partners India Fund I | 175,445 | 252.00 | Up to 17,544 Equity Shares aggregating up to ₹ [●] million |
| **Other Selling Shareholders** | | | |
| Vijay Kumar Bhandari (jointly with Sneh Bhandari) | 74,954 | 30.00 | Up to 50,000 Equity Shares aggregating up to ₹ [●] million |
| Rachna Monga | 44,000 | 21.14 | Up to 30,000 Equity Shares aggregating up to ₹ [●] million |
| Rashpal Singh (jointly with Surinder Kaur) | 8,22,729 | 15.91 | Up to 200,000 Equity Shares aggregating up to ₹ [●] million |
| Nalini Rampilla | 37,000 | 25.68 | Up to 37,000 Equity Shares aggregating up to ₹ [●] million |
| Kalyana Chakravarthy Pilla | 49,100 | 24.95 | Up to 49,000 Equity Shares aggregating up to ₹ [●] million |
| Darshna Devi | 22,704 | 150.00 | Up to 22,704 Equity Shares aggregating up to ₹ [●] million |
| Ramesh Kaur | 167,200 | 15.00 | Up to 167,200 Equity Shares aggregating up to ₹ [●] million |

Further, our Bank proposes to utilize the Net Proceeds from the Fresh Issue towards augmenting our Bank's Tier – I capital base to meet our Bank's future capital requirements and for increasing business of our Bank which is primarily onward lending. Further, the proceeds from the Fresh Issue will also be used towards meeting the expenses in relation to the Offer. Each of the Selling Shareholders will be entitled to their respective portion of the proceeds from the Offer for Sale in proportion of the Equity Shares offered by the respective Selling Shareholders as part of the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale. See "*Objects of the Offer*" on page 145.

***8. Our current Statutory Auditors, M/s T R Chadha & Co., LLP, Chartered Accountants, have been found ineligible by RBI for undertaking the audit activities for the Financial Year 2024 of our Bank.***

RBI, vide email dated September 13, 2023, has found our current Statutory Auditors, M/s T R Chadha & Co., LLP, Chartered Accountants, ineligible for reappointment for Financial Year 2024, and has directed our Bank to recommend



the name of another firm meeting the eligibility criteria prescribed under the '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. Further, RBI has vide email dated September 20, 2023 clarified that the approval from RBI for appointment/ reappointment/ removal of statutory auditors (SAs) is required to be obtained only in case of audit of annual accounts of the Bank in terms of Section 30 (1A) of the Banking Regulation Act, 1949, and that M/s T R Chadha & Co, LLP, Chartered Accountants can continue with the audit work of our Bank for the half yearly review for the period ending on September 30, 2023 and the filing of DRHP in connection with the Bank's proposed IPO. Thereby, while we are in the process of finalising other statutory auditors for the next fiscal year 2024, we cannot assure you that we will be able to appoint another firm as statutory auditors of our Bank within the stipulated time and that RBI will approve their appointment. In the event we are unable to appoint another firm as statutory auditors of our Bank within the stipulated time, and the RBI approval for such appointment is not received, it may cause a delay in the finalisation of our audited financial statements for Fiscal 2024. Further, such other firm may adopt different procedures than the ones adopted by our current Statutory Auditors.

***9. We derive a significant portion of our revenue from our lending business and any adverse developments in the lending business could adversely affect our business, financial condition, cash flows and results of operations.***

Given the industry we operate in, a majority of our revenue is derived from interest earned, discount on advances / bills. The table below sets out our revenue from interest earned for the six months period ended September 30, 2023 and September 30, 2022 and for Financial Years 2021, 2022, and 2023 and for:

*(in million, except percentages)*

| **Particulars** | **Six months ended September 30, 2023** | **Six months ended September 30, 2022** | **Year ended March 31, 2023** | **Year ended March 31, 2022** | **Year ended March 31, 2021** |
|---|---|---|---|---|---|
| Revenue from interest earned | 3,049.38 | 2,518.05 | 5,328.58 | 4,373.02 | 3,724.31 |
| Percentage of total revenue (in %) | 73.44% | 73.45% | 73.45% | 69.15% | 66.83% |

The table below sets out the components of income earned out of interest earned and other income for the periods specified below:

| **Particulars (₹ in Mn)** | | **Six months ended September 30, 2023** | **Six months ended September 30, 2022** | **Year ended March 31, 2023** | **Year ended March 31, 2022** | **Year ended March 31, 2021** |
|---|---|---|---|---|---|---|
| **RESTATED STATEMENT OF INTEREST EARNED** | | | | | | |
| I | Interest/ discount on advances/ bills | 3,049.38 | 2,518.05 | 5,328.58 | 4,373.02 | 3,724.31 |
| II | Income on investments | 530.15 | 468.16 | 976.18 | 860.23 | 846.81 |

| | | | | | | |
|---|---|---|---|---|---|---|
| III | Interest on balance with Reserve Bank of India and inter-bank funds | 269.08 | 220.88 | 448.44 | 548.88 | 543.27 |
| IV | Others | 11.21 | 0.16 | 6.87 | 0.05 | - |
| | **Total** | **3,859.82** | **3,207.25** | **6,760.07** | **5,782.18** | **5,114.39** |
| **RESTATED STATEMENT OF OTHER INCOME** | | | | | | |
| I | Commission, exchange and brokerage | 276.11 | 218.81 | 469.21 | 426.34 | 295.52 |
| II | Profit/(Loss) on sale of investments (Net) | 3.09 | 2.24 | 4.74 | 29.50 | 83.99 |
| III | Profit/(Loss) on revaluation of investments (Net) | (7.95) | (17.49) | (13.40) | 0.24 | (0.24) |
| IV | Profit/(Loss) on sale of Land, building & other assets (Net) | (0.15) | (0.17) | 0.10 | (0.06) | 0.02 |
| V | Profit/(Loss) on Exchange Transactions (Net) | 20.81 | 17.35 | 33.93 | 27.49 | 20.76 |
| VI | Income earned by way of dividends etc. | - | - | - | - | - |
| VII | Miscellaneous income | 0.43 | 0.09 | 0.17 | 58.34 | 58.29 |
| | **Total** | **292.34** | **220.83** | **494.75** | **541.85** | **458.34** |

Any adverse developments in the lending business could adversely affect our business, financial condition, cash flows and results of operations.

***10. Certain of our corporate records and filings are not traceable. We cannot assure you that regulatory proceedings or actions will not be initiated against us in the future and we will not be subject to any penalty imposed by the competent regulatory authority in this regard.***

We are unable to trace the form filings made to RoC including the Form 2, the shareholders' resolution and the proof



of payment for the allotments dated January 12, 2000 of 5,992,000 Equity Shares made by our Bank ("**Relevant Allotments**"). A search conducted by a practicing company secretary appointed by us to trace the missing records could also not find the records with the RoC. We have executed an affidavit dated January 13, 2024, confirming that (i) the due amounts in respect of the Relevant Allotments have been received by our Bank (ii) the allotted Equity Shares pursuant to the Relevant Allotments have been allotted to the concerned allottees / Promoters in compliance with applicable laws, and (iii) the filings required to be made, under applicable law, by the Bank in respect of the aforementioned allotments were made by our Bank with the RoC. For further details, see "*Capital Structure – Share Capital History of our Bank*" on page 93. Certain disclosures in this Red Herring Prospectus in relation to such untraceable records in filings have been made in reliance on other supporting documents available in our records, including the annual returns filed by our Bank. We cannot assure you that the relevant corporate records will become available in the future that regulatory proceedings or actions will not be initiated against us in the future, or that we will not be subject to any penalty imposed by the competent regulatory authority in this respect.

***11. There has been a delay in relation to reporting requirements in respect of issuance of Equity Shares by our Bank under the applicable laws.***

There has been a delay with respect to the reporting obligations in relation to filing of forms for reporting the foreign investment to RBI received by our Bank between December 7, 2015 and December 17, 2015 for the allotment of Equity Shares made by our Bank by way of a rights issue on December 30, 2015. We filed a compounding application dated December 5, 2017 before the RBI and subsequently, RBI had imposed a fine of ₹ 0.05 million on our Bank vide order dated December 21, 2017 which was paid by us on December 22, 2017. While the Bank has complied with the terms of the respective compounding order, there can be no assurances that such delays will not be repeated in the future, and that we will not be subjected to penalties, compounding, fines, penalties or settlement amounts from the RBI.

***12. We have experienced negative cash flows in prior years.***

We have experienced negative cash flows from operations in the recent past. Particularly, our cash used in operating activities for the Fiscals ended 2023, 2022 and 2021, was negative mainly on account of increase in advances, increase in investments and payment of direct taxes during this period in the ordinary course of business. For details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash flows from operating activities*" beginning at page 392 of this RHP. Our cash flow for six months ended September 30, 2023 and September 30, 2022 and the Fiscals ended 2023, 2022 and 2021 are set forth in the table below.

*(₹ in million)*

| Particulars | Six months ended September 30, 2023 | Six months ended September 30, 2022 | Fiscal | | |
|---|---|---|---|---|---|
| | | | 2023 | 2022 | 2021 |
| Net cash flow from/ (used in) operating activities | 1,884.72 | (1,603.61) | (1,074.44 ) | (2,107.41) | 1,743.18 |
| Net cash flows from/ (used in) investing activities | (67.43) | (109.33) | (196.63) | (131.54) | (124.21) |
| Net cash flow from/ (used in) financing activities | (1,030.81) | 2,834.31 | 2,215.15 | (1,197.03) | 1,968.14 |

Any negative cash flows from operations in the future could adversely affect our results of operations and financial condition.

***13. We are involved in certain legal proceedings, any adverse developments related to which could adversely affect our reputation, business and cash flows.***

There are outstanding legal proceedings involving our Bank. 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 favour. Brief details of material outstanding litigation that have been initiated by and against our Bank are set forth below:

| Name of Entity | Criminal Proceedings | Tax Proceedings | Statutory or Regulator y Proceedings | Disciplinary actions by the SEBI or Stock Exchanges against our Promoters | Material Civil Litigation | Aggregate amount involved (₹ in million)* |
|---|---|---|---|---|---|---|
| **Our Bank** | | | | | | |
| By the Bank | 207 | Nil | NA | NA | 6 | 633.89 |
| Against the Bank | Nil | 1 | Nil | Nil | 1 | 12.21 |
| **Our Directors** | | | | | | |
| By our Directors | Nil | Nil | NA | NA | Nil | NA |
| Against the Directors | Nil | Nil | Nil | Nil | Nil | NA |
| **Our Promoters** | | | | | | |
| By Promoters | Nil | Nil | NA | NA | Nil | NA |
| Against | Nil | Nil | Nil | Nil | Nil | NA |

| Promoters | | | | | | |
|---|---|---|---|---|---|---|

** To the extent ascertainable. As at September 30, 2023, the Bank has not made any provisions for outstanding litigation. Further, the Bank has recognised an amount of ₹12.21 million as contingent liabilities as at September 30, 2023, in respect of outstanding income tax litigations. The contingent liabilities of the Bank as a percentage of its net worth as of September 30, 2023 is 0.17%. See " - We have not made provisions in our Restated Financial Statements for the amount involved in respect of the direct tax dispute with the Income-Tax Department, i.e., ₹ 12.21 million." on page 45.*

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, which would increase our expenses and current liabilities. Further, such legal proceedings could divert our management's time and attention and cause us to incur expenses. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations and financial condition.

For further information, see "*Outstanding Litigation and Material Developments*" on page 402.

***14. We have in the past entered into related party transactions which include borrowings payable to KMPs and their relatives, deposits held by KMPs and their relatives and advances to KMPs and their relatives, and may continue to enter into such related party transactions in the future, which may potentially involve conflicts of interest with the equity shareholders.***

In the ordinary course of business, we enter into various related party transactions which include borrowings payable to KMPs and their relatives, deposits held by KMPs and their relatives, advances to KMPs and their relatives and interest paid on borrowings / deposits to KMPs and their relatives. While we believe that all our related party transactions have been conducted on an arm's length basis in compliance with the Companies Act, 2013 and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favourable 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 SEBI Listing Regulations, we cannot assure you that such transactions, 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 favourable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest.

The table below sets out our Bank's related party transactions for each of the Fiscals 2023, 2022 and 2021 combined, also reflected as a percentage of total transactions of a similar nature for the same Fiscals:

| **Nature of transaction** | **Amount paid to/ (received from) related party during the last three Fiscals (A) (₹ in million)** | **Total amount of transactions during the last three Fiscals (B) (₹ in million)** | **(A) As a percentage of (B)** |
|---|---|---|---|
| Lease Rent | 52.86 | 518.31 | 10.20% |
| Interest paid on deposits and borrowings | 15.97 | 9,850.63 | 0.16% |
| Interest received on loans and advances | 1.00 | 13,425.91 | 0.01% |
| Salary | 106.26 | 2,795.14 | 3.80% |
| CSR expense | 25.40 | 25.40 | 100.00% |

Further, as disclosed in the tables above, our Bank has given certain loans / advances to certain of its KMPs and their relatives. While such loans / advances are made in the ordinary course of business and on an arm's length basis, we cannot assure you that we will successfully recover the outstanding amounts in respect of such loans / advances from such KMPs or their relatives, or any other related parties to whom we may give loans / advances in the future. As on the date of this Red Herring Prospectus, the outsanding amounts payable by our related parties in respect of loans / advances given to them will not have a material impact on our financial position.

The table below sets out the related party transactions (being absolute arithmetic aggregate of gross values of items having an impact on the Statement of Profit and Loss) entered into by our Bank for six months ended September 30, 2023 and September 30, 2022 and the Fiscals ended March 31, 2023, 2022 and 2021:



| Particulars | Six months ended September 30, 2023 | Six months ended September 30, 2022 | Fiscal 2023 | Fiscal 2022 | Fiscal 2021 |
|---|---|---|---|---|---|
| Related party transactions entered into by our Bank (as a percentage of total income) | 1.04% | 1.24% | 1.18% | 1.09% | 1.01% |

A summary of the related party transactions entered into by our Bank for the six months ended September 30, 2023 and September 30, 2022 and Fiscals 2023, 2022 and 2021 has been set forth below:

| Particulars | As at and for the six months ended September 30, 2023 | As at and for the six months ended September 30, 2022 | As at and for the Financial Year ended March 31, 2023 | As at and for the Financial Year ended March 31, 2022 | As at and for the Financial Year ended March 31, 2021 |
|---|---|---|---|---|---|
| **Borrowings payable to KMPs** | | | | | |
| Munish Jain | 8.90 | 8.90 | 8.90 | 2.40 | 1.00 |
| **Borrowings payable to Relatives of KMPs** | | | | | |
| Relatives of Munish Jain(1) | 16.70 | 16.70 | 16.70 | 15.90 | 13.30 |
| Relatives of Amit Sharma(2) | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 |
| Relatives of Santosh Kumar Dhawan(3) | NA | 1.40 | 1.40 | 1.40 | NA |
| Relatives of Richa Mahajan(4) | NA | 0.50 | 0.50 | 0.50 | NA |
| **Deposits held by KMPs** | | | | | |
| Sarvjit Singh Samra | 0.86 | 0.72 | 0.05 | 0.08 | 0.27 |
| Munish Jain | 19.10 | 9.61 | 8.99 | 10.17 | 10.77 |
| Amit Sharma | 0.12 | 0.21 | 0.17 | 0.17 | 0.20 |
| Santosh Kumar Dhawan | NA | 2.88 | 4.13 | 2.79 | NA |
| Richa Mahajan | NA | 0.89 | 0.80 | 0.92 | NA |
| Raghav Aggarwal | NA | 0.17 | 0.16 | 0.17 | NA |
| **Deposits held by** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **Relatives of KMPs** | | | | | |
| Relatives of Sarvjit Singh Samra[5] | 29.66 | 29.02 | 28.13 | 23.43 | 18.19 |
| Relatives of Munish Jain [6] | 11.15 | 5.47 | 7.92 | 6.02 | 10.41 |
| Relatives of Amit Sharma[7] | 6.73 | 4.61 | 5.62 | 1.83 | 3.17 |
| Relatives of Santosh Kumar Dhawan[8] | NA | 7.54 | 8.90 | 5.94 | NA |
| Relatives of Richa Mahajan[9] | NA | 1.69 | 2.33 | 1.78 | NA |
| Relatives of Raghav Aggarwal[10] | NA | 0.38 | 0.39 | 0.37 | NA |
| **Deposits held by Associates/ Joint Ventures/ Others (For CSR Expenses)** | | | | | |
| Capital Foundation Trust | 23.22 | 13.21 | 16.70 | 8.15 | 3.55 |
| **Advances to KMPs** | | | | | |
| Amit Sharma | 2.44 | 2.60 | 2.49 | 2.34 | - |



| **Particulars** | **As at and for the six months ended September 30, 2023** | **As at and for the six months ended September 30, 2022** | **As at and for the Financial Year ended March 31, 2023** | **As at and for the Financial Year ended March 31, 2022** | **As at and for the Financial Year ended March 31, 2021** |
|---|---|---|---|---|---|
| Santosh Kumar Dhawan | NA | 0.77 | 0.24 | 0.84 | NA |
| Richa Mahajan | NA | 0.73 | 0.60 | 0.79 | NA |
| Raghav Aggarwal | NA | 4.00 | 3.93 | 4.13 | NA |
| **Advances to Relatives to KMPs** | | | | | |
| Relatives of Raghav Aggarwal[11] | NA | 0.16 | 0.17 | 0.15 | NA |
| **Interest Paid on borrowings/ deposits to KMPs** | | | | | |
| Sarvjit Singh Samra | 0.01 | 0.02 | 0.04 | 0.02 | 0.06 |
| Munish Jain | 0.86 | 0.65 | 1.37 | 0.67 | 0.65 |

| | | | | | |
|---|---|---|---|---|---|
| Amit Sharma | 0.00 | 0.00 | 0.01 | 0.01 | 0.00 |
| Santosh Kumar Dhawan | NA | 0.10 | 0.24 | 0.16 | NA |
| Richa Mahajan | NA | 0.03 | 0.06 | 0.06 | NA |
| Raghav Aggarwal | NA | 0.01 | 0.01 | 0.01 | NA |
| **Interest Paid on borrowings/ deposits to Relatives of KMPs** | | | | | |
| Sarvjit Singh Samra(5) | 0.96 | 0.73 | 1.59 | 1.28 | 1.27 |
| Munish Jain(6) | 1.14 | 0.97 | 1.98 | 1.86 | 2.06 |
| Amit Sharma(7) | 0.31 | 0.16 | 0.39 | 0.26 | 0.33 |
| Santosh Kumar Dhawan(8) | NA | 0.25 | 0.53 | 0.48 | NA |
| Richa Mahajan(9) | NA | 0.08 | 0.17 | 0.16 | NA |
| Raghav Aggarwal(10) | NA | 0.01 | 0.03 | 0.02 | NA |
| **Interest paid on Deposits held by Associates/ Joint Ventures/ Others -** | | | | | |
| Capital Foundation Trust | 0.09 | 0.05 | 0.05 | 0.08 | 0.06 |
| **Interest received on advances made to KMPs** | | | | | |
| Amit Sharma | 0.08 | 0.08 | 0.16 | 0.15 | - |
| Santosh Kumar Dhawan | NA | 0.04 | 0.06 | 0.05 | NA |
| Richa Mahajan | NA | 0.02 | 0.04 | 0.05 | NA |
| Raghav Aggarwal | NA | 0.12 | 0.24 | 0.23 | NA |
| **Interest received on advances made to Relatives of KMPs** | | | | | |
| Raghav Aggarwal(11) | NA | 0.01 | 0.01 | 0.01 | NA |
| **Lease Rentals paid to KMPs** | | | | | |
| Sarvjit Singh Samra | 2.53 | 2.38 | 4.79 | 4.54 | 4.53 |
| **Lease Rentals paid to Relatives of KMPs** | | | | | |
| Relatives of Sarvjit | 8.86 | 8.33 | 16.77 | 15.89 | 15.85 |

| | | | | | |
|---|---|---|---|---|---|
| Singh Samra[12] | | | | | |
| **Salary paid to KMPs** | | | | | |
| Sarvjit Singh Samra | 6.71 | 6.96 | 17.13 | 9.01 | 10.11 |
| Munish Jain | 10.68 | 9.98 | 16.76 | 16.38 | 12.68 |
| Amit Sharma | 0.76 | 0.64 | 1.28 | 1.07 | 0.76 |



| **Particulars** | **As at and for the six months ended September 30, 2023** | **As at and for the six months ended September 30, 2022** | **As at and for the Financial Year ended March 31, 2023** | **As at and for the Financial Year ended March 31, 2022** | **As at and for the Financial Year ended March 31, 2021** |
|---|---|---|---|---|---|
| Santosh Kumar Dhawan | NA | 1.54 | 3.18 | 2.79 | NA |
| Richa Mahajan | NA | 1.08 | 2.14 | 1.79 | NA |
| Raghav Aggarwal | NA | 1.27 | 2.49 | 2.13 | NA |
| **Salary paid to Relatives of KMPs** | | | | | |
| Relatives of Sarvjit Singh Samra[13] | 1.40 | 1.21 | 2.54 | 2.32 | 1.70 |
| **CSR Expense through Trust** | | | | | |
| Capital Foundation Trust | 8.96 | 5.77 | 11.54 | 7.71 | 6.15 |

*(1) Relatives of Munish Jain include Kimti Lal Jain, Vishal Jain, Usha Jain, Ruchi Jain and Munish Jain HUF.*
*(2) Relatives of Amit Sharma include Mangal Chand Sharma.*
*(3) Relatives of Santosh Kumar Dhawan include Jeewan Asha and Vijay Kumar Dhawan.*
*(4) Relatives of Richa Mahajan include Neelam Sehgal.*
*(5) Relatives of Sarvjit Singh Samra include Amarjit Singh Samra, Amardeep Samra, Surinder Kaur Samra, Navneet Kaur Samra, Amarpreet Kaur Hayer, Shahbaz Singh Samra and Sangram Singh Samra.*
*(6) Relatives of Munish Jain include Kimti Lal Jain, Vishal Jain, Usha Jain, Ruchi Jain, Ritu Jain, Gaurish Jain, Aagam Jain and Munish Jain HUF. (7) Relatives of Amit Sharma include Mangal Chand Sharma, Bimla Sharma, Gitika Sharma and Sheetal Sharma.*
*(8) Relatives of Santosh Kumar Dhawan include Jeewan Asha, Sujata Dhawan, Rajni Dhawan, Vijay Kumar Dhawan, Ashwani Kumar Dhawan, Arun Kumar Dhawan and Anil Kumar Dhawan.*
*(9) Relatives of Richa Mahajan include Gaurav Mahajan, Arshia Mahajan, Neelam Sehgal, R.K. Sehgal and Akhil Sehgal. (10) Relatives of Raghav Aggarwal include Sunil Aggarwal and lndu Aggarwal.*
*(11) Relatives of Raghav Aggarwal include Sunil Aggarwal.*
*(12) Relatives of Sarvjit Singh Samra include Amarjit Singh Samra, Amardeep Samra, Surinder Kaur Samra and Navneet Kaur Samra.*
*(13) Relatives of Sarvjit Singh Samra include Shahbaz Singh Samra*

*Notes:*
*1. Salary Paid shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-Tax rules but excludes gratuity. PF settlement, perquisite on ESOPs & superannuation perquisites.*
*2. For a person being a KMP for a year or part thereof, the consideration paid during the complete financial year has been disclosed. 3. Salary paid to Mr. Sarvjit Singh Samra for the year ended March 31, 2023 includes arrears amounting to ₹2.8 million paid for the previous years.*
*4. Salary paid to Mr. Sarvjit Singh Samra for the year ended March 31, 2022 excludes arrears amounting to ₹1.5 million.*

***15. Our business is currently significantly dependent on banking operations in rural and semi-urban areas and any adverse developments in the banking and finance sector in these areas could adversely affect our business, financial condition, results of operations and cash flows.***

The details of our borrowers and depositors for the six months periods ended September 30, 2023 and September 30, 2022 and Fiscals March 31, 2023, 2022 and 2021, is set forth in the table below:

*(₹ in million, except percentages)*

| Sr. No. | Particulars | Six months period ended September 30, 2023 | Six months period ended September 30, 2022 | Fiscal 2023 | Fiscal 2022 | Fiscal 2021 |
|---|---|---|---|---|---|---|
| 1 | No. of Advance clients (rural and semi-urban) | 39,444 | 36,338 | 37,967 | 33,320 | 29,167 |
| 2 | % total no. of Advance clients | 70.85% | 71.57% | 71.21% | 72.47% | 74.80% |
| 3 | Total Advances (rural and semi urban) (**₹ in** million) | 34,890.25 | 31,050.53 | 33,076.84 | 28,177.26 | 22,663.77 |
| 4 | % to total Advances | 59.48% | 59.79% | 60.06% | 60.10% | 60.23% |
| 5 | No. of rural and semi urban Depositors | 5,79,145 | 5,45,927 | 561,770 | 454,714 | 406,429 |
| 6 | % to total number of Depositors | 76.80% | 77.11% | 76.98% | 77.61% | 77.94% |
| 7 | Total Deposit (rural and semi urban) | 53,540.75 | 48,910.87 | 51,610.53 | 47,150.07 | 40,994.27 |
| 8 | % to total deposit | 76.48% | 79.08% | 78.67% | 77.98% | 78.52% |
| 9. | **GNPA from rural and semi-Urban Areas** | 2.35% | 2.12% | 2.33% | 1.55% | 1.37% |



Demand for our loans is affected by a number of factors, including changes in regulations and policies, any adverse publicity or litigation relating to the sector, public criticism of the banking sector in general, infrastructural issues and competition from established public sector and regional rural banks. While we have not experienced any adverse developments in the banking and finance sector in these areas, any decline in the demand for our loans would adversely affect our business, financial condition, results of operations and cash flows.

Our borrowers' ability to repay their loans depends on various factors, including, the results of operations of our borrowers' businesses, the occurrence of event-based risks and natural calamities, such as floods and cyclones, this could lead to an increase in our gross NPAs and adversely affect our business, financial condition, results of operations and cash flows.

***16. We may face employee or labour disruptions that would interfere with our operations and have an adverse effect on our business, financial condition, results of operations and cash flows.***

The table sets forth the number of employees, attrition rate and the number of complaints received from employees for Fiscal 2023, 2022 and 2021:

| Fiscal Year | Number of Employees | Attrition Rate (in %) | No. of complaints received from Employees |
|---|---|---|---|
| 2023 | 1,808 | 19.82 | Nil |
| 2022 | 1,644 | 16.66 | Nil |
| 2021 | 1,614 | 12.18 | Nil |

The attrition rate in the banking sector has been relatively high and has also affected large private sector banks. This attrition is predominantly excessive at the entry level due to (i) faster growth opportunities at the entry level, and (ii) overseas migration.

We are exposed to the risk of strikes and employee or labour disruptions. Although, at present, none of our employees are in a trade union, so we are not exposed to the risk of disruptions in our operations. While our relations have been good with our employees, we cannot guarantee that our employees will not participate in unionization or work stoppages or other industrial action in the future. We cannot assure you that these proceedings will be decided in our favour. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations. Further, any other such event could disrupt our operations, possibly for a significant period of time, and result in increased wages and other benefits, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

***17. As at six months ended September 30, 2023 and September 30, 2022 and Fiscals ended March 31, 2023, 2022 and 2021, our gross NPAs as a percentage of gross advances were 2.73%, 2.60%, 2.77%, 2.50% and 2.08% and our provision coverage ratio was 50.96%, 48.62%, 51.48% 46.02% and 46.14%, respectively. If we are unable to control the level of NPAs in our portfolio effectively or if we are unable to improve or maintain our provision coverage as a percentage of gross NPAs, our business, financial condition, results of operations and cash flows could be adversely affected.***

The following table sets forth details on our NPAs, advances, provisions, technical write-offs and Provision Coverage Ratio as at and for the six months ended September 30, 2023 and September 30, 2022 and the fiscals ended March 31, 2023, March 31, 2022 and March 31, 2021:

| | **Six months ended September 30, 2023** | **Six months ended September 30, 2022** | **Year ended March 31, 2023** | **Year ended March 31, 2022** | **Year ended March 31, 2021** |
|---|---|---|---|---|---|
| Opening balance of Gross NPAs at the beginning of the period | 1,526.25 | 1,171.34 | 1,171.34 | 782.43 | 585.07 |
| Additions during the period | 445.28 | 405.44 | 1,543.73 | 781.13 | 248.53 |
| Less: Reductions during the period on account of recovery | 68.73 | 98.61 | 207.05 | 61.87 | 34.49 |
| Less: Reductions during the period on account of upgradations | 298.51 | 126.64 | 980.58 | 329.69 | 16.53 |
| Less: Reductions during the period on account of write-offs (including technical write-offs) | 0.08 | 0.47 | 1.18 | 0.66 | 0.15 |

| | | | | | |
|---|---|---|---|---|---|
| Gross NPAs [A] | 1,604.21 | 1,351.06 | 1,526.25 | 1,171.34 | 782.43 |
| Total provision towards NPAs [B] | 817.52 | 656.86 | 785.78 | 539.03 | 361.01 |
| Net NPAs [C= A- B] | 786.69 | 694.20 | 740.47 | 632.31 | 421.42 |
| Gross Advances [D] | 58,659.37 | 51,927.28 | 55,072.67 | 46,887.03 | 37,629.87 |
| Net Advances [E = D-B] | 57,841.85 | 51,270.42 | 54,286.89 | 46,348.00 | 37,268.86 |
| Gross NPAs as a percentage of gross advances [F = A/D] (%) | 2.73% | 2.60% | 2.77% | 2.50% | 2.08% |
| Net NPAs as a percentage of net advances [G = C/E] (%) | 1.36% | 1.35% | 1.36% | 1.36% | 1.13% |
| Provision for standard assets [H] | 283.56 | 289.62 | 282.77 | 284.04 | 174.81 |
| Total of provision towards NPAs and provision towards standard assets [I = B + H] | 1,101.08 | 946.48 | 1,068.55 | 823.07 | 535.82 |
| Total of provision towards NPAs and provision towards standard assets held as percentage of gross advances (%) [J=I/D] | 1.88% | 1.82% | 1.94% | 1.76% | 1.42% |
| Total provision towards NPAs held as percentage of gross NPAs (%) [K=B/A]* | 50.96% | 48.62% | 51.48% | 46.02% | 46.14% |
| Outstanding balance of technical written-off accounts [L] | - | - | - | - | - |
| Provision coverage ratio [M = (B+L)/(A+L)/(%) | 50.96% | 48.62% | 51.48% | 46.02% | 46.14% |

The table below sets forth, for the years indicated, the ratio of gross NPAs added during the year to the opening balance of standard advances at the beginning of the year ("**Slippage Ratio**").

| Particulars | **Six months ended September 30,** | | **Year ended March 31,** | | |
|---|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** | **2021** |
| | **(₹ in million, except percentages)** | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Additions of NPAs during the year/ period [A] | 445.28 | 405.44 | 1,543.73 | 781.13 | 248.53 |
| Opening balance of standard advances at the beginning of the year [B] | 53,546.42 | | 45,715.69<br>45,715.69<br>36,847.44 | | 32,670.59 |
| Slippage Ratio [C = A/B](*) | 1.66% | 1.77% | 3.38% | 2.12% | 0.76% |

*Note:*
** Non-GAAP financial measure.*
*Slippage ratio is annualised for half year*

Our ability to manage the credit quality of our loans, is significant for our results of operations. The following table sets forth our Gross NPAs to gross advances and provision coverage ratio for the specified period:



| **Particulars** | **As at and for the six months ended September 30, 2023** | **As at and for the six months ended September 30, 2022** | **As at and for the financial year ended March 31, 2023** | **As at and for the financial year ended March 31, 2022** | **As at and for the financial year ended March 31, 2021** |
|---|---|---|---|---|---|
| Gross NPA (%) - Outstanding | 2.73% | 2.60% | 2.77% | 2.50% | 2.08% |
| Provision coverage ratio [M = (B+L)/(A+L)/(%) | 50.96% | 48.62% | 51.48% | 46.02% | 46.14% |

We could experience a further significant increase in our NPA levels due to deterioration in the credit quality of our customers, including the small traders, individuals with micro-enterprises, self-employed, and salaried customers, businessmen who do not have access to formal banking and finance channels. While we believe that we have appropriate internal controls, our credit monitoring and risk management policies and procedures may not be accurate, properly designed, or appropriately implemented or complied with by our customers, and we could suffer material credit losses. 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 could 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. Further, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate.

Further, any incorrect estimation of risk 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. The table below sets forth the provision coverage ratio for the six-month periods ended September 30, 2023, September 30, 2022 and for Fiscal Years 2023, 2022 and 2021:

| **Particulars** | **As at and for the six months ended September 30, 2023** | **As at and for the six months ended September 30, 2022** | **As at and for the financial year ended March 31, 2023** | **As at and for the financial year ended March 31, 2022** | **As at and for the financial year ended March** |
|---|---|---|---|---|---|

| | | | | | **31, 2021** |
|---|---|---|---|---|---|
| Provision Coverage Ratio | 50.96% | 48.62% | 51.48% | 46.02% | 46.14% |

As at September 30, 2023, 99.85% of our gross advances were secured, out of which 84.26% were backed by collateral. The tables below set forth the ageing-wise provision coverage ratio of our Bank, for the periods indicated:

| **NPA Ageing** | **As at September 30, 2023** | | | | **As at September 30, 2022** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Portfolio Secured with Immovable Property** | **Portfolio Secured with less than 100 % Immovable Property** | **Unsecured** | **Total** | **Portfolio Secured with Immovable Property** | **Portfolio Secured with less than 100 % Immovable Property** | **Unsecured** | **Total** |
| Above 5 Years | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 2-5 Year | 69.75% | 100.00% | 100.00% | 77.36% | 90.55% | 99.89% | 100.00% | 94.17% |
| 1-2 Year | 35.00% | 35.39% | 100.00% | 35.77% | 42.12% | 0.00% | 100.00% | 43.47% |
| upto 1 Year | 21.78% | 30.97% | 38.56% | 22.31% | 15.00% | 16.27% | 93.59% | 16.54% |
| **Total** | **45.04%** | **89.26%** | **88.85%** | **50.96%** | **40.58%** | **90.15%** | **98.19%** | **48.62%** |



| | **Fiscal 2023** | | | | **Fiscal 2022** | | | | **Fiscal 2021** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NPA Ageing** | **Portfolio Secured with Immovable Property** | **Portfolio Secured with less than 100 % Immovable Property** | **Unsecured** | **Total** | **Portfolio Secured with Immovable Property** | **Portfolio Secured with less than 100 % Immovable Property** | **Unsecured** | **Total** | **Portfolio Secured with Immovable Property** | **Portfolio Secured with less than 100 % Immovable Property** | **Unsecured** | **Total** |
| Above 5 Years | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 2-5 Year | 71.59% | 100.00% | 100.00% | 80.04% | 68.08% | 72.72% | 100.00% | 71.17% | 56.23% | 66.68% | 100.00% | 60.39% |
| 1-2 Year | 43.20% | 0.00% | 100.00% | 44.02% | 25.82% | 41.13% | 100.00% | 29.11% | 35.00% | 51.00% | 100.00% | 45.63% |
| upto 1 Year | 21.20% | 21.23% | 37.97% | 21.42% | 21.79% | 0.00% | 100.00% | 23.80% | 25.00% | 0.00% | 34.93% | 25.18% |
| **Total** | **45.6** | **84.37%** | **91.83%** | **51.48** | **37.22%** | **74.53%** | **100.00%** | **46.02** | **38.93%** | **58.00%** | **91.24%** | **46.14** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 4% | | | % | | | | % | | | | % |

As set out above, our provision coverage ratio has increased from 46.14% to 50.96% between March 31, 2021 and September 30, 2023. While we believe that our provision coverage ratio is adequate in view of our gross NPAs as a percentage of our gross advances, we cannot assure you that any future credit defaults will not impact our business, results of operations or financial condition. Further, 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.

***18. We are subject to certain prudential norms. If we are unable to comply with these norms it may have an adverse effect on our business, financial condition, results of operations and cash flows.***

***Restrictions relating to advances***

The maximum loan size and investment limit exposure to a single and group obligor is restricted to 10.00% and 15.00% of our capital funds, respectively. In addition, at least 50.00% of our loan portfolio is required to constitute advances of up to ₹ 2.50 million. Further, as per the Reserve Bank of India (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 policies for resolution of stressed assets. While there have been no instances where we have not complied with the restrictions relating to advances in past, we cannot assure you that we will be able to ensure compliance with the restrictions relating to advances at all times. Set out below are the details of our credit exposures for the period indicated:

| **Particulars** | **As at September 30, 2023** | | **As at September 30, 2022** | | **As at March 31, 2023** | | **As at March 31, 2022** | | **As at March 31, 2021** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** |
| Total credit exposure to the Bank's largest borrower | 239.04 | 0.38% | 228.22 | 0.40% | 256.78 | 0.42% | 250.00 | 0.47% | 177.72 | 0.37% |
| Total credit exposure to the Bank's | 3,410.07 | 5.38% | 3,449.30 | 5.99% | 3,276.67 | 5.39% | 3,452.32 | 6.53% | 2,738.50 | 5.70% |



| **Particulars** | **As at September 30, 2023** | | **As at September 30, 2022** | | **As at March 31, 2023** | | **As at March 31, 2022** | | **As at March 31, 2021** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** | **Amount (₹ in million)** | **% of total Credit Exposure** |
| 20 largest borrowers | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total credit exposure | 63,405.87 | | % 66 | 100.00 % | 60,817.88 | | % 17 | | % 39 | 100.00 % |

***Note:*** *Credit exposure is computed as per the RBI Master Circular on Exposure Norms - DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.*

We are also prohibited from exposure in terms of advances to our Directors, companies in which our Directors are interested, our Promoters, major shareholders (holding 10.00% or more of our paid-up equity share capital), and entities in which our Promoters and major shareholders have significant influence or control (as defined under applicable accounting standards).

***Maintenance of cash reserve ratio ("CRR") and statutory liquidity ratio ("SLR")***

We are required to maintain CRR and SLR in accordance with "Reserve Bank of India Directions, - 2021 on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)" ("**RBI CRR SLR Guidelines**"). We are currently required to maintain a CRR of a minimum of 4.50% of our net demand and time liabilities with the RBI in accordance with RBI CRR SLR Guidelines, on which no interest is paid. Further, we are also currently required to maintain SLR equivalent to 18.00% of our net demand and time liabilities in cash, gold, unencumbered investments in specified securities and invested in Government and other RBI-approved securities in accordance with RBI CRR SLR Guidelines. The details of our CRR and SLR as at six months ended September 30, 2023 and September 30, 2022 and the Fiscals ended March 31, 2023, 2022 and 2021 are provided in the table below:

| | **As at September 30, 2023 (in %)** | **As at September 30, 2022 (in %)** | **As at March 31, 2023 (in %)** | **As at March 31, 2022 (in %)** | **As at March 31, 2021 (in %)** |
|---|---|---|---|---|---|
| **CRR** | 4.89 | 4.67 | 4.60 | 4.07 | 3.56 |
| **SLR** | 24.19 | 21.47 | 23.20 | 23.96 | 32.37 |

While there have been no instances in the past where cash reserve ratio and statutory liquidity ratio were not met by the Bank, we cannot assure you that we will be able to meet the statutory ratios at all times.

As a scheduled commercial bank, our net interest margin, which is the difference of interest earned and interest expended divided by the average total assets ("**Net Interest Margin**") and return on net worth may be adversely affected, as we are required to set aside resources to meet the RBI's CRR and SLR requirements. We may be unable to maintain the CRR and SLR as prescribed by the RBI, from time to time, due to limited availability of funds. While we are in compliance with the prescribed norms of RBI, if we fail to meet the prescribed norms in our banking operations, the RBI may take action against us for the period of default, or restrict our banking activities, or otherwise enforce increased scrutiny and control over our banking operations. 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 ability to make advances would be correspondingly further reduced, which may adversely affect our business, financial condition, results of operations and cash flows.

***Maintenance of capital to risk (weighted) assets ratio ("CRAR")***

As per the SFB Operating Guidelines and the Master Circular – Basel II Capital Regulations, we are required under applicable laws and regulations to maintain a minimum CRAR, which is currently 15.00% of the risk weighted assets ("**RWAs**"), on a continuous basis subject to any higher percentage as may be prescribed by the RBI from time to time, with Tier I capital of at least 7.50% of the RWAs and Tier II capital of not more than 100.00% of the Tier I capital. The table below sets forth our CRAR, Tier I capital and Tier II capital, which were above the minimum CRAR and Tier I capital required by the RBI, as at the dates indicated:

| | **As at September 30, 2023** | **As at September 30, 2022** | **As at March 31, 2023** | **As at March 31, 2022** | **As at March 31, 2021** |
|---|---|---|---|---|---|
| CRAR | 20.72% | 18.61% | 18.87% | 18.63% | 19.80% |

| Of which: |
|---|



| | | | | | |
|---|---|---|---|---|---|
| *Tier I capital* | 15.26% | 13.00% | 13.69% | 13.21% | 14.27% |
| *Tier II capital* | 5.46% | 5.61% | 5.18% | 5.42% | 5.53% |

Currently, the RBI does not require small finance banks to provide any capital charge for operational risk and market risk. However, there can be no assurance that the RBI will not require small finance banks, including us, to provide capital charge for such risk in future and to migrate to Basel III approach for credit risk.

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 CRARs with respect to our business. While we are in compliance with the applicable CRAR requirements as on the date of this Red Herring Prospectus, we cannot assure you that we will be able to raise adequate additional capital in the future on terms favourable to us, or at all, which may adversely affect the growth of our business.

***Maintenance of priority sector lending ("PSL") requirements***

As a small finance bank, we are required to extend 75.00% of our adjusted net bank credit ("**ANBC**") to the sectors eligible for classification as PSL by RBI, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy. Furthermore, 40.00% of our ANBC is required to be allocated to different sub sectors under PSL as per the PSL requirements. We can allocate the remaining 35.00% to any one or more sub-sectors under the PSL requirements. In case of any shortfall by us in meeting the PSL requirements, we would subsequently be required to place the allocated amount by RBI in an account with the NABARD under the Rural Infrastructure Development Fund Scheme, or with other institutions specified by the RBI, which may earn lower rates of interest, compared to other interest-bearing securities. While we are compliance with the applicable PSL requirements as on the date of this Red Herring Prospectus any failure to comply with PSL requirements may have an adverse effect on our business, financial condition, results of operations and cash flows.

***Branches in unbanked rural centres***

At least 25.00% of our total branches are required to be located in unbanked rural centres. As at September 30, 2023, 173 branches, being 26.01% of our total branches were in unbanked rural centres. As on the date of this Red Herring Prospectus, we are in compliance with the requirement of at least 25.00% of our total branches being located in unbanked rural centres.

***19. As of December 31, 2023, we had total indebtedness of ₹ 5,295.10 million, which comprised of secured borrowings of ₹ 2,657.80 million and unsecured borrowings ₹ 2,637.30 million. If we are unable to secure funding on acceptable terms and at competitive rates when needed, or to service our debt obligations in a timely manner or to comply with various financial and other covenants and other terms and conditions of our financing agreements, it may adversely affect our business, credit rating, reputation, prospects, results of operations, cash flows and financial condition***

Our business and results of operations depend on our ability to raise both, debt and equity from various external sources on suitable terms and in a timely manner, along with the costs associated therewith. Our financing requirements historically have been met from several sources, including subordinate debt, borrowings from other institutions and issuance of non-convertible debentures ("NCDs"), Our indebtedness comprises, inter alia, refinance facilities, overdraft facilities, money-market borrowings and non-convertible debentures. Set forth below are the details of our total outstanding borrowings as of December 31, 2023, September 30, 2023, September 30, 2022, March 31, 2023, 2022 and 2021:

*(₹ in million)*

| **Particulars** | **As of December 31, 2023** | **As of September 30, 2023** | **As of September 30, 2022** | **As of March 31,** | | |
|---|---|---|---|---|---|---|
| | | | | **2023** | **2022** | **2021** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Money Market Borrowings | - | - | 1,499.27 | 299.83 | - | - |
| Interbank Overdraft | - | - | 1,000.21 | - | - | - |
| Non-convertible debentures | 2,637.30 | 2,637.30 | 2,408.70 | 2,408.70 | 2,147.40 | 1,921.20 |
| Refinancing from AIFIs | 2,657.80 | 3,090.30 | 2,924.80 | 4,505.30 | 2,836.90 | 4,246.00 |
| **Total outstanding borrowings** | **5,295.10** | **5,727.60** | **7,832.98** | **7,213.83** | **4,984.30** | **6,167.20** |



Our total indebtedness could have several adverse consequences, including but not limited to the following: a portion of our cash flows may be used towards repayment of our existing debt, which will reduce the availability of our cash flows to fund working capital, capital expenditures, acquisitions and other general corporate requirements; our ability to obtain additional financing in the future at reasonable terms may be restricted. The table below sets forth the ageing of various categories of borrowings, as per residual maturity, availed by our Bank:

*(₹ in million)*

| **Category of Borrowings** | **Secured/unsecured** | **Ageing Period** | **As at December 31, 2023** | **As at September 30, 2023** | **Fiscal 2023** | **Fiscal 2022** | **Fiscal 2021** |
|---|---|---|---|---|---|---|---|
| Refinance | Secured | <1 Month | 452.50 | 52.50 | 52.50 | 69.30 | 851.00 |
| | | >1 Month to 3 Months | 380.10 | 380.00 | 130.00 | 138.60 | 102.00 |
| | | >3 Months to 6Months | 363.80 | 832.60 | 1,232.50 | 607.90 | 653.00 |
| | | >6 Months to 1 Year | 728.60 | 727.60 | 1,265.10 | 705.80 | 730.00 |
| | | >1 Year to 3 Years | 732.80 | 1,097.60 | 1,825.20 | 1,315.30 | 1,910.00 |
| | | 3 Years+ | - | - | - | - | - |
| Tier II Borrowings | Unsecured | <1 Month | - | - | - | - | - |
| | | >1 Month to 3 Months | - | - | 81.30 | - | 87.30 |
| | | >3 Months to 6Months | 94.70 | - | - | 60.40 | - |
| | | >6 Months to 1 Year | - | 94.70 | - | - | - |
| | | >1 Year to 3 Years | 279.00 | 120.00 | 214.70 | 176.00 | 141.70 |
| | | 3 Years+ | 2,263.60 | 2,422.60 | 2,112.70 | 1,911.00 | 1,692.20 |
| Money Market | Secured | <1 Month | - | - | 299.83 | - | - |
| **Total Borrowings** | | | **5,295.10** | **5,727.60** | **7,213.83** | **4,984.30** | **6,167.20** |

There can also be no assurance that we will be able to raise adequate additional funding in the future on terms favourable to us, or at all, and this may hamper our growth plans, apart from those that can be funded by internal accruals.

Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits, including savings and current account deposits and term and recurring deposits, and refinancing on suitable interest rates and terms, and in a timely manner. In addition, our inability to diversify our funding sources or to raise funds through deposits, including savings and current account deposits and term and recurring deposits as source of funds may increase our exposure to adverse market risks. Our ability to raise such funds on competitive terms in the future will depend on various factors including our credit ratings, macroeconomic factors, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/or lenders' perception of demand for debt and equity securities of SFBs, and our current and future results of operations, financial condition and cash flows.

Our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities or entering into certain transactions. Typically, restrictive covenants under our financing documents relate to obtaining prior consent of the lender for, among others, change in the constitution of the Bank, availing additional borrowings etc. and a failure to observe the restrictive covenants under our financing agreements or to obtain necessary consents required thereunder may trigger an event of default which may lead to inter alia the imposition of penalties, termination of our credit facilities, acceleration of all amounts due under such facilities and/or the enforcement of any security provided. While we have obtained the consents, as required and intimated the relevant lenders for the purposes of the Offer, our future borrowings may also contain similar or additional restrictive covenants.

***20. We have not made provisions in our Restated Financial Statements for the amount involved in respect of the direct tax dispute with the Income-Tax Department, i.e., ₹ 12.21 million.***

We are currently involved in a tax matter with the Income-Tax Department, with respect to the addition by the Department of certain amounts deducted by our Bank under the heads 'depreciation on investments' and 'broken period interest'. The matter is currently pending in appeal before the High Court of Punjab and Haryana. As on



September 30, 2023, the amount involved in this matter (excluding interest and penalty, if any, which may be levied at the time of final determination), is ₹ 12.21 million. For details on the matter, see "*Outstanding Litigation and Material Developments*" on page 402.

While we have recognised the aforementioned amount of ₹ 12.21 million as a contingent liability under the head 'Claims against the Bank not acknowledged as debts' as on September 30, 2023, we have not made provisions for this amount in our Restated Financial Information. Since similar matters in the past have been decided in our favour, we expect the outcome of this matter to be favourable. However, we cannot assure you that this matter will be decided in our favour, or that the recognition of the amount of ₹ 12.21 million as a contingent liability is adequate. Any adverse decision in any of these proceedings may impose a higher amount on our Bank and may have an adverse effect on our business, results of operations and financial condition.

***21. If we are unable to secure funding on acceptable terms and at competitive rates when needed, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

Our business and results of operations depend on our ability to raise both, debt and equity from various external sources on suitable terms and in a timely manner, along with the costs associated therewith. Our financing requirements historically have been met from several sources, including subordinate debt, borrowings from other institutions and issuance of non-convertible debentures ("**NCDs**"), Set forth below are the details of our total outstanding borrowings as of September 30, 2023, September 30, 2022, March 31, 2023, 2022 and 2021.

*(₹ in million)*

| **Particulars** | **As of September 30, 2023** | **As of September 30, 2022** | **As of March 31,** | | |
|---|---|---|---|---|---|
| | | | **2023** | **2022** | **2021** |
| Money Market Borrowings | - | 1,499.27 | 299.83 | - | - |
| Interbank Overdraft | - | 1,000.21 | - | - | - |
| Non-convertible debentures | 2,637.30 | 2,408.70 | 2,408.70 | 2,147.4 | 1,921.2 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | 0 | 0 |
| Refinancing from AIFIs | 3,090.30 | 2,924.80 | 4,505.30 | 2,836.90 | 4,246.00 |
| **Total outstanding borrowings** | **5,727.60** | **7,832.98** | **7,213.83** | **4,984.30** | **6,167.20** |

There can also be no assurance that we will be able to raise adequate additional funding in the future on terms favourable to us, or at all, and this may hamper our growth plans, apart from those that can be funded by internal accruals.

Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits, including savings and current account deposits and term and recurring deposits, and refinancing on suitable interest rates and terms, and in a timely manner. In addition, our inability to diversify our funding sources or to raise funds through deposits, including savings and current account deposits and term and recurring deposits as source of funds may increase our exposure to adverse market risks. Our ability to raise such funds on competitive terms in the future will depend on various factors including our credit ratings, macroeconomic factors, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/or lenders' perception of demand for debt and equity securities of SFBs, and our current and future results of operations, financial condition and cash flows.

***22. Our Cost to Income Ratio was 62.35%, 61.23%, 59.97%, 63.42% and 70.76% for the six months ended September 30, 2023 and September 30, 2022 and the Fiscals ended March 31, 2023, 2022 and 2021 respectively. An increase in the Cost to Income Ratio will adversely affect our financial condition, results of operations and cash flows.***

Cost to Income Ratio is an important parameter in measuring how the efficiency of a bank's operations. A higher Cost to Income Ratio results in lower profitability and vice-versa. Our Cost to Income ratio is the ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).

The table below sets forth certain details of our Cost to Income Ratio for the periods indicated:



| **Particulars** | **Six months ended September 30, 2023** | | **Six months ended September 30, 2022** | | **Fiscal 2023** | | **Fiscal 2022** | | **Fiscal 2021** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **₹ in million** | **% of Net Total Income** | **₹ in million** | **% of Net Total Income** | **₹ in million** | **% of Net Total Income** | **₹ in million** | **% of Net Total Income** | **₹ in million** | **% of Net Total Income** |
| Operating Expenses *(A)* | 1,248.24 | 62.35 | 1,061.90 | 61.23 | 2,227.54 | 59.97 | 1,962.53 | 63.42 | 1,729.59 | 70.76 |
| Of which: | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Payments to and provisions for employees** | 613.97 | 30.67 | 562.17 | 32.41 | 1,179.82 | 31.76 | 1,065.6 | 34.43 | 904.30 | 36.99 |
| *Rent, taxes insurance and lighting* | 196.48 | 9.81 | 176.88 | 10.20 | 358.08 | 9.64 | 341.99 | 11.05 | 329.37 | 13.47 |
| *Depreciation and repairs to Bank's property* | 136.09 | 6.80 | 157.72 | 9.09 | 294.20 | 7.92 | 237.46 | 7.67 | 226.30 | 9.26 |
| *Interest earned [B]* | 3,859.82 | - | 3,207.25 | - | 6,760.07 | - | 5,782.18 | - | 5,114.39 | - |
| *Interest expended [C]* | 2,150.08 | - | 1,693.69 | - | 3,540.24 | - | 3,229.36 | - | 3,128.28 | - |
| *Net Interest Income [D = B – C]* | 1,709.74 | - | 1,513.56 | - | 3,219.83 | - | 2,552.82 | - | 1,986.11 | - |
| *Other income [E]* | 292.34 | - | 220.83 | - | 494.75 | - | 541.85 | - | 458.34 | - |
| *Net Total Income [F = D + E]* | 2,002.08 | - | 1,734.39 | - | 3,714.58 | - | 3,094.67 | - | 2,444.45 | - |
| ***Cost to Income Ratio [G = A / F] (%)*** | **62.35%** | **-** | **61.23%** | **-** | **59.97%** | **-** | **63.42%** | **-** | **70.76%** | **-** |

**Payment to and provisions for employees include (i) salary; (ii) incentives; (iii) provident fund; (iv) ESOP expenses; (v) leave encashment expenses; (vi) mediclaim insurance; (vii) gratuity expenses; (viii) car perks; (ix) sick leave expense; (x) contribution to labour welfare fund; and (xi) other employee related expenses. As on the date of filing of this Red Herring Prospectus, there are no amounts which are overdue to our employees and which have not been paid. As on the date of filing of this Red Herring Prospectus, there are no pending overdues for any employees.*

Our material fixed operating expenses are: (i) payments to and provisions for employees, (ii) rent, taxes, insurance and lighting and (iii) depreciation and repairs on our property. While we are able to estimate our operating expenses and have been successful in reducing these expenses as a result of operating efficiencies, any increase in our operating expenses without a corresponding increase in net total income will adversely affect our financial condition, results of operations and cash flows.

For details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations*" on page 381.

***23. One of our Directors has not been able to trace certain records of his educational qualifications and we have relied on the certificate and affidavit furnished by him for such details of his profile, included in this Red Herring Prospectus.***

Sham Singh Bains, one of our Independent Directors, has been unable to trace copies of documents pertaining to his educational qualifications namely his bachelor's degree in arts from the Guru Nanak Dev University, Amritsar, in spite of attempts to retrieve such documents. Accordingly, reliance has been placed on a certificate and an affidavit furnished by him to us and the BRLMs to disclose details of his educational qualifications in this Red Herring Prospectus. We and the BRLMs have been unable to independently verify these details in the absence of primary documentary evidence prior to inclusion in this Red Herring Prospectus. Further, there can be no assurances that he will be able to trace the relevant documents pertaining to his past work experience in future, or at all.

***24. Our Directors, Navin Kumar Maini, Rachna Dikshit, Nageswara Rao Yalamanchili and Mahesh Parasuraman are on the board of directors of companies engaged in a line of business similar to that of ours. Any conflict of interest***



***that may occur as a result could adversely affect our business, financial condition, results of operations and cash flows.***

Our Directors, Navin Kumar Maini, Rachna Dikshit, and Mahesh Parasuraman, are on the board of directors of companies engaged in a line of business similar to that of our Bank. For instance, Navin Kumar Maini, our Independent Director and Part-Time Chairman, is a director on the board of directors of Subhlakshmi Finance Private Limited, Rachna Dikshit, our Independent Director, is a director on the board of directors of India Shelter Finance Corporation Limited and Arthimpact Digital Loans Private Limited and Nageswara Rao Yalamanchili, our Independent Director, is an Independent Director on the board of directors of Ramaiah Capital Private Limited. Further, Mahesh Parasuraman is a director on the board of directors of Sundaram Home Finance Limited, a housing finance company. These entities may provide comparable services, expand their presence, solicit our employees or acquire interests in competing ventures in the locations or segments in which we operate. A conflict of interest may occur between our business and the business of such entities, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

***25. We are dependent on our key managerial personnel and members of senior management and other key personnel, and the loss of, or our inability to attract or retain, such persons could adversely affect our business, financial condition, results of operations and cash flows.***

Our performance depends largely on the efforts and abilities of our Key Managerial Personnel and members of Senior Management and other key personnel. We believe that the inputs and experience of our Key Managerial Personnel and members of 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. For details in relation to the experience of our Key Management Personnel and Senior Management, see "*Our Management- Key Managerial Personnel*" and "*Our Management - Senior Management*" on pages 266 and 266. Though we did not experience attrition in our Key Managerial Personnel and Senior Management during the last three Fiscals, we cannot assure you that we will be renewing the terms of employment of our Key Managerial Personnel or Senior Management or that these individuals will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with us.

Further, we may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us, thereby adversely affecting our business, financial condition, results of operations, and cash flows.

***26. Our business is concentrated in North India, with approximately 86.13% of our total branches i.e., 149 branches out of a total of 173 branches, as of September 30, 2023 are located in the state of Punjab. Any adverse change in the economy of North India could have an adverse effect on our financial condition, results of operations and cash flows.***

Our business is concentrated in North India, particularly in the state of Punjab. As of September 30, 2023, we had a total of 173 branches out of which 149 branches, aggregating to an approximate of 86.13% of our total branches across the country are located in Punjab. Further, we do not have significant branches in NCT of Delhi presently. Due to this concentration, the success and profitability of our overall operations may be exposed to regional factors which include, among others, the growth in population, income and savings levels, increased competition as more players enter these geographies, financial health of borrowers in these areas, and the risk of their over-indebtedness, changes to local laws and regulations influx or efflux of migrant populations in these regions, civil, economic disruptions, political or social unrest and other natural calamities. Adverse developments in any of the above factors would affect us more than they might affect banks with wider geographic diversity. Any one of these events may require us to close our branches, 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.

The following table sets forth the region-wise split of the interest earned on advances (which is the primary source of our revenue) for the period ended September 30, 2023, September 30, 2022, Fiscal 2023, 2022 and 2021:

| S. No. | Region | % of interest earned on advances for the six months ended September 30, 2023 | % of interest earned on advances for the six months ended September 30, 2022 | % of interest earned on advances in Fiscal 2023 | % of interest earned on advances in Fiscal 2022 | % of interest earned on advances in Fiscal 2021 |
|---|---|---|---|---|---|---|
| 1. | Punjab | 84.96 | 86.44 | 86.12 | 87.76 | 88.36 |
| 2. | Out of Punjab | 15.04 | 13.56 | 13.88 | 12.24 | 11.64 |
| | **Total** | **100** | **100** | **100** | **100** | **100** |



The table below sets out the total number of our branches, as well as our total advances and deposits, along with the percentage contribution of our branches in Punjab:

| Region | As at September 30, 2023 | As at September 30, 2022 | As at March 31, 2023 | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|---|
| Total Branches (Count) | 173 | 165 | 170 | 161 | 158 |
| % of Punjab Branches to Total Branches | 86.13% | 88.48% | 87.06% | 88.82% | 88.61% |
| Total Advances (₹ in Million) | 58,659.37 | 51,927.28 | 55,072.67 | 46,887.03 | 37,629.87 |
| % of Punjab based Advance to Total Advance | 83.97% | 85.57% | 85.19% | 86.42% | 87.91% |
| Total Deposits (₹ in Million) | 70,002.86 | 61,845.95 | 65,606.21 | 60,463.59 | 52,210.70 |
| % of Punjab based Deposit to Total Deposit | 93.73% | 96.30% | 96.44% | 96.45% | 96.22% |

The table below sets out the State-wise / Union territory-wise number of our branches across India as at September

30, 2023:

| State / Union Territory | No. of branches as at September 30, 2023 |
|---|---|
| Punjab | 149 |
| Haryana | 16 |
| Chandigarh | 2 |
| Delhi | 3 |
| Rajasthan | 2 |
| Himachal Pradesh | 1 |
| **Total** | **173** |

The following table sets forth a breakdown of our branches, gross advances and total deposits in various districts of Punjab in terms of the percentage of our entire network, as of September 30, 2023 in the state of Punjab:

| District | Branches | | Gross Advances | | Deposits | |
|---|---|---|---|---|---|---|
| | Number | % of total branches in Punjab | In ₹ million | % of total gross advances in Punjab | In ₹ million | % of total deposits in Punjab |
| Amritsar | 4 | 2.68% | 1,741.61 | 3.54% | 1,168.67 | 1.78% |
| Barnala | 1 | 0.67% | 271.16 | 0.55% | 190.52 | 0.29% |
| Bathinda | 4 | 2.68% | 950.72 | 1.93% | 258.38 | 0.39% |
| Faridkot | 2 | 1.34% | 838.08 | 1.70% | 380.18 | 0.58% |
| Fatehgarh Sahib | 3 | 2.01% | 715.86 | 1.45% | 473.83 | 0.72% |
| Fazilka | 2 | 1.34% | 385.22 | 0.78% | 285.15 | 0.43% |
| Ferozpur | 4 | 2.68% | 1,209.51 | 2.46% | 528.93 | 0.81% |
| Gurdaspur | 1 | 0.67% | 285.10 | 0.58% | 180.62 | 0.28% |
| Hoshiarpur | 13 | 8.72% | 4,312.91 | 8.76% | 8,067.18 | 12.30% |
| Jalandhar | 55 | 36.91% | 18,471.04 | 37.50% | 34,872.52 | 53.15% |
| Kapurthala | 14 | 9.40% | 4,763.45 | 9.67% | 9,130.35 | 13.92% |
| Ludhiana | 17 | 11.41% | 6,432.26 | 13.06% | 4,598.56 | 7.01% |
| Malerkotla | 1 | 0.67% | 443.08 | 0.90% | 109.50 | 0.17% |
| Mansa | 1 | 0.67% | 411.19 | 0.83% | 204.41 | 0.31% |
| Moga | 3 | 2.01% | 1,447.31 | 2.94% | 755.47 | 1.15% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Mohali | 4 | 2.68% | 791.66 | 1.61% | 587.08 | 0.89% |
| Muktsar | 3 | 2.01% | 935.60 | 1.90% | 389.15 | 0.59% |
| Nawanshahr | 8 | 5.37% | 2,069.21 | 4.20% | 1,810.06 | 2.76% |
| Pathankot | 1 | 0.67% | 308.24 | 0.63% | 225.45 | 0.34% |
| Patiala | 4 | 2.68% | 1,161.02 | 2.36% | 750.25 | 1.14% |
| Rupnagar | 2 | 1.34% | 533.55 | 1.08% | 274.36 | 0.42% |
| Sangrur | 2 | 1.34% | 775.81 | 1.58% | 369.91 | 0.56% |
| **Total** | **149** | **100.00%** | **49,253.59** | **100.00%** | **65,610.53** | **100.00%** |

***27. Any downgrade in our credit ratings could increase our borrowing costs, affect our ability to obtain financing, and adversely affect our business, results of operations and financial condition***

The cost and availability of capital depends in part on our long-term and short term credit ratings. Credit ratings reflect the opinions of ratings agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Our credit ratings as of the relevant dates indicated are set forth below:

| **RatingAgency** | **Instrument** | **Credit Ratings as of March 31,** | | |
|---|---|---|---|---|
| | | **2023** | **2022** | **2021** |
| Brickwork Rating | Lower Tier –II Bond[(1)] | BWR A+ Stable | BWR A+ Stable | BWR A+ Stable |
| Brickwork Rating | Upper Tier-II Bond[(1)] | BWR A+ Stable | BWR A+ Stable | BWR A+ Stable |
| Brickwork Rating | Upper Tier –II Bond | BWR A+ Stable | BWR A+ Stable | BWR A+ Stable |
| CARE Rating | Lower Tier –II Bond | CARE A Stable | N.A. | N.A. |
| CARE Rating | Upper Tier-II Bond | CARE A- Stable | N.A. | N.A. |
| CARE Rating | Upper Tier –II Bond | CARE A- Stable | N.A. | N.A. |

*[(1)] Lower Tier II Bonds and Upper Tier II Bonds refers to debt securities issued by the Bank as Tier II capital instruments in compliance with the Basel norms issued by the RBI.*
*Note: For details on Lower Tier-II Bonds and Upper Tier-II Bonds, see "Definitions and Abbreviations- Technical/Industry Related Terms/Abbreviations" on page 9.*

While we have not witnessed any downgrade in our credit ratings in the past, any downgrade in our credit ratings could adversely affect our access to capital and debt markets, which could in turn adversely affect our interest margins, our business, results of operations, financial condition and cash flows. In addition, any downgrade in our credit ratings could increase the probability that our lenders impose additional terms and conditions to any financing or refinancing arrangements we enter into in the future and adversely affect our business, results of operations and financial condition. Further, as rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from companies that they rate, and potentially adjust their requirements employed in the rating agency models for maintenance of certain rating levels. It is possible that the outcome of any such review of us could adversely impact our ratings.

***28. We may be impacted by volatility in interest rates, which could cause our Net Interest Margin to decline and adversely affect our results of operations and cash flows.***

Our results of operations are substantially dependent upon the amount of our Net Interest Income. The table below sets forth our Net Interest Income as a percentage of our net total income for the periods indicated: *(In ₹ million, except percentage data)*

| Particulars | September 30, 2023 | September 30, 2022 | March 31, 2023 | March 31, 2022 | March 31, 2021 |
|---|---|---|---|---|---|
| **Net total income (A)** | 2,002.08 | 1,734.39 | 3,714.58 | 3,094.67 | 2,444.45 |
| **Net Interest Income (B)** | 1,709.74 | 1,513.56 | 3,219.83 | 2,552.82 | 1,986.11 |
| **Net Interest Income as percentage of net total income (B/A) (in %)** | 85.40% | 87.27% | 86.68% | 82.49% | 81.25% |



Our interest earning assets are our advances and investments. The 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. Our Net Interest Income is significantly dependent on our average performing advances for a particular period and our Net Interest Margin. Our interest-bearing liabilities are our deposits and our borrowings. As at March 31, 2023, 44.86% of our advances and 100.00% of our investments were on fixed interest rates and 55.14% of our advances were on floating interest rates. As at March 31, 2023, 99.74% of our deposits and 91.68% of our borrowings were on fixed interest rates.

Any change in interest rates or their volatility would affect our interest expense on our floating interest-bearing liabilities as well as our net interest income and Net Interest Margin. Any increase in our cost of funds may lead to a reduction in our Net Interest Margin or require us to increase interest rates on loans disbursed to customers in the future to maintain our Net Interest Margin. While any reduction in the interest rates we pay on our deposits and borrowings may be passed on to customers for our loans, we are unable to pass on any increase in interest rates at which we lend to our customers who have existing loans on fixed interest rates.

In addition, as a result of the RBI-mandated reserve requirements, we are also more structurally exposed to interest rate risks than banks in many other countries. Under the RBI regulations, our liabilities are subject to the SLR requirement such that a minimum specified percentage, currently 18.00%, of a bank's net demand and time liabilities must be invested in cash, gold Government securities and other RBI approved securities, in accordance with RBI CRR SLR Regulations. These securities generally carry fixed coupons and, in an environment of rising interest rates, the value of Government securities and other fixed income securities decline. Fixed rate bonds represented 100% of our SLR portfolio as at March 31, 2023.

Although we have been able to maintain our Net Interest Income and Net Interest Margin in accordance with the prescribed margins, there can be no assurance that we will be able to adequately manage our interest rate risk in the future, which could have an adverse effect on our Net Interest Income and Net Interest Margin and could, in turn, have an adverse effect on our financial condition, results of operations and cash flows.

***29. If we fail to effectively manage our growth or implement our growth strategies, our business may be adversely affected.***

We have experienced growth in recent years and have expanded our business and operations. Set forth below are certain metrics showing our growth:

| Particulars | For the year ended/As of March 31, 2023 | For the year ended/As of March 31, 2022 | For the year ended/As of March 31, 2021 | CAGR (2023-2021) (%) |
|---|---|---|---|---|
| Total Gross Advances (₹ *in million*) | 55,072.67 | 46,887.03 | 37,629.87 | 20.98 |
| Deposits *(₹ million)* | 65,606.21 | 60,463.59 | 52,210.70 | 12.10 |

| | | | | |
|---|---|---|---|---|
| Net Profit for the period (₹ *in million*) | 935.96 | 625.69 | 407.84 | 51.49 |
| Branches (*Nos.*) | 170 | 161 | 158 | 3.73 |

We intend to deepen our distribution within the states and territories we operate in while expanding into new geographies, among other things, opening additional branches. Our inability to open new branches will directly have an impact on our financial performance and our newly opened branches may not be profitable immediately upon their opening. We also intend to deepen our distribution within the states and territories we operate in opening more customer service centres, and adding ATMs. For details, see "*Our Business - Our Strategies - Delivery Channels*" on page 220. As we plan to deepen our distribution within the states and territories we operate in, our business may be exposed to additional challenges, including obtaining additional governmental or regulatory approvals, successfully marketing our products in markets in which we have no familiarity, attracting customers in a market in which we do not have significant experience or visibility, maintaining standardized systems and procedures, adapting our marketing strategy and operations to new markets in India in which different languages are spoken, higher technology costs, upgrading, expanding and securing our technology platform in new Branches, operational risks, including integration of internal controls and procedures, compliance with KYC, AML, CFT and other regulatory norms, ensuring customer satisfaction, recruiting, training and retaining skilled personnel, failure to manage third-party service providers in



relation to any outsourced services and difficulties in the integration of new branches with our network of existing branches.

To address these challenges, we may have to make significant investments that may not yield desired results or incur costs that we may not be able to recover. If we are unable to implement such growth strategies, our business, financial condition, results of operations and cash flows will be adversely affected. Further, 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.

***30. If we fail to maintain our CASA Ratio, we may have a higher cost of funds than our primary competitors, which could adversely affect our ability to grow and compete for market share for loans unless we decrease our Net Interest Margin.***

Since commencing our operations as a Small Finance Bank with effect from April 24, 2016, we have placed emphasis on increasing our demand (current accounts) and savings accounts (together referred to as "**CASA**"), as they tend to provide a stable and low-cost source of deposits compared to term deposits. Set out below are details of our CASA, total deposits, cost of average CASA and cost of average term deposits for the periods indicated:

| **Particulars** | **As at and for the six months ended September 30, 2023** | **As at and for the six months ended September 30, 2022** | **As at and for the year ended March 31, 2023** | **As at and for the year ended March 31, 2022** | **As at and for the year ended March 31, 2021** |
|---|---|---|---|---|---|
| CASA (₹ in million) | 26,433.61 | 25,702.39 | 27,478.96 | 25,494.01 | 20,926.34 |
| CASA ratio (%) | 37.76 | 41.56 | 41.88 | 42.16 | 40.08 |
| Total deposits (₹ in million) | 70,002.86 | 61,845.95 | 65,606.21 | 60,463.59 | 52,210.70 |
| Cost of average CASA (%) | 3.23 | 3.24 | 3.22 | 3.24 | 3.47 |
| Cost of Average Term Deposits (%) | 6.93 | 6.07 | 6.18 | 6.29 | 7.07 |

One of our strategies is to strengthen our liability franchise which would require an increase in our CASA Ratio in order to reduce our cost of funds. For details, see "*Our Business – Our Strategies - Strengthen our liability franchise*" on page 210.

Set out below is the CASA Ratio of our Bank against the listed industry peers for the periods indicated:

| **Name of the entity** | **As at and for the six months ended September 30, 2023** | **As at and for the six months ended September 30, 2022** | **As at and for the year ended March 31, 2023** | **As at and for the year ended March 31, 2022** | **As at and for the year ended March 31, 2021** |
|---|---|---|---|---|---|
| Capital Small Finance Bank Limited | 37.76 | 41.56 | 41.88 | 42.16 | 40.08 |
| AU Small Finance Bank | 34.00 | 42.00 | 38.40 | 37.29 | 23.00 |
| Equitas Small Finance Bank | 34.00 | 48.05 | 42.28 | 52.01 | 34.25 |
| IDFC First Bank | 46.40 | 51.28 | 49.77 | 48.44 | 51.75 |

If we are unable to maintain our CASA Ratio, we may have a higher cost of funds than our competitors, which could adversely affect our ability to compete for market share for loans unless we decrease our Net Interest Margin. While we believe that the interest rate a borrower will be charged on a loan is not the only consideration a borrower takes into account when deciding between competing offers, we believe it is an important consideration. Therefore, if we are unable to maintain our CASA Ratio, it could adversely affect our business, financial condition, results of operations and cash flows.



***31. We may incur losses due to a decline in the value of collateral obtained as security for the loans disbursed by us and our inability to seize and recover the full value of collateral may adversely affect our business, results of operations, financial condition and cash flows.***

We primarily disburse loans that are secured and follow procedures to evaluate the credit profiles of our customers which involves a multi-level review of the exposures along with a well-defined matrix for assessment which is dependent on the risk profile proposal of the customer, including the mandatory checks of credit bureau verification, review of defaulters list and check on frauds. The table below sets forth the details of our collateral as a percentage of secured lending and total lending, for the periods indicated:

| **Particulars** | **Six months ended September 30, 2023** | **Six months ended September 30, 2022** | **Fiscal 2023** | **Fiscal 2022** | **Fiscal 2021** |
|---|---|---|---|---|---|
| Advances Backed by Collateral as a % to Secured Advances (A/B) | 84.39% | 87.05% | 85.30% | 86.83% | 86.78% |
| Advances Backed by Collateral as a % to Gross Advances (A/C) | 84.26% | 86.85% | 85.16% | 86.57% | 86.25% |
| % of Secured Advances to Gross Advances (B/C) | 99.85% | 99.76% | 99.82% | 99.70% | 99.39% |

However, the value of the collateral obtained by us, including from any third party valuers, may decline during the tenure of the loan for reasons including depreciation and deterioration of the collateral. As a result, if our customers default, we may receive less money from liquidating the collateral than is owed under the relevant financing facility, and incur losses, even in cases where we are able to successfully seize and liquidate the collateral. While we require customers to have a guarantor, we may be unable to enforce such guarantees. Further, the collateral for our MSME and SME loans primarily includes mortgage over our customers' residential or commercial property and we are therefore exposed to adverse movementsin the price of such immoveable property and the real estate market in general. The value of collateral may decline due to adverse conditions or due to downward movement in real estate prices. The table below sets out our direct exposure in relation to lending secured by commercial real estate, as at September 30, 2023, September 30, 2022 and Fiscals ended March 31, 2023, March 31, 2022 and March 31, 2021:

*(in million)*

| Particulars | As at September 30, 2023 | As at September 30, 2022 | As at March 31, 2023 | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|---|
| Exposure in relation to lending secured by commercial real estate | 3,092.75 | 2,992.08 | 3,053.08 | 2,785.55 | 1,992.51 |

For further details, see "*Financial Statements – Exposures – Exposure to Real Estate Sector*" on page 345.

We cannot assure you that we will be able to successfully seize the collateral in the event of customer default and may face delays and incur legal and administrative costs in the repossession and sale of the collateral. While we are yet to experience any material decline in the value of collateral, we cannot assure you that any decline in the value of collateral obtained as security in the future will not adversely affect our business, results of operations, financial condition and cash flows.

32. ***We rely extensively on and upgrade our information technology systems and any disruptions in such systems, or breach of data, could adversely affect our operations and reputation. Further, our success depends on our ability to respond to new technological advances.***

We are reliant on IT systems in connection with, but not limited to, financial controls, risk management and transaction processing. The size and complexity of our computer systems may make them potentially vulnerable to breakdown, system integration problems, malicious intrusion and computer viruses. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control, such as surges in customer transaction volume, utility disruptions or failures, natural disasters, diseases, pandemics, events arising from political or social matters and terrorist attacks. Although we have not experienced any significant disruptions to our IT systems in the past, we cannot assure you that we will not encounter disruptions in the future. Further, while we have procedures to monitor for and prevent system failures, and to recover from system failures in the event they occur, there is no guarantee that these procedures will successfully prevent or allow usto recover quickly



from a system failure.

Our on-line delivery channels are subject to various risks, such as network connectivity failure, information security issues and browser compatibility issues. We may also be subject to disruptions of our IT systems arising from events that are wholly or partially beyond our control (including, for example, damage or incapacitation by human error, natural disasters, electrical or telecommunication outages, sabotage, computer viruses, hacking, cyber-attacks or similar events, or loss of support services from other third parties, such as internet backbone providers). We have outsourced IT services to third party vendors and any failure by such third-party vendors to perform any of those functions could adversely affect the business, financial condition and results of operations of the Bank. The RBI carried out an examination of our Bank's IT systems and processes in March 2021 and has carried out online assessments of or Bank in May 2022 and November 2022 respectively, and identified certain deficiencies. We have responded to such observations and have complied with, or are in the process of complying with them. See also, "- *We are subject to inspections by the RBI. Inspection by RBI is a regular exercise for all banks and financial institutions and RBI has observed various non-compliances by us in the ordinary course in the past and have required us to, among other things, take corrective actions. Non-compliance with the observations issued by RBI could adversely affect our business, financial condition, results of operations and cash flows.*" on page 29. In the event we experience material interruptions in our IT systems in the future, this could give rise to deterioration in customer service and to loss or liability to us and it could adversely affect our business, financial condition, results of operations and cash flows.

In addition, our success will depend, in part, on our ability to respond to new technological advances and emerging banking and other financial services industry standards and practices in 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 improving market standards.

***33. We utilize the services of third parties for our operations. Any deficiency or interruption in their services could adversely affect our business and reputation.***

We enter into outsourcing arrangements with third party vendors and independent contractors, in compliance with the RBI guidelines on outsourcing which include, among others, ATM/ debit card related services such as ATM switching and card management, services provided by business correspondents and directed sales agents, field investigation which includes valuation and legal checks of the properties undertaken, facility management services, information technology and software services. We are also dependent on various vendors for elements of our operations including implementing IT infrastructure and hardware, banking outlets roll-outs, networking, managing our data centre, and back-up support for data recovery. As a result of outsourcing such services, we are exposed to various risks including strategic, compliance, operational, fraud, theft, embezzlement, legal and contractual risks. Though there have not been any material deficiencies or interruptions in the services of the vendors in the last three Fiscals, our ability to control the manner in which services are provided by third party service providers is limited and we may be held liable on account of any deficiency of services on the part of such service providers in the future. We cannot assure you that we will be successful in continuing to receive uninterrupted and quality services from our third-party service providers. Any disruption or inefficiency in the services provided by our third-party service providers could affect our business and reputation. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" dated November 3, 2006, issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition, results of operations and cash flows.

***34. We may face cyber threats attempting to exploit our network to disrupt services to customers and/ or theft of sensitive internal data or customer information, which may cause damage to our reputation and adversely affect our financial condition, results of operations and cash flows.***

Our businesses rely on our secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks and in the computer and data management systems and networks of third parties. To access our products and services, our customers may use personal smartphones, tablets, laptops, PCs, and other mobile devices that are beyond our control systems and subject to their own cybersecurity risks. Given our reliance and focus on technology and our presence in geographies, our technologies, systems, networks, and our customers' devices are subject to security risks and are susceptible to cyber attacks (such as, denial of service attacks, hacking, terrorist activities or identity theft) that could negatively impact the confidentiality, integrity or availability of data pertaining to us or our customers, which in turn may cause direct loss of money to our customers or to us, damage to our reputation and adversely impact our business and financial results. Third parties with which we do business or that facilitate our business activities could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.



Our online banking channel includes multiple services, such as electronic funds transfer, bill payment services, usage of cards on-line, requesting account statements, and requesting cheque books. We are therefore exposed to various cyber threats, including (a) phishing and Trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information; (b) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (c) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information; (d) 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; (e) 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 (f) card skimming, wherein attackers use a device, such as one they illegally affix to our ATMs, to steal our customers' card data and then sell it or use it to make fraudulent purchases. In addition, we also face the risk of our customers incorrectly blaming us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party. If we become the target of any of cyber-attack, it may materially and adversely affect our business, financial condition, results of operations and cash flows. Cyber security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees. We are also vulnerable to risks arising from the failure of employees to adhere to approved procedures, failures of security systems, information system disruptions, communication systems failure and data interception during transmission through external communication channels and networks. Failure to detect these security breaches may adversely affect our operations.

Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that instances of IT infringements and security breaches will not take place in the future or that our security measures will be adequate or successful. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability. While we have yet not experienced, 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.

35. ***We have engaged business correspondents for our business who work with us on a non-exclusive basis. If any of our business correspondents prefer to promote our competitors' loans over our loans or the agreements between us and them are terminated or not renewed, it would affect our business, financial condition, results of operations and cash flows.***

As on date, we have onboarded three business correspondents for our business who, inter alia, source credit businesses and collect and verify primary information/data of customers.

The following table sets forth our dependence on business correspondents as at September 30, 2023, September 30, 2022, March 31, 2023, March 31, 2022 and March 31, 2021:

*(₹ in million, unless otherwise specified)*

| **Particulars** | **As at** | | | | |
|---|---|---|---|---|---|
| | **March 31, 2021** | **March 31, 2022** | **March 31, 2023** | **September 30, 2022** | **September 30, 2023** |
| Loan portfolio from business correspondents (A) | Nil | 7.81 | 107.89 | 60.63 | 258 |
| Total loan portfolio (B) | 37,629.87 | 46,887.03 | 55,072.67 | 51,927.28 | 58,659.37 |
| (A) as a percentage of (B) | 0.00% | 0.02% | 0.20% | 0.12% | 0.44% |

While we have not terminated the services of any of our business correspondents in the past and have put in place appropriate checks and balances to monitor the performance of these business correspondents, in the event any of our business correspondents prefer to promote our competitors' loans or our agreements with them are terminated or not renewed it would adversely affect our business, financial condition, results of operations and cash flows.

36. ***The Equity Shares have never been publicly traded, and, after the Offer, the Equity Shares may experience price and volume fluctuations, and an active trading market for the Equity Shares may not develop. Further, the Offer Price, market capitalization to total revenue multiple, price to total income ratio and price to earnings ratio based on the Offer Price of our Bank, may not be indicative of the market price of the Equity Shares on listing.***

Set forth below are details of our gross revenue and profit for the six months ended September 30, 2023, September 30, 2022 and for Fiscals 2023, 2022 and 2021.

*(₹ in million)*



| **Particulars** | **As of September 30, 2023** | **As of September 30, 2022** | **Financial Year** | | |
|---|---|---|---|---|---|
| | | | **2023** | **2022** | **2021** |
| Gross revenue | 4,152.16 | 3,428.08 | 7,254.82 | 6,324.03 | 5,572.73 |

| | | | | | |
|---|---|---|---|---|---|
| Profit for the year | 543.91 | 410.92 | 935.96 | 625.69 | 407.84 |

Our price to total income multiple for the Financial Year 2023 is [●] times at the upper end of the Price Band and [●] times at the lower end of the Price Band. Our market capitalization to total income for the Financial Year 2023 multiple is [●] times at the upper end of the Price Band and [●] times at the lower end of the Price Band, and our price to earnings ratio multiple for the Financial Year 2023 is [●] times at the upper end of the Price Band and [●] times at the lower end of the Price Band. The table below provides details of our price to earnings ratio, price to total income and market capitalization to total income at Offer Price for the last three Financial Years:

| | **Price to earnings ratio*** | **Price to total income*** | **Price to book value ratio*** | **Market capitalization to total income*** |
|---|---|---|---|---|
| As of September 30, 2023 | [●] | [●] | [●] | [●] |
| As of September 30, 2022 | [●] | [●] | [●] | [●] |
| Financial Year 2023 | [●] | [●] | [●] | [●] |
| Financial Year 2022 | [●] | [●] | [●] | [●] |
| Financial Year 2021 | [●] | [●] | [●] | [●] |

**To be included in the Prospectus*

Prior to the Offer, there has been no public market for the Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Offer. Listing and quotation do not guarantee that a market for the Equity Shares will develop, or if developed, the liquidity will be there for such market for the Equity Shares. The Offer Price of the Equity Shares is proposed to be determined through a book-building process and may not be indicative of the market price of the Equity Shares at the time of commencement of trading of the Equity Shares or at any time thereafter. The market price of the Equity Shares may be subject to significant fluctuations in response to, among other factors, variations in our operating results of our Bank, market conditions specific to the industry we operate in, developments relating to India, volatility in securities markets in jurisdictions other than India, variations in the growth rate of financial indicators, variations in revenue or earnings estimates by research publications, and changes in economic, legal and other regulatory factors. In addition to the above, the current market price of securities listed on the Stock Exchanges pursuant to certain previous initial public offerings managed by the BRLMs is below their respective issue prices. For further details, see "*Other Regulatory and Statutory Disclosures – Price information of past issues handled by the BRLMs*" on page 416.

***37. Our Statutory Auditors, namely T R Chadha & Co LLP and MSKC & Associates have issued certain emphasis of matters on our financials statements in the past.***

While no qualifications, reservations or adverse remarks or emphasis of matter have been given by our Statutory Auditors in Fiscals 2023 and six months period ended September 30, 2023 respectively, the following emphasis of matters have been included by our Statutory Auditors in their audit reports for six months ended September 30, 2022 and financial years ended March 31, 2022 and March 31, 2021. These emphasis of matters were pertaining to the potential / inestimable impact of COVID-19. For further details, please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations-Auditors' Qualifications, Reservations and Adverse Remarks*" beginning at page 374 of this Red Herring Prospectus.

| **Period** | **Emphasis of Matter** | **Current Status** |
|---|---|---|
| September 30, 2022 | We draw attention to Note 4.6 of the Schedule 18 to the financial statements, which describes that the extent to which any new wave of COVID-19 impact the Bank's results is uncertain as it depends upon the future trajectory of the pandemic.<br><br>Our opinion is not modified in respect of this matter. | N.A.<br><br>The emphasis was related to the potential / inestimable impact of the COVID-19 pandemic on our financial condition for the six months ended September 30, 2022. |

| | | |
|---|---|---|
| March 31, 2022 | We draw attention to Note 4.6 to the financial statements, which describes that the extent to which any new wave of COVID-19 impact the Bank's results is uncertain as it depends upon the future trajectory of the pandemic.<br><br>Our opinion is not modified in respect of | N.A.<br><br>The emphasis was related to the potential / inestimable impact of the COVID-19 pandemic on our financial condition for the Fiscal Year ended March 31, 2022. |



| Period | Emphasis of Matter | Current Status |
|---|---|---|
| | this matter. | |
| March 31, 2021 | We draw attention to Note 3.3 of the Schedule 18 to the financial statements, which describes the extent to which the COVID-19 pandemic will continue to impact the Bank's financial statements will depend on future developments, which are uncertain.<br><br>Our opinion is not modified in respect of this matter. | N.A.<br><br>The emphasis was related to the potential / inestimable impact of the COVID-19 pandemic on our financial condition for the Fiscal Year ended March 31, 2021. |

The audit reports of the Statutory Auditors for the six months ended September 30, 2023 and September 30, 2022, and for Fiscals 2023, 2022 and 2021 are available at https://www.capitalbank.co.in/ipo-2023-documents.html.

***38. We may be unable to maintain or renew our statutory and regulatory permits, licences and approvals required to operate our business.***

We require certain statutory and regulatory permits and approvals to operate our business. These include approvals from the RBI for various aspects of our banking operations (including for services such as NEFT, RTGS and foreign exchange dealing), approvals to commence and operate mobile banking services and registrations from other regulatory authorities, such as the IRDAI for acting as a Corporate Agent (Composite) and PFRDA to transact in pension schemes. We may not, at all points of time, have all approvals required for our business. Further, in relation to our branches, 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 in the process of making such application. For instance, we have made the fresh and renewal applications for the shops and establishment registrations for certain of our branches at the following locations:

| S. No. | Name of the branch | Address of the branch |
|---|---|---|
| 1. | Fatehgarh Sahib | City Tower, Near Aam Khas Bagh Bassi Road, Fatehgarh Sahib-140 406 District Fatehgarh Sahib |
| 2. | Lalheri | Village Lalheri PO Harion Kalan Tehsil Khanna-141 417 District Ludhiana |
| 3. | Raikot | G T Road, Near Bus Stand Raikot – 141 109 Ludhiana |
| 4. | Kaind | Ludhiana Malerkotla Road VPO Kaind Teshsil Dehlon District Ludhiana-141 116 |
| 5. | Kanakwal | Kalianwali Road, Kanakwal-151 301 Tehsil Talwandi Sabo District Bathinda Punjab |
| 6. | Simbro | Patiala-Bhadson Road Simbro 147 001 District Patiala |
| 7. | Jagraon | G.T. Road, Near Sherpur flyover, Jagraon – 142 026, Ludhiana |

Our RBI In-Principle approval and RBI Final Approval also 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 licence or may place stringent restrictions on our operations. This may result in the interruption of all or some of our operations. While we have not failed to obtain, renew or maintain any material approvals in the last three Fiscals, if we fail to obtain, renew or maintain the required permits, licences or approvals, or if any of our approvals are withdrawn, including those set out above, this may have consequences on our business and results of operations, and we could be subjected to penalties by the relevant regulatory authorities, which may result in the interruption of our operations or delay or prevent our expansion plans and may have an adverse effect on our business, financial condition, results of operations and cash flows. For details on our statutory and regulatory permits, licenses and approvals, see "*Government and Other Approvals*" on page 406.

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

We may face liquidity risks due to mismatches in the maturity of our assets and liabilities. For details on the maturity profile of our liabilities and assets as at September 30, 2023, see "*Selected Statistical Information –Asset Liability Gap*" on page 291. If we rely on funding options with a short-term maturity period for extending long-term loans, which may lead to an asset liability mismatch for certain periods. Mismatches between our assets and liabilities are compounded in case of pre-payments of the advances we grant to our customers. Further, asset liability mismatches create liquidity surplus or liquidity crunch situations and depending upon the interest rate movement, such situations



may adversely affect our Net Interest Income. If we are unable to obtain additional borrowings or renew our existing credit facilities for matching tenures of our loan portfolio in a timely and cost-effective manner or at all, it may lead to mismatches between our assets and liabilities, which could adversely affect our financial condition, results of operations and cash flows.

The asset liability gap is monitored through structured liquidity statement. The asset liability management policy of our Bank prescribes prudential internal limits on net cumulative outflows under each maturity bucket.

As on September 30, 2023, the gap between asset and liability under various maturity buckets were within these tolerance limits as presented below:

| **Cumulative Time Frame** | **Tolerance Limit** | **Actual Cumulative Mismatch Positive/(Negative)** |
|---|---|---|
| 1 Day | Not more than negative 5% | 144.93% |
| 2-7 Days | Not more than negative 10% | 163.36% |
| 8-14 Days | Not more than negative 15% | 183.65% |
| 15-30 Days | Not more than negative 20% | 101.94% |
| 31 days & up to 2 months | Not more than negative 25% | 72.17% |
| Over 2 months & up to 3 months | Not more than negative 30% | 68.88% |
| Over 3 months & up to 6 months | Not more than negative 30% | 58.97% |
| Over 6 months & up to 1 Year | Not more than negative 40% | 33.37% |
| Over 1 year & up to 3 Years | Not more than negative 40% | 21.25% |
| Over 3 year & up to 5 Years | Not more than negative 40% | 23.06% |
| Over 5 years | Not more than negative 20% | -1.09% |

While there have been no instances of breach of the tolerance limits, as set out in the table above, and/or mismatches in the maturity of our assets and liabilities in the past, however, we cannot assure you that there will be no breaches of the tolerance limits and/or mismatches in the maturity of our assets and liabilities in the future.

***40. There may be conflict of interest between the BRLMs or their respective associates/ affiliates and our Bank.***

In the ordinary course of their commercial banking and investment banking activities, the BRLMs, their respective associates/ affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of their customers, in debt or equity securities or Equity Shares of our Bank or provide financing facilities to our Bank. The transactions referred to above, may influence our Bank's decisions regarding whether to undertake certain transactions with the BRLMs, their associates/ affiliates.

***41. Deterioration in the performance of any industry sector in which we have significant exposure may adversely affect our financial condition, results of operations and cash flows.***

The following table presents our sector-wise outstanding gross advances and the proportion of these advances to our outstanding advances as at the dates indicated.

| **Particulars** | | As at March 31, | | | | | **As at September 30,** | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | | **2022** | | **2023** | | **2022** | | **2023** | |
| | **Advances (₹ in million)** | **% of Total** | **Advances (₹ in million)** | **% of Total** | **Advances (₹ in million)** | **%** | **(₹ in million)** | **% of Total** | **Advances (₹ in million)** | **% of Total** |
| Agricultural and Allied Activities | 14,232.11 | 37.82 | 17,807.45 | 37.98 | 21,374.52 | 38.81 | 19,916.76 | 38.36% | 22,669.26 | 38.65% |
| Advances to MSME and trading Sector | 9,730.45 | 25.86 | 10,926.22 | 23.30 | 11,204.61 | 20.35 | | 1 | 11,533.61 | 19.66% |
| Mortgage Loans | 8,096.45 | 21.52 | 11,284.49 | 24.07 | 14,344.80 | 26.05 | 13,166.55 | 25.36% | 15,288.06 | 26.06% |
| Others | 5,570.86 | 14.80 | 6,868.87 | 14.65 | 8,148.74 | 14.79 | 7,548.46 | 14.53% | 9,168.44 | 15.63% |
| **Total Gross Advances** | **37,629.87** | **100.00** | **46,887.03** | **100.00** | **55,072.67** | **100.00** | | | % % | |

In addition to the above we may also enter any new sector to grow our operations. Despite monitoring our level of exposure to sectors and borrowers, any significant deterioration in the performance of a particular sector in which we may have significant exposure driven by events not within our control, such as natural calamities, regulatory action or



policy announcements by central or state government authorities, would adversely impact the ability of borrowers within that sector to service their debt obligations to us. As a result, we would experience increased delinquency risk, which may adversely affect our financial condition, results of operations and cash flows.

We cannot assure you that we will be able to diversify our exposure over different industry sectors in the future. Failure to maintain diverse exposure resulting in industry sector concentration may adversely impact our financial condition, results of operations and cash flows, in case of any significant deterioration in the performance of any such industry sector.

***42. If our risk management policies are ineffective, it could adversely affect our business, financial condition, results of operations and cash flows.***

We are exposed to a variety of risks, including credit risk, liquidity risk, market risk, interest rate risk, solvency risk, cash management risk, operational risk, asset risk, inflation risk, information and cyber security risk. We have devoted significant resources to develop our risk management policies and procedures and plan to continue to do so in the future. For details on our risk management policies, see "*Our Business – Risk Management*" on page 221. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risks are based on the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures, which could be significantly greater than those indicated by the historical measures.

To the extent any of the strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may be unable to effectively mitigate our risk exposures in particular market environments or against particular types of risks. Further, some of our risk management strategies may not be effective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

Our investment and interest rate risk are dependent upon our ability to properly identify, and market-to-market changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of changes in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses.

Management of operations, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Further, as we seek to expand the scope of our operations, we also face the risk that we may not be able to develop risk management policies and procedures for new business areas or manage the risks associated with the growth of our existing business effectively. If we are unable to develop and implement effective risk management policies, it could adversely affect our business, financial condition, results of operations and cash flows.

We intend to continue to periodically test and update our risk management framework. Given our high volume of transactions and changing technology and payments landscape, errors may be repeated or compounded 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 be able to identify non-compliance or suspicious transactions in a timely manner, or at all. Where internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weaknesses. In addition, certain processes are carried out manually, which may increase the risk that human error, tampering, frauds or manipulation will result in losses that may be difficult to detect. As a result, we may suffer monetary losses, which may not be covered by our insurance policies. Any failure or material weakness in our risk management architecture could adversely affect our business, results of operations, financial condition and cash flows.

***43. Our ability to pay dividends or undertake bonus issuances of Equity Shares in the future will depend on our financial condition, results of operations, cash flows, capital requirements, capital expenditures as well as compliance with applicable RBI regulations.***

Any future determination as to the declaration and payment of dividends will be, subject to relevant RBI regulations, at the discretion of our Board and subsequent approval of shareholders and will depend on factors that our Board and shareholders deem relevant, including among others, our future financial condition, results of operations, cash flows, capital requirements, capital expenditures and business prospects. For details of the dividends paid by us for the Fiscal 2023, 2022 and 2021, see "*Dividend Policy*" on page 275. Further, our ability to undertake bonus issuances of Equity Shares in the future will also depend on certain factors, including among others, our future financial condition, results



of operations, cash flows, capital requirements and business prospects. For details of the bonus issuances undertaken by us in the past, see "*Capital Structure – Notes to the Capital Structure – (a) Equity Share capital*" on page 93.

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 the Equity Shares, or undertake bonus issuances of Equity Shares. In addition, the declaration and payment of dividends is subject to relevant RBI regulations (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005, as amended). Further, 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. In its circular dated April 22, 2021, the RBI permitted banks, including our Bank, to pay dividends on equity shares from profits for Fiscal 2021, subject to the quantum of dividend not exceeding more than 50.00% of the amount determined by the dividend payout ratio specified in the RBI circular dated May 4, 2005. We cannot assure you that we will be able to pay dividends or undertake bonus issuances of Equity Shares at any point in the future.

***44. We could be subject to volatility in income from our treasury operations, which could have an adverse effect on our results of operations and cash flows.***

Our income from treasury operations comprises interest and dividend income from investments, profit from sale of investments and interest income from balances with banks. Set out below are the details of our treasury segment revenue as a percentage of our total income for the six months ended September 30, 2023 and September 30, 2022 and Fiscals ended March 31, 2023, 2022 and 2021, respectively:

*(In ₹ million)*

| **Particulars** | **For six months ended September 30, 2023** | **For six months ended September 30, 2022** | **Fiscal 2023** | **Fiscal 2022** | **Fiscal 2021** |
|---|---|---|---|---|---|
| Revenue from Treasury Segment | 794.37 | 673.79 | 1,415.97 | 1,438.90 | 1,473.82 |
| Total Income | 4,152.16 | 3,428.08 | 7,254.82 | 6,324.03 | 5,572.73 |
| Revenue from treasury segment as a percentage of total income | 19.13% | 19.66% | 19.52% | 22.75% | 26.45% |

Our treasury operations are vulnerable to changes in interest rates, exchange rates, equity prices and other factors beyond our control, including the domestic and international economic and political scenario, inflationary expectations and the RBI's monetary policies. In particular, if interest rates rise, the valuation of our fixed income securities portfolio, such as Government securities and corporate bonds, would decline. Although we have operational controls and procedures in place for our treasury operations, such as counterparty 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 our proprietary trading on our fixed income book held in the available for sale and held for trading portfolios. Any such losses could adversely affect our financial condition, results of operations and cash flows.

***45. We receive complaints from our customers in the ordinary course of business. Any delay in resolving these complaints may impact our reputation and affect our operations.***

The following table sets forth the grounds of complaints received by our Bank in the time periods mentioned below:

**I. Customer complaints pertaining to Retail Payment Channels(1)**

| **S. No.** | **Particulars** | **Six months ended September 30, 2023** | **Six months ended September 30, 2022** | **Year ended March 31, 2023** | **Year ended March 31, 2022** | **Year ended March 31, 2021** |
|---|---|---|---|---|---|---|
| 1. | Number of complaints pending at beginning of the period | 13 | 11 | 11 | 8 | 4 |
| 2. | Number of complaints received during the period(2) | 1,042 | 616 | 1,305 | 1,439 | 762 |
| 3. | Number of complaints disposed during the period | 1,041 | 615 | 1,303 | 1,436 | 758 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Of which, number of complaints rejected by the Bank | 484 | 212 | 484 | 444 | 216 |
| 4. | Number of complaints pending at the end of the period | 14 | 12 | 13 | 11 | 8 |



*(1) Retail Payment Channels include RTGS/NEFT, Automated Teller Machine (ATM)/ Point of Sale (POS) Transactions/Ecommerce Transactions, Bharat Bill Payment System (BBPS), Immediate Payment Services (IMPS), etc.*

*(2) Out of the above complaints, 950 complaints are related to acquiring banks, i.e., banks on the ATM/merchant end of the transaction ("**Acquiring Banks**") during the six months ending September 30, 2023 577] for six months ended September 2022; 1,212 for year ended March 31, 2023; 1,379 for year ended March 31, 2022; 722 for year ended March 31, 2021).*

**II. Customer complaints other than above[1]:**

| S. No. | Particulars | Six months ended September 30, 2023 | Six months ended September 30, 2022 | Year ended March 31, 2023 | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|---|---|---|
| 1. | Number of complaints pending at beginning of the period | 2 | 5 | 5 | 3 | 1 |
| 2. | Number of complaints received during the period | 99 | 118 | 199 | 297 | 291 |
| 3. | Number of complaints disposed during the period | 94 | 119 | 202 | 295 | 289 |
| | Of which, number of complaints rejected by the Bank | 46 | 29 | 52 | 86 | 52 |
| 4. | Number of complaints pending at the end of the period | 7 | 4 | 2 | 5 | 3 |

*1. Complaints other than those relating to Retail Payment Channels include levy of charges without prior notice/ excessive charges/ foreclosure charges, loans and advances, staff behaviour.*

**III. Top 5 grounds of complaints received by the Bank during the half year ended September 30, 2023**

| S. No. | Grounds of complaints | Number of complaints pending at the beginning of the period | Number of complaints received during the period | Number of complaints pending at the end of the period |
|---|---|---|---|---|
| 1. | Internet/Mobile/Electronic Banking | 8 | 817* | 13 |
| 2. | ATM/Debit Cards | 7 | 232* | 2 |
| 3. | Levy of charges without prior notice/ excessive charges/ foreclosure charges | 0 | 17 | 1 |

| | | | | |
|---|---|---|---|---|
| 4. | Loans and Advances | 0 | 12 | 2 |
| 5. | Staff Behavior | 0 | 11 | 1 |
| 6. | Others (complaints not covered in above top 5 grounds) | 0 | 52 | 2 |
| | **Total** | **15** | **1,141** | **21** |

**950 complaints of the total complaints of the corresponding grounds are related to Acquiring Banks.*

**IV. Top 5 grounds of complaints received by the Bank during the half year ended September 30, 2022**

| S. No. | Grounds of complaints | Number of complaints pending at the beginning of the period | Number of complaints received during the period | Number of complaints pending at the end of the period |
|---|---|---|---|---|
| 1. | Internet/Mobile/Electronic Banking | 8 | 416* | 5 |
| | ATM/Debit Cards | 5 | 197* | 6 |
| | Loans and Advances | 0 | 27 | 2 |
| | 4. Account Opening/ Difficulty in operations | 2 | 24 | 2 |
| 5. | Staff Behavior | 0 | 21 | 0 |
| 6. | Others (Complaints not covered in above top 5 grounds) | 1 | 49 | 1 |
| | **Total** | **16** | **734** | **16** |

**577 complaints of the total complaints of the corresponding grounds are related to Acquiring Banks.*

**V. Top 5 grounds of complaints received by the Bank during the year ended March 31, 2023**



| S. No. | Grounds of complaints | Number of complaints pending at the beginning of the period | Number of complaints received during the period | Number of complaints pending at the end of the period |
|---|---|---|---|---|
| 1. | Internet/Mobile/Electronic Banking | 8 | 883* | 8 |

| | | | | |
|---|---|---|---|---|
| 2. | ATM/Debit Cards | 5 | 421* | 7 |
| 3. | Loans and Advances | 2 | 49 | - |
| 4. | Account Opening/ Difficulty in operations | - | 43 | - |
| 5. | Levy of charges without prior notice/ excessive charges/ foreclosure charges | - | 23 | - |
| 6. | Others (Complaints not covered in above top 5 grounds) | 1 | 85 | - |
| | **Total** | **16** | **1504** | **15** |

**1,212 complaints of the total complaints of the corresponding grounds are related to Acquiring Banks.*

**VI. Top 5 grounds of complaints received by the Bank during the year ended March 31, 2022**

| **S. No.** | **Grounds of complaints** | **Number of complaints pending at the beginning of the period** | **Number of complaints received during the period** | **Number of complaints pending at the end of the period** |
|---|---|---|---|---|
| 1. | Internet/Mobile/Electronic Banking | 1 | 908* | 8 |
| 2. | ATM/Debit Cards | 6 | 551* | 5 |
| 3. | Loans and Advances | - | 58 | 2 |
| 4. | Levy of charges without prior notice/ excessive charges/ foreclosure charges | 3 | 40 | - |
| 5. | Account Opening/ Difficulty in operations | - | 33 | - |
| 6. | Others (Complaints not covered in above top 5 grounds) | 1 | 146 | 1 |
| | **Total** | **11** | **1,736** | **16** |

**1,379 complaints of the total complaints of the corresponding grounds are related to Acquiring Banks.*

**VII. Top 5 grounds of complaints received by the Bank during the year ended March 31, 2021**

| **S. No.** | **Grounds of complaints** | **Number of complaints pending at the beginning of the period** | **Number of complaints received during the period** | **Number of complaints pending at the end of the period** |
|---|---|---|---|---|
| 1. | ATM/Debit Cards | 4 | 483* | 6 |

| | | | | |
|---|---|---|---|---|
| 2. | Internet/Mobile/Electronic Banking | - | 333* | 1 |
| 3. | Foreclosure charges | 1 | 43 | 3 |
| 4. | Loans and Advances | - | 43 | - |
| 5. | Staff Behavior | - | 35 | - |
| 6. | Others (Complaints not covered in above top 5 grounds) | - | 116 | 1 |
| | **Total** | **5** | **1,053** | **11** |

**722 complaints of the total complaints of the corresponding grounds are related to Acquiring Banks.*

Further, we have incurred ₹ 0.01 million each in Fiscals 2023 and 2022, in the form of compensation paid to our customers for handling these complaints. While we have deployed appropriate mechanisms to resolve the complaints received by our Bank on a timely basis, we cannot assure you that such mechanisms will be fully effective at all times and that our reputation and results of operations will not be impacted in the event there is a delay in resolving the complaints received by our Bank.

***46. Our non-convertible debentures are listed on 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.***

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 SEBI Listing Regulations, in terms of our listed non-convertible debentures.

While we are in compliance with the applicable laws in relation to such NCDs, if we fail to comply with the applicable rules and regulations in the future and any default in compliance with the material covenants such as in creation of security as per terms of issue, default in payment of interest, default in redemption, default in payment of penal interest wherever applicable, non-availability or non-maintenance of asset cover, interest cover, debt-service cover, etc., we



may be subject to certain penal actions, including, without limitation, restrictions on the further issuance of securities, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

***47. We are exposed to operational risks, including employee negligence, petty theft, burglary and embezzlement and fraud by employees, agents, customers or third parties, which could harm our reputation, business, financial condition, results of operations and cash flows.***

We are exposed to many types of operational risks, including employee negligence, petty theft, burglary and embezzlement and fraud by employees, agents, customers or third parties. Operational risks can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions. For details, see "*Our Business – Risk Management – Operational Risk*" on page 223. Although we intend to continue to implement technology-based security measures and establish operational procedures to prevent fraud, break-ins, damage and failures, there can be no assurance that these security measures will be adequate. Any failure to mitigate such risks may adversely affect our financial condition, results of operations and cash flows. For instance, one of our customers has sold the land mortgaged to bank worth ₹ 1.32 million without taking our no objection and we filed a first information report against the accused. For details, see "*Outstanding Litigation and Material Developments – Litigation by our Bank*" on page 402.

In addition, some of our transactions expose us to the risk of theft and fraud by our employees, agents, customers or third parties. For details in relation to criminal cases filed by us, see "*Outstanding Litigation and Material Developments – Litigation by our Bank*" on page 402. Our security systems and measures undertaken to detect and prevent the occurrence of these risks may be insufficient to prevent or deter such activities in all cases. 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. Also, 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. Furthermore, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misappropriation by our representatives and employees, which could adversely affect our reputation, business, financial condition, results of operations and cash flows.

***48. Banking companies in India, including us, may be required to report financial statements as per Ind AS in the future. Differences exist between Ind AS and Indian GAAP. In the future, if we are required to prepare our financial statements in accordance with Ind AS, there is a possibility that our financial condition, results of operations and cash flows could be poorly represented, owing to the difference in the accounting techniques between Ind AS and Indian GAAP.***

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 our Bank. 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 to comply with Ind AS for financial statements commencing April 1, 2018 and also required such entities to prepare and submit proforma Ind AS financial statements to the RBI since the six months ended September 30, 2016. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to adopt Ind AS financial statements until permitted by the RBI. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

Ind AS is different in many respects from Indian GAAP. There can be no assurance that the transition to Ind AS will not further increase our provisioning requirements in the future. Furthermore, if we are required to prepare our financial statements in accordance with Ind AS, there is a possibility that our financial condition, results of operations and cash flows could be worse than if we prepared our financial statements in accordance with Indian GAAP. If the RBI decides to implement the adoption of Ind AS for scheduled commercial banks, in our transition to Ind AS reporting, we may encounter difficulties in the on-going process of implementing and enhancing our management information systems. Therefore, our transition to Ind AS reporting could have an adverse effect on our business, financial condition, results of operations and cash flows.

***49. We may breach third-party intellectual property rights.***

While we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty as to whether we are infringing on any existing third-party intellectual property rights, which may force us



to alter our technologies, obtain licenses or cease some of our operations. While we take due care and caution and have not breached any third party intellectual property rights, we may be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such rights that are of a similar nature to the intellectual property these third parties may have registered or are using. We might also be in breach of such third-party intellectual property rights due to accidental or purposeful actions by our employees where we may also be subjected to claims by such third parties.

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 reputation, business, financial condition, results of operations and cash flows.

***50. If we fail to adapt to technological advancements in the financial services sector it could affect the performance and features of our products and services and reduce our attractiveness to customers.***

Our continued success will depend, in part, on our ability to respond to technological advancement in the way customers prefer to execute their financial services. Technological innovation in digital wallets, mobile operator banking, advancements in blockchain technology payment banks, internet banking through smart phones, could disrupt the banking industry as a whole. If we fail to adapt to such technological advancements quickly and effectively it could affect the performance and features of our products and services and reduce our attractiveness to existing and potential customers hereby adversely affecting our business, financial condition, results of operations, and cash flows.

In addition, technological advances from time to time may result in our systems, methods or processing facilities becoming obsolete. Failure to keep up to date with such changes could result in our competitors having an advantage over us, which could negatively impact our financial performance and reputation. Any significant upgrade to or replacement of our systems could require considerable capital expenditure, which could affect our results of operations and financial condition.

***51. We lease or licence all of our business premises and any failure to renew such leases or licences or their renewal on terms unfavourable to us may adversely affect our business, financial condition and results of operations and cash flows.***

Our Registered and Corporate Office is located on premises owned by us. As at September 30, 2023, we had 173 branches, all of which were located on leased premises. As at September 30, 2023, we had 175 ATMs, all of which are on leased/licensed premises. For further details in relation to our property, please see "*Our Business - Properties*" on page 227. A failure to renew lease or licence agreements would require us to relocate operations. 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 or licence agreements or the landlord does not have the title of the property and the actual owner of the property evicts us.

If we are required to relocate a significant number of our branches or ATMs, this may cause a disruption to our operations or result in increased costs, or both, which may adversely affect our business, financial condition and results of operations. In addition, we may not be able to renew our leases or licences on terms that are favourable to us, which would lead to an increase in costs, thereby affecting our business, financial condition, results of operations and cash flows. While there have been no instances of our eviction by the landlords of these properties and failure to renew lease or license agreements which required us to relocate our operations in the last three financial years, we cannot assure you that such events will not occur in the future.

***52. RBI may remove any employee, managerial personnel or may supersede our Bank's Board of Directors in certain circumstances, which may materially affect our Bank's business, results of operations, and financial conditions.***

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, the RBI being satisfied that such act is in public interest or required to prevent the affairs of our Bank from being conducted in a manner detrimental to the interests of the depositors. Further, the RBI, in consultation with the central government, 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. We are dependent on our management team comprising of qualified and experienced professionals and our professional senior management team having experience in the banking and financial services industry for our business and growth and should any of the steps as explained herein be taken by RBI, our reputation, business, results of operations, financial conditions and cash flows would be materially and adversely affected.

***53. Any non-compliance with mandatory AML, KYC and CFT laws and regulations could expose us to liability and harm our business and reputation.***



In accordance with the requirements applicable to banks in India, we are mandated to comply with applicable anti money laundering ("**AML**"), know your client ("**KYC**") and combatting financing of terrorism ("**CFT**") regulations. These laws and regulations require us, among other things, to adopt and enforce AML, KYC and CFT policies and procedures. Our reputation and business could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML and CFT activity and ensure KYC compliance, there may be significant inconsistencies in the manner in which specific operational and KYC, AML, CFT policies are actually interpreted and implemented at an operational level in each of our branches. If we fail to comply with such laws and regulations, we may be subject to regulatory actions, including imposition of fines and other penalties by the relevant government agencies to whom we report.

***54. We depend on our brand recognition. Any negative publicity or our inability to further enhance awareness about our brand could damage our reputation and, in turn, affect our business, financial condition, results of operation and cash flows.***

We have invested in promoting our brand to make it familiar with our customers in the locations where we have our operations, and we expect to continue to invest in increasing our brand awareness. With the market becoming increasingly competitive, we believe that maintaining and enhancing our brand will become more important for our business. Further, reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. If we experience any negative publicity, it could adversely affect our brand and ability to attract and retain customers. The reputation of the financial services industry in general has been closely monitored as a result of the financial crisis and other matters affecting the financial services industry. Negative public opinion about the financial services industry generally or us specifically could adversely affect our ability to keep and attract customers and expose us to litigation and regulatory action. Negative publicity can result from our actual or alleged conduct in any number of activities, including lending practices and specific credit exposures, the level of non-performing loans, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government, regulators, investigative agencies, judiciary and community organizations in response to that conduct.

Furthermore, we distribute several third-party products, including life insurance, general insurance, health insurance and the National Pension System. We have no control over the actions of such third parties. Any regulatory action taken against or any adverse publicity relating to such third parties could, in turn, result in negative publicity about us and adversely impact our reputation.

A public perception that we do not provide satisfactory services to customers, even if factually incorrect or based on isolated incident or based on the aggregate effect of individually insignificant incidents, could damage our reputation, undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers. While we have not experienced such instances of negative publicity yet, such instances could adversely impact our business, cash flows, financial condition and results of operations.

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.

***55. While certain of our trademarks used by us for our business are registered, any inability to protect our intellectual property or know how from third party infringement may adversely affect our business and prospects.***

We have registered our earlier logo , , and have filed an application for registration of our current logo under class 36 (collectively, the "**Trademarks**"). We have also registered our logo ' under class 36 and the logo under class 9 and 36.

We have also registered the wordmark 'Capital Bank Mobile Connect' under classes 9, 36 and 42 and the wordmarks' Capital Mobile Plus' under classes 36 and 42 and applied for 'Capital Bank Mobile Connect', 'Capital Bank Mobile +', 'Capital Mobile +', trademarks under various classes. With respect to our trademarks that have been applied for and/or objected or opposed, we cannot assure you that we will be successful in such a challenge nor can we guarantee that eventually our trademark will be registered in our name. For example, our logo 'capital small finance bank' was refused under class 36 in the past due to similarity with an already registered logo, which was registered with our Bank in the name of capital local area bank, and we had re-applied for registration which was subsequently approved. Further, as a result, we may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection until such time that this registration is granted. While there has been no third-party infringement of our trademarks in the past, we cannot assure you that any such infringement in the future will not



adversely affect our business and prospects in the future.

We cannot guarantee that any of our registered or unregistered intellectual property rights or our know-how, or claims thereto, will now or in the future successfully protect what we consider to be the intellectual property underlying our products and business, or that our rights will not be successfully opposed or otherwise challenged. We also rely on technical knowledge, product information, industry data and market "knowhow" that cannot be registered and is not subject to any confidentiality or nondisclosure clauses or agreements. If such know-how is leaked to third parties, this could erode our competitive advantage. For further details on our intellectual property, see "*Government and Other Approvals – Intellectual Property*" on page 408.

***56. We depend on the accuracy and completeness of information about customers and counterparties and any misrepresentation, errors or incompleteness of such information could cause our business to suffer.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and/or counterparties. We may also rely on certain representations as to the accuracy and completeness of that information. To further verify the information provided by potential customers, we conduct searches through credit bureaus for creditworthiness of our customers who have a credit history.

Our business involves lending money to smaller, relatively low-income entrepreneurs and individuals who may not have any credit history. A significant portion of our customers belong to the low-income group and may not have any credit history supported by tax returns, credit card statements, statements of previous loan exposures or other related documents. They may also have limited formal education, and are generally able to furnish very limited information for us to be able to assess their creditworthiness accurately. In addition, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information. It is therefore difficult to carry out a formal credit risk analyses on our customers based on financial information**.**

Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our NPAs, which could adversely affect our business, financial condition, results of operations and cash flows.

***57. If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have an adverse effect on our financial condition, results of operations and cash flows.***

We have insurance policies covering 99.30% of our fixed assets (excluding land) as at September 30, 2023 which stood at ₹ 743.08 million. We have a bankers' blanket insurance policy covering cash at premise (to include ATM cash and gold pledged), standard fire and specials perils policy, burglary policy, comprehensive motor package policy, electronic equipment policy, among others. In addition, we also maintain a directors and officers liability insurance policy. We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. For details on the insurance policies that we hold, see "*Our Business – Insurance*" on page 226. While we are covered by a range of insurance policies that we believe is consistent with industry practice in India and in accordance with the guidelines provided by RBI to cover risks associated with our business, we cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. Even if such losses are insured, we may be required to pay a significant deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are subject to annual review, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, or at all. If we were to incur a serious uninsured loss or a lossthatsignificantly exceeds the limits of our insurance policies, it could have an adverse effect on our financial condition, results of operations and cash flows.

***58. Our Promoters, certain of our Directors, Key Managerial Personnel and Senior Management have interests in us other than reimbursement of expenses incurred and normal remuneration or benefits.***

Our Promoters, certain of our Directors, Key Managerial Personnel and Senior Management may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Our Promoters, certain Directors, Key Managerial Personnel and Senior Management 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 to the extent of employee stock options granted to them. For instance, a portion of our head office and one of our branches is located at 36 Gobind Niwas, G.T. Road, Jalandhar, which is owned by Sarvjit Singh Samra, together with Amarjit Singh Samra, Surinder Kaur Samra, Navneet Kaur Samra, who are the promoters of our Bank, Amardeep Singh Samra and Gagan Samra (collectively, the "**Owners**"). The Owners are paid a monthly rent of ₹ 2.11 million with an increment ranging from 10% every two yearsto 15% every three years for the branch operated by us. Such rent is on an arm'slength basis and is at par with the market rent. Further, except as disclosed in "*Financial Statements – Related Party Disclosure*" on page 350 there is no conflict of interest between any of our Promoters, members of our Promoter Group, Directors, KMPs or any of their relatives with any of the lessors of our leased



premises. We cannot assure you that our Promoters, Directors, our Key Management Personnel and Senior Management will exercise their rights as shareholders to the benefit and best interest of our Bank. For further details, see "*Capital Structure*", "*Our Management – Interests of Directors*" and "*Our Promoters and Promoter Group – Interests of our Promoters*" on pages 93, 257 and 270, respectively.

***59. Increasing regulatory focus on personal information protection could impact our business and expose us to increased liability.***

Regulators in various jurisdictions are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business. Recent regulations, such as the General Data Protection Regulation, which came into effect in the European Union ("**EU**") on May 25, 2018, applies to the collection, use, retention, security, processing, and transfer of personally identifiable information of residents of EU countries. The Supreme Court of India, in a judgment delivered on August 24, 2017, had held that the right to privacy is a fundamental right. Following this judgment, the Government of India enacted the Digital Personal Data Protection Bill, 2022 ("**Data Protection Bill**") on personal data protection for implementing organizational and technical measures in processing personal data and lays down norms for cross-border transfer of personal data including ensuring the accountability of entities processing personal data. The Data Protection Bill has been assented to by the President of India on August 11, 2023 ("**Data Protection Act 2023**") and we continue to analyse the impact of the Data Protection Act 2023 on our business and operations.. 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. Any failure, or perceived failure, by us to comply with any applicable regulatory requirements, including but not limited to privacy, data protection, information security or consumer protection-related privacy laws and regulations, could result in proceedings or actions against us by government entities or individuals, subject us to fines, penalties, judgment or otherwise adversely affect our business, as our reputation could be negatively impacted.

***60. We have in this Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial condition. 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 section and elsewhere in this Red Herring Prospectus. For information on the non-GAAP financial measures, see "*Selected Statistical Information*" on page 276. 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. Such non-GAAP measures and other statistical and operational information are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial 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 industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

***61. The bankruptcy code in India and other related laws 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.

Further, the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended (the "**SARFAESI Act**"), has strengthened the ability of lenders to resolve NPAs by granting them greater rights as to enforcement of security and recovery of dues from all borrowers, including corporate borrowers. While we believe that the SARFAESI Act has contributed to our enforcement efforts, there can be no assurance that the legislation will continue to have a favourable impact on our efforts to resolve the NPAs. We cannot guarantee that we will be able to realize the full value of the collateral, in the event our borrowers default on the repayment of loans, due to various reasons, including a possible decline in the realizable value of the collateral, defective title or pledge of faulty items as security, prolonged legal proceedings and fraudulent actions by borrowers, defects or deficiencies in the perfection of collateral (including due to the inability to obtain approvals that may be required from third parties), errors in assessing the value of the collateral, an illiquid market for the sale of the collateral, among others.

***62. If inflation were to rise in India, we might not be able to increase the prices of our services at a proportional rate in order to pass costs on to our customers and our profits might decline.***

Inflation rates could be volatile and we may face high inflation in the future as India had witnessed in the past. Increased inflation can contribute to an increase in interest rates and increased costs to our business, including increased costs of salaries, transportation and other expenses relevant to our business. Further, high inflation leading to higher interest rates may also lead to a slowdown in the economy and adversely impact credit growth. Consequently, we may also be affected and fall short of business growth and profitability. High fluctuations in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in inflation in India can increase our operating expenses, which we may not be able to pass on to our customers, whether entirely or in part, and the same may adversely affect our business and financial condition. In such case, our business, results of operations, cash flows and financial condition may be adversely affected. While the Government of India has previously initiated economic measures to combat high inflation rates, it is unclear whether these measures will remain in effect, and there can be no assurance that Indian inflation levels will not rise in the future.

***63. Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple states we operate in, may have a material adverse effect on our business, financial condition, results of operations and cash flows.***

Our business and financial condition could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our general and micro loan businesses, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations. Please see "*Key Regulations and Policies*" on page 231.

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, results of operations and cash flows.

In addition, unfavourable 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 our Bank 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. Any future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. If the tax costs associated with certain transactions because of a particular tax risk materializing are greater than anticipated, it could affect the profitability of such transactions.

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 affect the viability of our current business or restrict our ability to grow our business in the future.

## EXTERNAL RISKS

***64. 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 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 effective 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.

***65. Any downturn in the macroeconomic environment in India could adversely affect our business, financial condition, results of operations and cash flows.***

Our performance and the growth of our business are necessarily dependent on the health of the overall Indian economy. Therefore, any downturn in the macroeconomic environment in India could adversely affect our business, financial condition, results of operations and cash flows. The Indian economy could be adversely affected by various factors, such as the impact of COVID-19 or other pandemics, epidemics, political and regulatory changes, including adverse changes in the Government's liberalisation policies, social disturbances, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, volatility in interest rates, volatility in commodity and energy prices, a loss of investor confidence in other emerging market economies and any worldwide financial instability. In addition, an increase in India's trade deficit, or a decline in India's foreign exchange reserves could increase interest rates and adversely affect liquidity, which could adversely affect the Indian economy and thereby adversely affect our business, financial condition, results of operations and cash flows.

Further, our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. India's sovereign rating improved from Baa3 with a "negative" outlook to Baa3 with "stable" outlook by Moody's in October 2021 and improved from BBB – with "negative" outlook to BBB – with "stable" outlook by Fitch in June 2022. DBRS confirmed India's rating as BBB "low" in May 2023. India's sovereign ratings from S&P is BBB with a "stable" outlook. Any downgrading of India's sovereign debt rating by an international rating agency could have a negative impact on our business and results of operations. Any adverse revisions to credit ratings for India by international rating agencies may adversely impact our ability to raise additional financing. This could have an adverse effect on our ability to fund our growth on favourable terms and consequently adversely affect our business and financial performance and the price of the Equity Shares.

***66. The outbreak of severe communicable disease, including resurgence of COVID-19 could have a potential impact on our business, financial condition, cash flows and results of operations.***

The outbreak, or threatened outbreak or resurgence, of any severe communicable disease (particularly COVID-19) could adversely affect the overall business sentiment and environment, particularly if such outbreak is inadequately controlled. Our ability to meet our ongoing disclosure obligations might be adversely affected, despite our best efforts. 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. The outbreak has significantly increased economic uncertainty.

***67. 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 BSE and 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; and

• occurrence of natural calamities and force majeure events.

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.

***68. Financial difficulties and other problems in certain long-term lending institutions and investment institutions in India could have a negative effect on our business, financial condition, results of operation and, cash flows and the trading price of the Equity Shares could decrease.***

As an Indian small finance bank, we are exposed to the risks of the Indian financial system, which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is referred to as "systemic risk," may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on regular basis. Our transactions with these financial institutions expose us to various risks in the event of default by the counterparty, which can be exacerbated during periods of market illiquidity. As the Indian financial system operates within an emerging market, we face risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. The problems faced by individual Indian financial institutions and any instability in, or difficulties faced by, the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business, financial condition, results of operations, cash flows and the trading price of the Equity Shares.

***69. Pursuant to listing of the Equity Shares, we may be subject to pre-emptive surveillance measures like Additional Surveillance Measure ("ASM") and Graded Surveillance Measures ("GSM") by the Stock Exchanges in order to enhance market integrity and safeguard the interest of investors.***

SEBI and the Stock Exchanges have introduced various pre-emptive surveillance measures in order to enhance market integrity and safeguard the interests of investors, including ASM and GSM. ASM and GSM are imposed on securities of companies based on various objective criteria such as significant variations in price and volume, concentration of certain client accounts as a percentage of combined trading volume, average delivery, securities which witness abnormal price rise not commensurate with financial health and fundamentals such as earnings, book value, fixed assets, net worth, price / earnings multiple, market capitalization etc.

Upon listing, the trading of our Equity Shares would be subject to differing market conditions as well as other factors which may result in high volatility in price, low trading volumes, and a large concentration of client accounts as a percentage of combined trading volume of our Equity Shares. The occurrence of any of the abovementioned factors or other circumstances may trigger any of the parameters prescribed by SEBI and the Stock Exchanges for placing our securities under the GSM and/or ASM framework or any other surveillance measures, which could result in significant restrictions on trading of our Equity Shares being imposed by SEBI and the Stock Exchanges. These restrictions may include requiring higher margin requirements, requirement of settlement on a trade for trade basis without netting off, limiting trading frequency, reduction of applicable price band, requirement of settlement on gross basis or freezing of price on upper side of trading, as well as mentioning of our Equity Shares on the surveillance dashboards of the Stock Exchanges. The imposition of these restrictions and curbs on trading may have an adverse effect on market price, trading and liquidity of our Equity Shares and on the reputation and conditions of our Bank.

***70. Our ability to borrow in foreign or raise foreign capital may be restricted by Indian law.***

Indian banks and companies are subject to foreign exchange regulations that regulate borrowing in foreign currencies, including those specified under FEMA. Such regulatory restrictions limit our ability to borrow in foreign currencies and, therefore, could negatively affect our ability to obtain financing on competitive terms. In addition, we cannot assure you that any required approvals for borrowing in foreign currency will be granted to us without onerous conditions, or at all. Such, and other, limitations on raising foreign capital may adversely affect our business results of operations, financial condition and cash flows.

***71. 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.

**RISKS RELATING TO THE EQUITY SHARES AND THE OFFER**

***72. The determination of the Price Band is based on various factors and assumptions and the Offer Price of the Equity Shares may not be indicative of the market price of the Equity Shares upon listing on the Stock Exchanges. Investors bear the risk of fluctuations in the price of Equity Shares and there can be no assurance that a liquid market for the Equity Shares will develop following the listing of the Equity Shares on the Stock Exchanges.***

There has been no public market for the Equity Shares prior to the Offer. The determination of the Price Band is based on various factors and assumptions and will be determined by us in consultation with the BRLMs. Furthermore, the Offer Price of the Equity Shares will be determined by us, in consultation with the BRLMs, through the Book Building Process. This price will be based on numerous factors, as described under in "*Basis for Offer Price*" on page 149. This price may not necessarily be indicative of the market price of the Equity Shares after the Offer is completed. You may not be able to re-sell your Equity Shares at or above the Offer price and may as a result lose all or part of your investment.

The price at which the Equity Shares will trade at after the Offer will be determined by the marketplace and may be influenced by many factors, including:

• our financial condition, results of operations and cash flows;

• the history of and prospects for our business;

• an assessment of our management, our past and present operations and the prospects for as well as timing of our future revenues and cost structures;

• the valuation of publicly traded companies that are engaged in business activities similar to ours;



• quarterly variations in our results of operations;

• results of operations that vary from the expectations of securities analysts and investors; •

results of operations that vary from those of our competitors;

• changes in expectations as to our future financial condition, including financial estimates by research analysts and investors;

• a change in research analysts' recommendations;

• announcements by us or our competitors of significant acquisitions, strategic alliances, joint operations or capital commitments;

• announcements of significant claims or proceedings against us;

• new laws and government regulations that directly or indirectly affect our business;

• additions or departures of Key Management Personnel or Senior Management;

• changes in the interest rates;

• fluctuations in stock market prices and volume; and

• general economic conditions.

The Indian stock markets have, from time to time, experienced significant price and volume fluctuations that have affected market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our financial condition, results of operations and cash flows.

The Equity Shares are expected to trade on NSE and BSE after the Offer, but there can be no assurance that active trading in the Equity Shares will develop after the Offer, or if such trading develops that it will continue. Investors may not be able to sell the Equity Shares at the quoted price if there is no active trading in the Equity Shares.

***73. Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares they purchase in the Offer.***

The Equity Shares will be listed on the Stock Exchanges. Pursuant to applicable Indian laws, certain actions must be completed before the Equity Shares can be listed and trading in the Equity Shares may commence. Investors' book entry, or 'demat' accounts with depository participants in India, are expected to be credited within one working day of the date on which the Basis of Allotment is approved by the Stock Exchanges. The Allotment of Equity Shares in this Offer and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately two Working Days from the Bid Closing Date and trading in the Equity Shares upon receipt of final listing and trading approvals from the Stock Exchanges is expected to commence within three Working Days of the Bid Closing Date. Any failure or delay in obtaining the approval or otherwise any delay in commencing trading in the Equity Shares would restrict investors' ability to dispose their Equity Shares. There can be no assurance that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified in this risk factor. We could also be required to pay interest at the applicable rates if allotment is not made, refund orders are not dispatched or demat credits are not made to investors within the prescribed time periods.

***74. We have issued Equity Shares at a price that may be lower than the Offer Price in the last 12 months.***

Except as disclosed below, our Bank has not issued any Equity Shares in the last 12 months immediately preceding the date of this Red Herring Prospectus at a price that may be lower than the Offer Price.

| **Date of allotment** | **Number of Equity Shares allotted** | **Face value per Equity Share (₹)** | **Offer price per Equity Share (₹)** | **Nature of consideration** | **Reason for allotment** |
|---|---|---|---|---|---|

| Date of allotment | Number of Equity Shares allotted | Face value per Equity Share (₹) | Offer price per Equity Share (₹) | Nature of consideration | Reason for allotment |
|---|---|---|---|---|---|
| May 26, 2023 | 12,850 | 10 | 10 | Cash | Allotment under ESOP for MRT |
| May 26, 2023 | 27,632 | 10 | 98 | Cash | Allotment under ESOP 2018 |
| June 17, 2023 | 10,57,700 | 10 | 468 | Cash | Private Placement |
| November 6, 2023 | 76,500 | 10 | 98 | Cash | Allotment under ESOP 2018 |



For further information, see *"Capital Structure"* on page 93. The price at which Equity Shares have been issued by us in the preceding one year is not necessarily indicative of the Offer Price.

***75. 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 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 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 145. 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, our Bank is not required to appoint a monitoring agency for the Offer and deployment of the Fresh Issue proceeds will be entirely at the discretion of our Bank subject to compliance with applicable law. 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 of 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.

***76. The proceeds to be raised from the Fresh Issue are proposed to be utilized by us for increasing the risk weighted assets of our Bank.***

In terms of the SFB Licensing Guidelines, our Bank is required to maintain a minimum capital adequacy ratio of 15% of our risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time, and our Tier - I capital is required to be at least 7.5% of the risk weighted assets.

The risk weighted assets proposed to be achieved by us are subject to various considerations, including the market conditions, volatility in domestic and international markets, changes in economic, legal and regulatory landscape and other factors impacting the growth of the Bank in the future. Therefore, we cannot assure you that we will be able to achieve the desired risk weighted assets in the future.

***77. Any future issuance of Equity Shares or securities convertible into Equity Shares by us or sales of Equity Shares by the Promoters could adversely affect the trading price of the Equity Shares, and in the case of the issuance of Equity Shares by us, result in the dilution of our then current Shareholders.***

As disclosed in "*Capital Structure - (b) Details of Promoter's contribution and lock-in*" on page 131, an aggregate of (a) [●]% of our fully diluted post-Offer paid-up equity share capital held by our Promoters; and (b) [●]% of our fully diluted post-Offer paid-up equity share capital held by ICICI Prudential Life Insurance Company Limited and HDFC Life Insurance Company Limited shall be considered as minimum Promoters' contribution and locked in for a period of eighteen months and the balance Equity Shares held by the Promoters and the other pre-Offer Shareholders following the Offer will be locked-in for six months from the date of Allotment. There can be no assurance that we will not issue additional Equity Shares or that the Promoters will not sell, pledge or encumber their Equity Shares during the lock-in period. Further, any future issuances of Equity Shares or convertible securities could dilute the holdings of our Shareholders and adversely affect the trading price of the Equity Shares. Such securities may also be issued at prices below the Offer Price. Sales of Equity Shares by the Promoters could also adversely affect the trading price of the Equity Shares. Such securities may also be issued at prices below the Offer Price. Sales of Equity Shares by the Promoters could also adversely affect the trading price of the Equity Shares.

***78. Investors may be subject to Indian taxes arising out of 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 are 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 capital gain exceeding ₹ 100,000, realized on the sale of listed equity shares held for more than 12 months immediately preceding the date of transfer, may be subject to long term capital gains tax in India at the rate of 10% (plus applicable surcharge and health and education cess). This beneficial provision is, *inter alia*, subject to payment of STT. Further, any gain realized on the sale of listed equity shares in an Indian company, held for more than 12 months, which are sold using any platform other than a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India at the rate of 10% (plus applicable surcharge and health and education cess), without indexation benefits.



Further, any gain realized on the sale of the Equity Shares held for a period of 12 months or less immediately preceding the date of transfer will be subject to short-term capital gains tax in India at the rate of 15% (plus applicable surcharge and health and education cess), subject to STT being paid at the time of sale of such shares. Otherwise, such gains will be taxed at the applicable rates.

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. As a result, non-resident investors may be liable for tax in India as well as in their own jurisdiction on a gain realized upon the sale of the Equity Shares. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

The stamp duty for transfer of certain securities, other than debentures, on a delivery basis is currently specified at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount.

More recently, the Government of India announced the Union Budget for Fiscal 2023, pursuant to which the Finance Bill 2023 has proposed various amendments. The Finance Bill 2023 has received assent from the President of India on March 30, 2023 and has been enacted as the Finance Act 2023. We have not fully determined the impact of these recent and proposed laws and regulations on our business. We cannot predict whether the amendments made pursuant to the Finance Act, 2023 would have an adverse effect on our business, financial condition, future cash flows and results of operations. Unfavourable 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.

***79. QIBs and Non-Institutional Bidders are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid.***

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are required to pay the Bid Amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. QIBs can revise their Bids during the Bid/ Offer Period and withdraw their Bids until the Bid/ Offer Closing Date. Therefore, QIBs and Non-Institutional Bidders would not be able to withdraw or lower their Bids, notwithstanding adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations or financial condition, or otherwise, between the dates of the submission of their Bids and the Allotment.

While our Bank is required to complete all necessary formalities for listing and commencement of trading of the Equity Shares on all Stock Exchanges where such Equity Shares are proposed to be listed, including Allotment, within three Working Days from the Bid/ Offer Closing Date or such other period as may be prescribed by the SEBI, events affecting the Bidders' decision to invest in the Equity Shares, including adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operation or financial condition may arise between the date of submission of the Bid and Allotment. Our Bank may complete the Allotment of the Equity Shares even if such events occur, and such events may limit the Bidders' ability to sell the Equity Shares Allotted pursuant to the Offer or cause the trading price of the Equity Shares to decline on listing.

***80. Fluctuations in the exchange rate between the Rupee and other currencies could have an adverse effect on the value of the Equity Shares in those currencies, independent of our results of operations.***

The Equity Shares will be quoted in Rupees on the Stock Exchanges. Any dividends in respect of the Equity Shares will be paid in Rupees. Any adverse movement in currency exchange rates during the time it takes to undertake such conversion may reduce the net dividend received by investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by investors. The exchange rate between the Rupee and other currencies (such as the U.S. dollar, the Euro, the pound sterling, the Hong Kong dollar and the Singapore dollar) has changed substantially in the past and could fluctuate substantially in the future, which may have an adverse effect on the value of the Equity Shares and returns from the Equity Shares in foreign currency terms, independent of our operating results.

***81. Investors will not, without the RBI's prior approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5.00% or more of our share capital or voting rights directly or indirectly. Further, no Shareholder will be permitted to exercise voting rights in excess of 26.00% of the total voting rights of our Bank.***

The Banking Regulation Act, read with the SFB Licensing Guidelines and the Master Direction - RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023, 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,



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 5.00% or more of the paid-up share capital of a bank or entitles them 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 fitness and propriety tests. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of our total voting rights from exercising voting rights in excess of 5.00% if such person is deemed not to be fit and proper by the RBI. Further, as per the Banking Regulations Act read with gazette notification dated DOR.HOL.No.95/16.13.100/2022-23 dated January 16, 2023, no shareholder in a bank can exercise voting rights on poll in excess of 26.00% of total voting rights of all the shareholders of the bank. For details, see "*Key Regulations and Policies*" on page 231. Consequently, even if a potential takeover of our Bank would result in the purchase of Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of the regulatory framework applicable to us.

***82. The individual foreign investment limit of registered FPIs in our Bank is 10.00% of the total paid-up equity share capital of our Bank and the aggregate foreign investment limit for registered FPIs in our Bank is 49.00% of the total paid-up equity share capital of our Bank under the automatic route and 74.00% of the total paid-up equity share capital of our Bank under the Government approval.***

Foreign investment in India is governed by the provisions of FEMA along with the rules, regulations and notifications made by the RBI thereunder, and the Consolidated FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India from time to time. Under the current FDI Policy (effective October 15, 2020), up to 49.00% foreign direct investment in our Bank is permitted under the automatic route and up to 74.00% foreign direct investment in our Bank is permitted under the Government approval route.

In terms of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended, the issue of Equity Shares to a single FPI including its investor group (which means the same multiple entities registered as foreign portfolio investors having common ownership directly or indirectly of more than 50.00% or common control) must be below 10.00% of our Bank's post-Offer paid-up equity share capital on a fully diluted basis. Further, in terms of the FEMA Regulations, the total holding by each FPI, or an investor group, shall be below 10.00% of the total paid-up equity share capital, on a fully diluted basis, of our Bank and the total holdings of all FPIs put together can be up to 74.00% of the paid-up equity share capital of our Bank, being the sectoral cap applicable to our Bank. For calculating the aggregate holding of FPIs in our Bank, the holdings of all registered FPIs shall be included. Further, under the FDI Policy, at least 26.00% of the paid-up capital of our Bank is required to be held by residents. Also see " - *Investors will not, without the RBI's prior approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5.00% or more of our share capital or voting rights directly or indirectly. Further, no Shareholder will be permitted to exercise voting rights in excess of 26.00% of the total voting rights of our Bank*" on page 74.

As per the circular issued by SEBI on November 24, 2014, the above investment restrictions shall also apply to subscribers of P-Notes. Two or more subscribers of P-Notes having a common beneficial owner shall be considered together as a single subscriber of the P-Notes. In the event an investor has investments as a FPI and as a subscriber of

P-Notes, these investment restrictions shall apply on the aggregate of the FPI and P-Notes investments in our Bank.

***83. It may not be possible for investors outside India to enforce any judgment obtained outside India against our Bank or our management or any of our associates or affiliates in India, except by way of a suit in India.***

We are incorporated as a public limited company under the laws of India and all of our directors and executive officers reside in India. Further, all of our assets, and the assets of our executive officers and directors, are located in India. As a result, it may be difficult to effect service of process outside India upon us and our executive officers and directors or to enforce judgments obtained in courts outside India against us or our executive officers and directors, including judgments predicated upon the civil liability provisions of the securities laws of jurisdictions outside India.

Even if an investor obtained a judgment in such a jurisdiction against us, our officers or directors, it may be required to institute a new proceeding in India and obtain a decree from an Indian court. However, the party in whose favour such final judgment is rendered may bring a fresh suit in a competent court in India based on a final judgment that has been obtained in a non-reciprocating territory within three years of obtaining such final judgment. It is unlikely that an Indian court would award damages on the same basis or to the same extent as was awarded in a final judgment rendered by a court in another jurisdiction if the Indian court believed that the amount of damages awarded was excessive or inconsistent with public policy in India. In addition, any person seeking to enforce a foreign judgment in India is required to obtain prior approval of the RBI to repatriate any amount recovered pursuant to the execution of the judgment.