

Utkarsh Small Finance Bank (UTKARSHB) - BUY

Initiating Coverage

Current Market Price (CMP)

Rs. 47

Target Price

Rs. 65

Rationale:

- Utkarsh SFB is well-positioned to deliver a healthy loan book CAGR of ~28% over FY24-27E.
- A large growth opportunity, stable senior leadership, improving liability franchise and an improved asset quality are key drivers.
- We value the bank at 1.7X book and ~11.0X March 2026E EPS for RoEs at 17-19%.
- We initiate coverage on Utkarsh SFB with a BUY rating and a Fair Value of Rs65.

Initiating Coverage:

👍 Positives:

- Loan book: Gradual diversification away from microbanking.
- Focus on core states along with a contiguous expansion strategy.
- Focusing on deeper geographies where competition is lower.
- Deposits growth expected to be good.

👎 Negatives:

- High susceptibility to event risks, given the vulnerability of the microfinance borrower base & geographical concentration.

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For detailed report dated 7th March 2024. Note: CMP & valuation may differ due to Click here Click here difference in dates



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Holding Period: 12 Months / Disclaimer: <https://bit.ly/research-v2>