kotak Securities

Dated: 17th Nov 2025

Utkarsh Small Finance Bank (UTKARSHB) - BUY

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.16	**Rs.25**

Rationale:

- Utkarsh SFB reported a loss of 348.5 crores in Q2FY26, driven by sharply higher provisions and a marginal operating loss.
- Asset quality recovery has been slow – slippages have declined 40% from the peak of Q4FY25 but remain elevated.
- The trend of collection efficiency indicates that slippages could decline materially from Q4FY26.
- The recent equity issuance gives us comfort in the business outlook. Attractive valuations drive a BUY rating and a Fair Value of Rs. 25.

Positives:

- Deposit growth was modest up ~10% yoy, led by Current Account and Savings Account ("CASA") deposit up ~20% yoy and retail deposit up ~ 30%.
- The CASA ratio improved ~100 bps qoq to 21%.
- Management indicates that slippages can decline sharply in Q4FY26 onwards.
- The recent capital issuance gives us further comfort on business recovery.

Negatives:

- Gross Non-Performing Loans ("GNPL") ratio increased 100 bps qoq, while Net Non-Performing ("NNPL") Loans was flat at 5%.
- Net Interest Margin ("NIM") reported was down 80 bps qoq.
- Cost of funds increased by 20 bps.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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