

FEDBANK
FINANCIAL SERVICES LIMITED



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FEDBANK FINANCIAL SERVICES LIMITED

Our Company was incorporated as 'Fedbank Financial Services Limited' on April 17, 1995 in Kerala at Kochi as a public limited company under the Companies Act, 1956, and was granted a certificate of incorporation by the Registrar of Companies, Kerala at Kochi. Our Company received a certificate of commencement of business issued by the Registrar of Companies, Kerala at Kochi dated July 17, 1995. Subsequently, pursuant to a change in our registered office by way of a resolution passed by our shareholders on February 10, 2021, a certificate of registration in relation to the change of state was issued by the Registrar of Companies, Maharashtra at Mumbai on July 26, 2021. For further details on the change in the registered office of our Company, see "History and Certain Corporate Matters" on page 243 of the prospectus dated November 25, 2023 ("Prospectus"). Our Company is registered with the Reserve Bank of India ("RBI") to carry on the business of a non-banking financial institution without accepting public deposits (certificate of registration no. N-16.00187). For details, see "Government and Other Approvals" on page 437 of the Prospectus.

Registered and Corporate Office: Kanakia Wall Street, A Wing, 5th Floor, Unit No. 511, Andheri Kurla Road, Andheri (East), Mumbai - 400 093, Maharashtra, India
Tel: +91 22 6852 0601; Website: www.fedfina.com; Contact Person: Rajaraman Sundaresan, Company Secretary and Compliance Officer; E-mail: cs@fedfina.com; Corporate Identity Number: U65910MH1995PLC364635

THE COMMENCEMENT OF TRADING OF THE EQUITY SHARES OF OUR COMPANY ON THE STOCK EXCHANGES SHALL BE WITH EFFECT FROM THURSDAY, NOVEMBER 30, 2023 (I.E. T+3 DAYS, T BEING THE OFFER CLOSING DATE). OUR COMPANY HAS VOLUNTARILY DECIDED FOR LISTING IN TERMS OF THE TIMELINES PRESCRIBED UNDER THE SEBI CIRCULAR NO. SEBI/HO/CFD/TPD1/CIR/P/2023/140 DATED AUGUST 9, 2023, WHICH REDUCED THE TIMELINE FOR LISTING OF EQUITY SHARES IN PUBLIC ISSUE FROM EXISTING T+6 DAYS TO T+3 DAYS.

OUR PROMOTER: THE FEDERAL BANK LIMITED

Our Company has filed the Prospectus with the RoC on November 26, 2023 and the Equity Shares of the Company having face value ₹10 each ("Equity Shares") are proposed to be listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") and the trading will commence on Thursday, November 30, 2023.

NOTICE TO INVESTORS

Investors may note the following:

Pursuant to SEBI circular no. SEBI/HO/CFD/TPD1/CIR/P/2023/140 dated August 9, 2023, the reduction of timeline for listing of equity shares in public issue from existing 6 working days ("T+6 days") to 3 working days ("T+3 days") has been made applicable in two phases i.e., (i) voluntary for all public issues opening on or after September 1, 2023; and (ii) mandatory on or after December 1, 2023. As per the red herring prospectus dated November 16, 2023 ("RHP") and Prospectus, the commencement of trading of Equity Shares on the stock exchanges was scheduled on or about December 5, 2023. However, in the interest of the Bidders, the Company has decided voluntary adoption of the aforementioned SEBI circular. The Company has completed the requisite formalities such that the commencement of trading of Equity Shares on the Stock Exchanges shall be with effect from THURSDAY, NOVEMBER 30, 2023. The Indicative timelines mentioned in the section titled "Terms of the Offer-Bid/Offer Programme" on page 457 of the RHP and Prospectus stands updated as below:

All capitalised terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Prospectus.

EVENT	INDICATIVE DATE
Finalisation of Basis of Allotment with the Designated Stock Exchange	Tuesday, November 28, 2023
Initiation of Refunds (For Anchor Investors) / Unblocking of Funds from ASBA Account	Tuesday, November 28, 2023 and Wednesday, November 29, 2023
Credit of Equity Shares to Demat Accounts of Allottees	Wednesday, November 29, 2023
COMMENCEMENT OF TRADING OF THE EQUITY SHARES ON THE STOCK EXCHANGES	THURSDAY, NOVEMBER 30, 2023

BASIS OF ALLOTMENT

INITIAL PUBLIC OFFER OF 78,073,810 EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF FEDBANK FINANCIAL SERVICES LIMITED ("COMPANY" OR "ISSUER") FOR CASH AT A PRICE OF ₹140 PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹130 PER EQUITY SHARE) ("OFFER PRICE") AGGREGATING TO ₹10,922.64[^] MILLION (THE "OFFER") COMPRISING A FRESH ISSUE OF 42,912,087 EQUITY SHARES AGGREGATING TO ₹6,000[^] MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 35,161,723 EQUITY SHARES AGGREGATING TO ₹4,922.64 MILLION (THE "OFFER FOR SALE"), COMPRISING 5,474,670 EQUITY SHARES AGGREGATING TO ₹766.45 MILLION BY THE FEDERAL BANK LIMITED ("PROMOTER SELLING SHAREHOLDER") AND 29,687,053 EQUITY SHARES AGGREGATING TO ₹4,156.19 MILLION BY TRUE NORTH FUND VI LLP ("INVESTOR SELLING SHAREHOLDER", AND TOGETHER WITH THE PROMOTER SELLING SHAREHOLDER, THE "SELLING SHAREHOLDERS", AND SUCH EQUITY SHARES OFFERED BY THE SELLING SHAREHOLDERS, THE "OFFERED SHARES").

THIS OFFER INCLUDED A RESERVATION OF 769,230 EQUITY SHARES AGGREGATING TO ₹100[^] MILLION FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). OUR COMPANY IN CONSULTATION WITH THE BRLMS, OFFERED A DISCOUNT OF ₹10 PER EQUITY SHARE OF THE OFFER PRICE TO ELIGIBLE EMPLOYEE BIDDING IN THE EMPLOYEE RESERVATION PORTION ("EMPLOYEE DISCOUNT"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HERINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER CONSTITUTED 21.16% AND 20.95% OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL, RESPECTIVELY.

[^]AFTER EMPLOYEE DISCOUNT

THE FACE VALUE OF EQUITY SHARES IS ₹10 EACH AND THE OFFER PRICE IS 14 TIMES THE FACE VALUE OF THE EQUITY SHARES.

ANCHOR INVESTOR OFFER PRICE: ₹140 PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH

OFFER PRICE: ₹140[^] PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH

THE OFFER PRICE IS 14 TIMES THE FACE VALUE OF THE EQUITY SHARES.

[^]A DISCOUNT OF ₹10 PER EQUITY SHARE WAS OFFERED TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION.

RISK TO INVESTORS

Weighted average cost of acquisition of all shares transacted in three years, eighteen months and one year immediately preceding the Prospectus.

Period	Weighted Average Cost of Acquisition (in ₹)	Cap Price is 'X' times the Weighted Average Cost of Acquisition	Range of acquisition price: Lowest Price - Highest Price (in ₹)
Last 1 year	126.85	1.10	30.00 - 140.00
Last Eighteen months	125.79	1.11	30.00 - 140.00
Last 3 years	94.78	1.48	30.00 - 140.00

*As certified by M/s R U Kamath & Co by way of their certificate dated November 21, 2023

Business Risk

1. Though we have experienced growth in recent years, we may not be able to sustain our growth or manage it effectively or execute our growth strategy effectively. The following table sets forth our total revenue, profit after tax, asset under management ("AUM"), number of branches and their respective year-on-year growths for the periods indicated:

Particulars	As of and for three-months period ended June 30,		Year-on-Year growth June 2023 v. June 2022	As of and for Fiscal			Year-on-Year growth	
	2023	2022		2023	2022	2021	2023 v. 2022	2022 v. 2021
Total Revenue (₹ in million)	3,678.68	2,560.48	43.67%	12,146.80	8,836.37	6,975.66	37.46%	26.67%
Profit after Tax (₹ in million)	538.83	437.57	23.14%	1,801.33	1,034.59	616.84	74.11%	67.72%
AUM (₹ in million)	94,342.08	66,444.22	41.56%	90,696.04	61,872.04	48,624.31	46.59%	27.25%
Number of Branches	584	516	13.18%	575	516	359	11.43%	43.73%

2. Our business depends on a well-regarded and widely known brand, as well as the brand and reputation of our Promoter, Federal Bank, and the Federal Bank group entities, and any failure to maintain, protect and enhance our brand would harm our business.

3. Our business and operations are dependent on our ability to timely access cost effective sources of funding. Disruption in our sources of funding could have an adverse effect on our business, results of operations and financial condition.

4. We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.

5. A significant portion of our business is derived from our gold. As we handle high volumes of cash and gold jewelry in a dispersed network of branches, we are exposed to operational risks, including employee negligence, fraud, petty theft, burglary and embezzlement, which could harm our results of operations and financial position.

6. Our inability to adequately assess and recover the assessed or full value of property collateral or amounts outstanding under defaulted mortgage loans in a timely manner, or at all, could adversely affect our business, results of operations and financial condition.

7. We may be unable to maintain the quality of our loan portfolio or manage the growing loan portfolio which may result in significantly larger non-performing assets and provisions

8. Conflicts of interest may arise out of certain common business objectives shared by our Promoter and us.

9. After the completion of the Offer, our Promoter may be able to exert significant influence over our Company which may limit your ability to influence the outcome of matters submitted for approval of our Shareholders

Concentration Risk:

10. We have a huge concentration of loans to emerging self-employed individuals

("ESEI") and micro, small and medium enterprises ("MSME"), and as of June 30, 2023, ESEI and MSME comprise 45.22% and 64.75% of our total loan profiles, respectively. The risk of non-payment or default by our borrowers may adversely affect our business, results of operations and financial condition.

11. As on June 30, 2023, 93.65% of our gross AUM was located in Gujarat, Maharashtra, Telangana, Andhra Pradesh, Tamil Nadu, Karnataka, Puducherry and Delhi. Accordingly, our operations are concentrated in six states and two union territories and any adverse developments in these regions could have an adverse effect on our business and results of operations.

Finance Risk:

12. Our inability to maintain our capital adequacy ratio could adversely affect our business, results of operations and our financial performance. As per the NBFC Scale Based Directions, we are required to maintain CRAR of not less than 15.00% of aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. As of June 30, 2023, our CRAR was 19.71%.

13. Our inability to meet our obligations, including financial and other covenants under our debt financing arrangements could adversely affect our business, results of operations and financial condition.

14. We have had negative cash flows in the past and may continue to have negative cash flows in the future.

Regulatory and Litigation

15. We are subject to periodic inspections by The Reserve Bank of India ("RBI"). In the past, the RBI has imposed penalties for certain non-compliances with its observations. Non-compliance with the observations of the RBI could adversely affect our business, financial condition, results of operations and cash flows.

16. We operate in a highly regulated industry, and we have to adhere to various laws, rules and regulations. Accordingly, legal and regulatory risks are inherent and substantial in our business. Any changes in the laws, rules and regulation

