



ESAF SMALL FINANCE BANK LIMITED

IPO NOTE

November 2023

Issue highlights

- Promoted by **ESAF Financial Holdings Pvt Ltd (“EFHPL”), ESAF Small Finance Bank (“ESAF SFB”)** was incorporated on May 5, 2016. The Bank was granted the RBI’s Final Approval to carry on business as an SFB, on November 18, 2016. The “ESAF” brand has been built over more than 27 years, beginning in 1995 when ESAF Foundation started its micro loan activities.
- ESAF SFB has focus on unbanked and under-banked customer segments, especially in rural and semi-urban centres. As at June 30, 2023, their gross advances to their customers in rural and semi-urban centres (combined) accounted for 62.97% of the gross advances and 71.71% of the banking outlets were located in rural and semi-urban centres (combined).
- Their primary products are advances (asset products) and deposits (liability products). As at June 30, 2023, their Retail Deposits were ₹13,977.27 crore, which accounted for 89.28% of their total deposits.
- Their advances comprise:
 - Micro Loans, which comprises Microfinance Loans and Other Micro Loans;
 - Retail Loans, which includes Gold Loans, Mortgages, Personal Loans, and Vehicle Loans;
 - MSME Loans;
 - Loans to Financial Institutions; and
 - Agricultural Loans.
- ESAF SFB has a network of 700 banking outlets (including 59 business correspondent-operated banking outlets), 767 customer service centres (which are operated by their business correspondents), 22 business correspondents, 2,116 banking agents, 525 business facilitators and 559 ATMs spread across 21 states and 2 union territories, serving 0.72 crore customers as at June 30, 2023.
- While their operations are spread out across India, their business is concentrated in South India, particularly in the states of Kerala and Tamil Nadu
- The shares will be listed on BSE and NSE.

Brief Financial Details*

(₹ In Cr)

	As at Jun’ 30,		As at Mar’ 31,		
	2023(03)	2022(03)	2023(12)	2022(12)	2021(12)
Share Capital	449.47	449.47	449.47	449.47	449.47
ESOP outstanding	5.81	6.33	5.88	4.81	-
Reserves	1,389.62	1,063.29	1,259.66	957.32	902.59
Net Worth as stated	1,839.09	1,512.76	1,709.13	1,406.80	1,352.06
Deposits	15,655.85	13,457.75	14,665.63	12,815.07	8,999.43
Advances	14,321.55	11,631.08	13,924.33	11,637.01	8,167.59
Interest Earned	898.75	690.31	2,853.66	1,939.93	1,641.17
Interest Earned Growth (%)	30.20%	-	47.10%	18.20%	-
EBITDA as stated	245.96	193.90	627.44	220.56	284.96
Net Profit for the period	129.96	105.97	302.33	54.73	105.40
EPS – Basic (₹)	2.89 [^]	2.36 [^]	6.73	1.22	2.46
EPS – Diluted (₹)	2.89 [^]	2.35 [^]	6.71	1.22	2.46
RONW (%)	7.07% [^]	7.00% [^]	17.69%	3.89%	7.80%
Net Asset Value- Basic (₹)	40.92	33.66	38.03	31.30	30.08

Source: RHP *Restated Summary Statement

Issue Details

Fresh Issue of Equity shares aggregating upto ₹390.70 Crore and Offer for sale of Equity Shares aggregating upto ₹72.30 Cr

Issue size: ₹ 463 Cr

Face value: ₹ 10/- per share

Employee Reservation: Shares aggregating upto ₹12.50 Cr

Price band: ₹ 57 - 60

Bid Lot: 250 Shares and in multiple thereof

Employee Discount: ₹ 5/- per share

Post Issue Implied Market Cap =

₹ 2,953 – 3088 Cr

BRLMs: ICICI Securities, DAM Capital, Nuvama Wealth Management

Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Friday, 3rd Nov’2023

Issue closes on: Tuesday, 7th Nov’2023

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	10-11-2023
Refunds/Unblocking ASBA Fund	13-11-2023
Credit of equity shares to DP A/c	15-11-2023
Trading commences	16-11-2023

Issue break-up

	No. of Shares		₹ In Cr	% of Issue
	@Lower	@Upper		
QIB	39,517,542	37,541,665	225.25	50%
NIB	11,855,264	11,262,500	67.57	15%
-NIB2	7,903,509	7,508,333	45.05	-
-NIB1	3,951,755	3,754,167	22.53	-
RET	27,662,281	26,279,167	157.67	35%
EMP	2,403,846	2,272,727	12.50	-
Total	81,438,933	77,356,059	463.00	100%

NIB-1=NII Bid between ₹ 2 to 10 Lakhs

NIB-2 =NII Bid Above ₹ 10 Lakhs

Category	Retail Category	NII-Bid between ₹ 2 - 10 Lakhs	NII - Bid Above ₹ 10 Lakhs
Minimum Bid Lot (Shares)	250 Shares	3,500 Shares	16,750 Shares
Minimum Bid Lot Amount (₹)	₹ 15,000 [^]	₹ 2,10,000 [^]	₹ 10,05,000 [^]
Appl for 1x	1,05,117 Applications	1,073 Applications	2,145 Applications

Listing: BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue [^]	Post issue#
449,473,798	518,228,521	514,779,858

[^]@Lower price Band #@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Group	74.43%	62.64%
Public	25.57%	37.36%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The Corporate Promoter - ESAF Financial Holdings Pvt. Ltd., was granted the RBI In-principal approval to establish a Small Finance Bank (“SFB”), on October 7, 2015. The Bank was incorporated as ‘ESAF Small Finance Bank Limited’ on May 5, 2016 and thereafter granted the RBI Final Approval to carry on business as an SFB, on November 18, 2016. Subsequently, the Corporate Promoter transferred its business undertaking comprising of its lending and financing business to the Bank pursuant to the Business Transfer Agreement. The Bank commenced its business as an SFB on March 10, 2017.

ESAF Financial Holdings Pvt Ltd and Kadambelil Paul Thomas are the Promoters of the Bank. Currently, promoters collectively hold 311,945,181 Equity Shares equivalent to 69.40% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the Bank.

The Corporate Promoter-ESAF Financial Holdings Pvt Ltd (“**EFHPL**”) was originally incorporated as ‘Pinnai Finance and Investments Private Limited’ on September 27, 1996 at Chennai as a private limited company. EFHPL was granted NBFC-MFI status by the RBI on January 7, 2014. EFHPL has, pursuant to the Business Transfer Agreement, sold its business undertaking comprising the lending and financing business undertaken as an NBFC-MFI and other business activities incidental thereto, to the Bank. The Corporate Promoter has thereafter surrendered its registration as an NBFC-MFI and applied for registration as an NBFC-Non Deposit taking Systemically Important Core Investment Company from the RBI.

The Individual Promoter, Kadambelil Paul Thomas, the Managing Director and Chief Executive Officer, along with others, founded ESAF Society which focused on the development of microenterprises, community development, and community health development. ESAF Society started its microfinance activities in 1995. In 2006, Kadambelil Paul Thomas along with others acquired their Corporate Promoter. Thereafter, ESAF Society transferred its microfinance business undertaking to their Corporate Promoter in 2008 pursuant to a business transfer agreement dated March 31, 2008. The Corporate Promoter was awarded NBFC-MFI status in 2014. The Corporate Promoter transferred its business undertaking, comprising its lending and financing business, to its Bank on March 10, 2017 pursuant to a Business Transfer Agreement dated February 22, 2017. ESAF SFB commenced its business as a small finance bank on March 10, 2017.

Brief Biographies of Directors

Ravimohan Periyakavil Ramakrishnan is the Part-Time Chairman and Non-Executive Independent Director of the Bank. He was previously employed as a chief general manager in the department of banking supervision of the RBI. He was previously a resident advisor, financial sector supervision, International Monetary Fund, AFRITAC South, Mauritius.

Kadambelil Paul Thomas is the Promoter, Managing Director and Chief Executive Officer of the Bank. He was previously the managing director of ESAF Financial Holdings Pvt. Ltd. He was also previously a director on the boards of Sanma Garments Pvt. Ltd., Rhema Dairy Products India Pvt. Ltd., Rhema Milk Producer Co. Ltd., Lahanti Homes and Infrastructure Pvt Ltd, ESAF Health Care Services Pvt Ltd, ESAF Swasraya Producers Co Ltd, CEDAR Retail Pvt Ltd, ESAF Enterprise Development Finance Ltd and CEDAR Livelihood Services Pvt Ltd (Formerly Cedar Agri Solutions Pvt Ltd).

Vinod Vijayalekshmi Vasudevan is a Non-Executive Independent Director on the Board of the Bank. He is the group CEO of FLYTXT, Dubai and Amsterdam. He is currently on the board of directors of Flytxt Mobile Solutions International, Z3P Tech Fund and Z3P Global, Mauritius.

Ravi Venkatraman is a Non-Executive Independent Director on the Board of the Bank. He was the former Executive Director and Chief Financial Officer of Mahindra and Mahindra Financial Services Ltd. He is currently on the board of directors of Bajaj Finserv Mutual Fund Trustee Ltd, Kotak Mahindra General Insurance Co Ltd, Avanse Financial Services Ltd, Kotak Mahindra Prime Ltd, Sarvagram Solutions Pvt Ltd, Aditya Birla AMC Ltd.

Kolasseril Chandramohan Ranjani is a Non-Executive Independent Director on the Board of the Bank. She has held senior management positions with SIDBI, and has more than 21 years of experience in Micro, Small and Medium Enterprises in India.

Biju Varkkey is an Additional Non-Executive Independent Director on the Board of the Bank. He was on the board of directors of Bank of Baroda.

John Samuel is a Non-Executive Nominee Director on the Board of the Bank. He was previously a Member of the Postal Services Board and held the position of Chief Post Master General.

Ajayan Mangalath Gopalakrishnan Nair is a Non-Executive Nominee Director on the Board of the Bank. He was previously employed as the Executive Vice President of the Bank. He is currently an additional director on the board of directors of EFHPL.

Gireesh C P is the Chief Financial Officer of the Bank. He was previously the chief financial officer of South Indian Bank Ltd. He joined the Bank with effect from September 5, 2018.

Ranjith Raj P is the Company Secretary and Compliance Officer of the Bank. He was previously employed as company secretary of EFHPL. He joined the Bank with effect from March 29, 2017.

OBJECTS OF THE ISSUE

Objects	Amount
To augmenting the Bank's Tier – 1 capital base to meet the future capital requirements.	[•]
General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

Fresh Issue		No. of Shares	WACA per Equity Share (in ₹)
Fresh Issue	₹ 390.70 Cr	Upto 65,306,060 [^] Equity Shares	–
The Offer for Sale by:	₹ 72.30 Cr	Upto 12,049,999[^] Equity Shares	
The Promoter Selling Shareholders:			
ESAF Financial Holdings Pvt Ltd	₹ 49.26 Cr	Upto 8,210,000 [^] Equity Shares#	10.11
The Other Selling Shareholders:			
PNB MetLife India Insurance Co Ltd	₹ 12.67 Cr	Upto 2,111,666 [^] Equity Shares#	40.07
Bajaj Allianz Life Insurance Co Ltd	₹ 10.37 Cr	Upto 1,728,333 [^] Equity Shares#	40.07

([^] at [^] upper price band); # shares are rounded/adjusted to the nearest.

SHAREHOLDING PATTERN

Shareholders	Pre-offer		Fresh Issue and Offer for Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter and Promoter Group	334,528,839	74.43%	8,210,000	326,318,839	63.39%
Total for Promoter and Promoter Group	334,528,839	74.43%	8,210,000	326,318,839	63.39%
Public – Other Selling Shareholders	38,816,421	8.64%	3,839,999	34,976,422	6.79%
Public - Other	76,128,538	16.94%	65,306,060	153,484,597	29.82%
Total for Public Shareholders	114,944,959	25.57%	69,146,059	188,461,019	36.61%
Total Equity Share Capital	449,473,798	100.00%	77,356,059	514,779,858	100.00%

BUSINESS OVERVIEW

ESAF Small Finance Bank (“ESAF SFB”) is a small finance bank with a focus on unbanked and under-banked customer segments, especially in rural and semi-urban centres. As at June 30, 2023, their gross advances to their customers in rural and semi-urban centres (combined) accounted for 62.97% of the gross advances and 71.71% of the banking outlets were located in rural and semi-urban centres (combined). Their primary products are advances (asset products) and deposits (liability products).

Their advances comprise:

- Micro Loans, which comprises Microfinance Loans and Other Micro Loans;
- Retail Loans, which includes Gold Loans, Mortgages, Personal Loans, and Vehicle Loans;
- MSME Loans;
- Loans to Financial Institutions; and
- Agricultural Loans.

Company's liability products comprise current accounts, savings accounts, term deposits and recurring deposits. Their AUM grew from ₹8,425.93 crore to ₹16,331.27 crore as at March 31, 2021 and 2023, respectively, registering a CAGR of 39.22%, and increased to ₹17,203.97 crore as at June 30, 2023, an increase of 5.34%. Their deposits grew from ₹8,999.43 crore to ₹14,665.63 crore as at March 31, 2021 and 2023, respectively, registering a CAGR of 27.66%, and increased to ₹15,655.85 crore as at June 30, 2023, an increase of 6.75%. Their services includes safety deposit lockers, foreign currency exchange, giving their customers access to the Bharat Bill Payment System, money transfer services and Aadhaar Seva Kendra services. They also distribute third-party life and general insurance policies and Government pension products.

ESAF SFB has a network of 700 banking outlets (including 59 business correspondent-operated banking outlets), 767 customer service centres (which are operated by their business correspondents), 22 business correspondents, 2,116 banking agents, 525 business facilitators and 559 ATMs spread across 21 states and 2 union territories, serving 0.72 crore customers as at June 30, 2023. While their operations are spread out across India, their business is concentrated in South India, particularly in the states of Kerala and Tamil Nadu. As at June 30, 2023, 62.43% of their banking outlets are located in South India (including 43.43% in Kerala and 13.86% in Tamil Nadu), 73.09% of their gross advances are from customers in South India (including 43.45% from Kerala and 22.14% from Tamil Nadu) and 86.90% of their deposits are from banking outlets in South India (including 80.04% from Kerala and 3.36% from Tamil Nadu).

As a small finance bank, they are required to have at least 75% of their adjusted net bank credit to the priority sectors. Their business model focuses on the principles of responsible banking, providing customer-centric products and services through the innovative application of technology. They follow a social business strategy seeking a triple bottom line impact: people; planet; and prosperity.

The “ESAF” brand has been built over more than 27 years, beginning in 1995 when ESAF Foundation started its micro loan activities. They have a license to use the “ESAF Brand” and related logos from ESAF Foundation. As an NBFC-MFI, EFHPL, their corporate promoter, was unable to accept deposits as per applicable laws in India. After acquiring the business of EFHPL, they have been able to leverage the strength of the “ESAF” brand to grow their deposits since they began their business as a small finance bank on March 10, 2017. The bank has placed an emphasis on increasing the Retail Deposits. As at June 30, 2023, their Retail Deposits were ₹13,977.27 crore, which accounted for 89.28% of their total deposits. As at June 30, 2023, they had 0.67 crore deposit accounts.

KEY FINANCIAL AND OPERATIONAL METRICS

Yield, Spreads and Margins

(₹ In Cr, except %)

	3 months period ended Jun'30		Year ended March 31,		
	2023	2022	2023	2022	2021
Interest earned	898.75	690.31	2,853.66	1,939.93	1,641.17
<i>Of which:</i>					
<i>Interest/discount earned on advances/bills</i>	820.83	617.96	2,532.05	1,726.71	1,473.51
Interest expended	313.29	241.55	1,017.32	792.79	719.58
Net Interest Income	585.45	448.76	1,836.34	1,147.14	921.59
Average Interest-Earning Advances	14,122.94	11,634.04	12,133.53	9,353.55	7,317.01
Average Total Interest-Earning Assets	19,008.89	16,675.59	17,209.30	13,279.47	10,267.86
Average Total Assets	20,509.80	17,905.83	18,525.68	14,350.44	11,030.68
Average Total Interest-Bearing Liabilities	18,207.40	15,890.58	16,438.02	12,588.69	9,523.89
Average Total Interest-Earning Assets as a % of Average Total Interest-Bearing Liabilities	104.40%	104.94%	104.69%	105.49%	107.81%
Average Interest-Earning Advances as a % of Average Total Assets	68.86%	64.97%	65.50%	65.18%	66.33%
Average Total Interest-Earning Assets as a % of Average Total Assets	92.68%	93.13%	92.89%	92.54%	93.08%
Average Total Interest-Bearing Liabilities as a % Average Total Assets	88.77%	88.75%	88.73%	87.72%	86.34%
Yield on Average total Interest-Earning Assets	4.73%	4.41%	16.58%	14.61%	15.98%
Yield on Average Interest-Earning Advances	5.81%	5.31%	20.87%	18.46%	20.14%
Cost of funds (%)	1.72%	1.52%	6.19%	6.30%	7.56%
Spread (%)	3.01	2.62%	10.39%	8.31%	8.42%
Net Interest Margin (%)	3.08%	2.69%	10.67%	8.64%	8.98%

Note: % relating to the 3 month period are not annualised.

Return on Equity and Assets and Other Financial Ratios

(₹ in Cr, except %)

	3 months period ended Jun'30		Year ended March 31,		
	2023	2022	2023	2022	2021
Net Interest Income	585.45	448.76	1,836.34	1,147.14	921.59
Other Income	93.03	48.01	287.91	207.58	127.25
Operating Income	678.48	496.77	2,124.25	1,354.72	1,048.84
Operating expenses	377.81	271.48	1,230.54	862.87	631.86
Operating expenses to Average AUM (%)	2.32%	2.17%	9.11%	8.79%	8.405
Operating expenses to Average Total Assets	1.84	1.52	6.64	6.01	5.73

	3 months period ended		Year ended March 31,		
	Jun'30		2023	2022	2021
	2023	2022	2023	2022	2021
Cost to Income Ratio (%)	55.69%	54.65%	57.93%	63.69%	60.24%
Pre-provisioning Operating Profit	300.67	225.29	893.71	491.85	416.98
Pre-provisioning Operating Profit to Average AUM (%)	1.85%	1.80%	6.62%	5.01%	5.55%
Pre-provisioning Operating Profit to Average Total Assets (%)	1.47%	1.26%	4.82%	3.43%	3.78%
Provision towards and write-offs	128.18	65.43	610.81	320.84	188.74
Provision/(write-back of provision) towards standard assets	(3.64)	15.81	(128.11)	93.62	92.55
Provisions for and Write-off of Advances	124.54	81.24	482.71	414.46	281.29
Provisions for and Write-off of Advances to Average AUM (%)	0.76%	0.655	3.57%	4.22%	3.74%
Provisions for and Write-off of Advances to Average Gross Advances (%)	0.87%	0.67%	3.86%	4.25%	3.79%
Net profit for the period	129.96	105.97	302.33	54.73	105.40
Average Total Assets	20,509.80	17,905.83	18,525.68	14,350.44	11,030.68
Average Shareholders' Funds	1,774.11	1,459.78	1,561.36	1,328.17	1,190.93
Return on Equity (%)	7.33%	7.26%	19.36%	4.12%	8.85%
Return on Assets (%)	0.63%	0.59%	1.63%	0.38%	0.96%
Average Shareholders' Funds as a percentage of Average Total Assets (%)	8.65%	8.15%	8.43%	9.26%	10.80%
Average Gross Advances	14,280.84	12,028.33	12,515.04	9,761.07	7,427.81
Average AUM	16,284.63	12,537.99	13,504.57	9,811.76	7,518.96

Note: % relating to the 3 month period are not annualised

Deposits

	As at Jun'30		As at March 31,					
	2023		2023		2022		2021	
	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total
Demand deposits	237.27	1.52%	263.75	1.80%	219.79	1.72%	153.18	1.70%
Savings deposits	2,614.70	16.70%	2,873.69	19.59%	2,707.61	21.13%	1,594.46	17.72%
Total CASA	2,851.97	18.22%	3,137.45	21.39%	2,927.40	22.84%	1,747.65	19.42%
Total Term Deposits	12,803.88	81.78%	11,528.18	78.61%	9,887.67	77.16%	7,251.78	80.58%
• Retail Deposits	11,125.30	71.06%	10,185.56	69.45%	9,081.45	70.87%	7,048.74	78.32%
• Bulk Deposits	1,678.59	10.72%	1,342.62	9.15%	806.23	6.29%	203.04	2.25%
Total Retail Deposit	13,977.27	89.28%	13,323.00	90.85%	12,008.84	93.71%	8,796.38	97.74%
Total Deposits	15,655.85	100.00%	14,665.63	100.00%	12,815.07	100.00%	8,999.43	100.00%
Out of which								
Total NRI Deposits	3,285.33	20.98%	3,166.23	21.59%	2,652.94	20.70%	2,019.15	22.44%

Advance under Management ("AUM")

	As at Jun'30		As at March 31,					
	2023		2023		2022		2021	
	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total	Amount (₹ in Cr)	% to Total
AUM of Micro Loans sourced or serviced by business correspondents	12,851.16	74.70%	12,254.88	75.04%	10,015.96	81.16%	7,145.28	84.80%
AUM of other loans sourced or serviced by business correspondents	705.96	4.10%	622.12	3.81%	304.53	2.47%	-	-
Total AUM sourced or serviced by business correspondents	13,557.13	78.80%	12,877.00	78.85%	10,320.49	83.63%	7,145.28	84.80%
Total AUM	17,203.97	100.00%	16,331.27	100.00%	12,340.69	100.00%	8,425.93	100.00%

Borrowings

(₹ In Cr, except %)

Particulars	As at and for the 3 months ended Jun'30		As at and for the Year ended March 31,		
	2023	2022	2023	2022	2021
	2023	2022	2023	2022	2021
Period/Year-end balance	2,739.13	2,555.50	3,354.20	2,952.83	1,694.00
Average balance during the period	3,046.66	2,754.17	2,864.02	1,879.72	1,432.75
Interest expended during the period	59.94	42.12	179.60	113.94	115.01
Cost of average borrowings (%)	1.97%	1.53%	6.19%	6.06%	8.03%
Average interest rate at period end (%)	6.83%	6.30%	6.93%	5.80%	8.13%

* Not annualised for 3 months period

Capital Adequacy

(₹ In Cr, except %)

Particulars	As at Jun' 30,	As at March 31,		
	2023	2023	2022	2021
Tier I Capital	1,838.94	1,709.64	1,415.55	1,388.91
<i>Of which Perpetual Debt Instruments</i>	48.00	48.00	48.00	48.00
Tier II Capital	155.92	161.73	216.62	173.74
<i>Of which Subordinated Debt</i>	45.00	53.00	81.00	89.00
Total Capital	1,994.86	1,871.36	1,632.17	1,562.65
Total Risk Weighted Assets	9,704.83	9,437.25	8,757.82	6,448.90
Capital Adequacy Ratio				
Tier I Capital Adequacy Ratio (%)	18.95%	18.12%	16.16%	21.54%
Tier II Capital Adequacy Ratio (%)	1.61%	1.71%	2.47%	2.69%
Total Capital Adequacy Ratio (%)	20.56%	19.83%	18.64%	24.23%

Non-Performing Assets

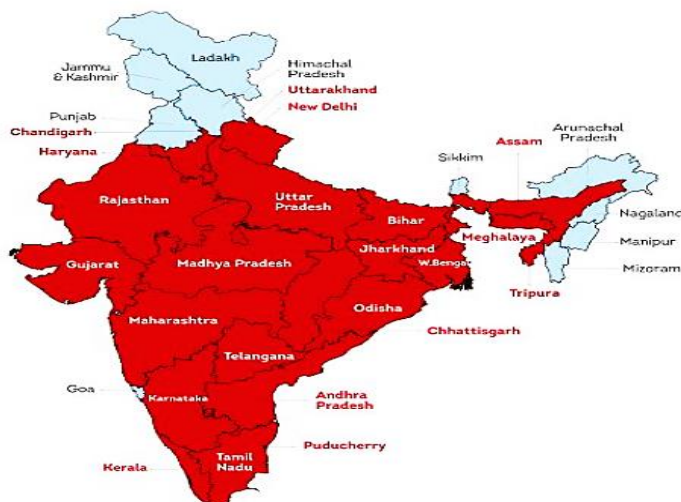
(₹ In Cr, except %)

Particulars	As at and for the 3 months ended Jun'30		As at and for the Year ended March 31,		
	2023	2022	2023	2022	2021
Opening balance of Gross NPAs at the beginning of the period	351.69	949.59	949.59	564.00	100.86
Additions during the period	120.04	207.51	719.05	642.46	473.47
Less: Reductions during the period on account of recovery	7.35	21.48	29.46	21.01	2.38
Less: Reductions during the period on account of upgradations	26.04	137.31	202.62	161.39	7.95
Less: Reductions during the period on account of write-offs	200.72	263.95	496.60	74.46	-
Less: Reductions during the period/year on account of sale of NPAs to an asset reconstruction company	-	-	588.28	-	-
Gross NPAs at the end of period/year	237.61	734.36	351.69	949.59	564.00
Total provision towards NPAs at the end of the period/year	122.00	294.94	193.80	493.64	247.42
Net NPAs	115.61	439.42	157.89	455.96	316.58
Gross Advances	14,443.55	11,926.01	14118.13	12130.64	8415.01
Net Advances	14,321.55	11,631.08	13924.33	11637.01	8167.59
Gross NPAs/Gross Advances (%)	1.65%	6.16%	2.49%	7.83%	6.70%
Net NPAs/Net Advances (%)	0.81%	3.78%	1.13%	3.92%	3.88%
Provision for standard assets	86.02	233.58	89.66	217.77	124.14
Total of provision towards NPAs and provision towards standard assets	208.02	528.52	283.45	711.40	371.56
Total of provision towards NPAs and provision towards standard assets held as percentage of gross advances (%)	1.44%	4.43%	2.01%	5.86%	4.41%
Total provision towards NPAs held as percentage of Gross NPAs (%)	51.34%	40.16%	55.10%	51.98%	43.87%
Outstanding balance of technical written-off accounts	213.08	421.93	12.71	172.80	106.33
Provision Coverage Ratio	74.35%	62.00%	56.67%	59.38%	52.77%

Productivity Ratios

Particulars	As at and for the 3 months ended Jun'30		As at and for the year ended March 31,		
	2023	2022	2023	2022	2021
Number of banking outlets	700	576	700	575	550
Number of employees	5,160	3,868	5,034	4,141	3,803
Lending accounts (in Cr)	0.37	0.35	0.34	0.36	0.31
Deposit accounts (in Cr)	0.68	0.58	0.65	0.56	0.47
AUM (₹ in Cr)	17,203.97	12,735.30	16,331.27	12,340.69	8,425.93
AUM per banking outlet (₹ in Cr)	24.58	22.11	23.33	21.46	15.32
AUM per employee (₹ in Cr)	3.33	3.29	3.24	2.98	2.22
Disbursements (₹ in Cr)	4,509.34	2,868.45	14,690.65	11,945.22	6,286.37
Disbursements per banking outlet (₹ in Cr)	6.44	4.98	20.99	20.77	11.43
Disbursements per employee (₹ in Cr)	0.87	0.74	2.92	2.88	1.65
Deposits (₹ in Cr)	15,655.85	13,457.75	14,665.62	12,815.07	8,999.43
Deposits per banking outlet (₹ in Cr)	22.37	23.36	20.95	22.29	16.36
Deposits per employee (₹ in Cr)	3.03	3.48	2.91	3.10	2.37

DELIVERY CHANNEL



Note: CSC means customer service centre.

Name of the State/ Union Territory	Banking Outlets	ATMs	CSCs
Andhra Pradesh	3	3	1
Assam	3	2	10
Bihar	10	9	12
Chhattisgarh	35	26	31
Gujarat	5	5	49
Haryana	6	2	6
Jharkhand	15	14	5
Karnataka	26	19	94
Kerala	304	275	25
Madhya Pradesh	68	45	90
Maharashtra	71	49	117
Meghalaya	1	0	0
New Delhi	9	8	1
Odisha	10	5	52
Rajasthan	9	2	37
Tamil Nadu	97	77	118
Telangana	4	4	0
Tripura	3	0	6
Union Territory Of Chandigarh	1	1	0
Union Territory Of Puduchery	3	1	1
Uttar Pradesh	9	7	34
Uttarakhand	3	1	6
West Bengal	5	4	72
Grand Total	700	559	767

Banking Outlets

Banks' banking outlets comprise their Branches (all of which they operate) and their business correspondent-operated banking outlets (in which they have some employees assisting with the operations).

The number of Branches and the business correspondent-operated banking outlets:

Particulars	As at Jun'30, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Number of Branches (all of which Bank operates)	641	641	573	550
Number of business correspondent operated banking outlets (in which Bank has some employees assisting with the operations)	59	59	2	-
Total number of banking outlets	700	700	575	550

COMPETITIVE STRENGTHS

- Deep understanding of the microfinance segment**

As at June 30, 2023, ESAF SFB had over 0.33 crore customers with Micro Loans, the majority of whom were women. As at June 30, 2023, their products and services were offered in 21 states and 2 union territories. Their gross Micro Loans to customers outside of Kerala were ₹4,330.52 crore, representing 42.30% of the total gross Micro Loans, as at June 30, 2023. As at June 30, 2023, their Top-5 states outside Kerala for gross Micro Loans were Tamil Nadu, Maharashtra, Madhya Pradesh, Karnataka and Chhattisgarh, with gross Micro Loans in those states (combined) being ₹5,043.73 crore, which represented 49.27% of the total gross Micro Loans.

- Strong rural and semi-urban banking franchise**

Bank's customers in rural and semi-urban centres (combined) have increased from 0.30 crore as at March 31, 2021 to 0.41 crore as at June 30, 2023. As at June 30, 2023, their gross advances to customers in rural and semi-urban centres (combined) were ₹9,095.18 crore, representing 62.97% of the gross advances. As at June 30, 2023, 0.41 crore of their customers were in rural and semi-urban centres (combined), representing 56.92% of the total customers, and the number of banking outlets in rural and semi-urban centres (combined) was 502, representing 71.71% of the total banking outlets.

- Growing retail deposit portfolio**

Bank's total deposits increased from ₹8,999.43 crore as at March 31 2021 to ₹14,665.63 crore as at March 31, 2023, representing a CAGR of 27.66%, and further increased to ₹15,655.85 crore as at June 30, 2023, an increase of 6.75%. They have placed an emphasis on increasing their Retail Deposits. The Retail Deposits increased from ₹8,796.38 crore as at March 31, 2021 to ₹13,323 crore as at March 31, 2023, representing a CAGR of 23.07%, and further increased to ₹13,977.27 crore as at June 30, 2023, an increase of 4.91%. The CASA increased from ₹1,747.65 crore as at March 31, 2021 to ₹3,137.45 crore as at March 31, 2023, representing a CAGR of 33.99%, and decreased to ₹2,851.97 crore as at June 30, 2023, a decrease of 9.10%.

The Cost of Average CASA, Cost of Average Term Deposits and the Cost of Funds, which are non-GAAP financial measures:

Particulars	3 months ended Jun'30		Year ended March 31,		
	2023*	2022*	2023	2022	2021
Cost of Average CASA	1.08%	1.35%	4.87%	4.93%	4.67%
Cost of Average Term Deposits	1.82%	1.60%	6.55%	6.71%	8.00%
Cost of Funds	1.72%	1.52%	6.19%	6.30%	7.56%

* not annualised

- **Customer connections driven by customer-centric products and processes and other non-financial services for Micro Loan customers**

Bank's products and services are designed to meet the various lifecycle needs of their customers, such as home loans, clean energy product loans, loans for agricultural activities, loans against property, personal loans, education loans, gold loans and vehicle loans. In addition, they have various non-financial services, which include, among other things, conducting financial literacy programmes, livelihood programmes, entrepreneurship training programmes and community engagement programmes. The customer-centric products and processes have resulted in high customer retention rates.

- **Technology driven model with an advanced digital technology platform**

The Bank continuously works towards improving their customers' experience through the use of technology. They offer their customers various digital platforms, including an internet banking portal, a mobile banking platform, SMS alerts, bill payments and RuPay branded ATM cum debit cards. All banking and payment transactions, such as remittances and utility payments, can be completed through these platforms. Their customer on-boarding process has been predominantly digitalised for their micro loans. They leverage technology for underwriting and credit sanctioning for their loan products based on inputs from credit bureaus and/or their customer data analytics. They have implemented technology solutions that enable them to ensure cashless disbursement of loans and implemented electronic signing for micro loans, both of which have reduced paperwork.

- **Experienced Board and Key Management Personnel**

ESAF SFB has an experienced Board comprising members with diverse business experience, many of whom have held senior positions in well-known financial services institutions. The members of the Senior Management Personnel have expertise in scaling up financial services organizations and collectively they have all the relevant experience in credit evaluation, risk management, treasury, and technology.

KEY BUSINESS STRATEGIES

- **Penetrate deeper into the existing geographies**

In Fiscal 2021, they expanded their operations to Meghalaya, Uttar Pradesh, Haryana, Tripura and Chandigarh, by opening banking outlets and/or appointing business correspondents for this states/union territory. In Fiscal 2022, they expanded their operations to Uttarakhand by appointing a business correspondent for that state. In Fiscal 2023, they opened Branches in Tripura and Uttarakhand for the first time. They intend to deepen their distribution within the states and union territories they operate in by opening additional Branches, opening more customer service centres and business correspondent-operated banking outlets and encouraging them to enter into agreements with more banking agents, entering into relationships with new business correspondent entities and business facilitators and adding ATMs.

- **Increase the deposits and in particular the Retail Deposits**

The bank plans to continue to increase their deposits, in particular their Retail Deposits, in order to help grow their business and reduce their Cost of Funds. For this, they will continue to target new and existing customers to source deposits in the form of CASA, fixed deposits, and recurring deposits by focusing on customer service and offering competitive pricing. Furthermore, they intend to continue to target NRIs to scale up their deposit base and in particular their CASA base. They also intend to continue to target HNIs to scale up their deposit base and in particular the CASA base.

- **Continue to grow the Micro Loans while increasing the other categories of advances both in absolute terms and as a percentage of the total AUM**

- **Continue to grow the Micro Loan business:** They plan to continue to grow their Micro Loans by cross-selling and up-selling to their customer base and marketing these loans to family members of their existing customers.
- **Expand the retail loan business:** They plan to continue to increase their retail advances both in terms of amount and as a percentage of their AUM. They plan to continue to focus on their individual customers to continue to build their retail loan portfolio:
- **Increase the MSME loans:** They plan to increase their MSME loans both in terms of amount and as a percentage of their AUM. They will also help the existing Micro Loan customers to grow their businesses with additional funding.

- **Grow the agricultural loan business:** In Fiscals 2023, 2022 and 2021, they introduced 2, 2, and 3 new agricultural loan products, respectively, resulting in having 7 agricultural loan products as at June 30, 2023.
- **Increase fee-based income by cross-selling, expanding third-party products and service offerings and expanding the fee-based Offerings**

The bank intends to increase their fee-based income by cross-selling third-party products and service offerings to the customers and expanding third-party products and service offerings. In Fiscal 2019, they began distributing the National Pension System, Atal Pension Yojna and third-party general insurance products. In Fiscal 2020, they began distributing third-party life insurance products. In Fiscal 2023, they began distributing third-party mutual funds and offering third-party depositary services. In addition, they plan to offer bank guarantees and letters of credit to MSMEs.

- **Continue to leverage technology and customer data analytics**

The Bank plans to further enhance their technology platforms, such as internet banking, mobile banking, ATMs, cash deposits machines, customer service applications and payment interfaces, which will increase the adoption of their service delivery mechanisms. This will also enable them to perform more reliable data analytics, resulting in more efficient risk management processes, targeted customer profiling and offer customised products to suit their customers' diverse requirements.

INDUSTRY OVERVIEW

Details of small finance banks and other players:

Asset Under Management

Q1FY2024	AUM (₹ Cr)				AUM CAGR (FY21-23)	AUM Year-on-Year Growth		
	Q1FY24	FY23	FY22	FY21	Q1FY24	Q1FY24	FY23	FY22
SFBs								
AU SFB	63,600	59,200	47,800	37,700	25%	37%	24%	27%
Equitas SFB	29,600	27,900	20,600	17,900	25%	36%	35%	15%
Ujjivan SFB	25,300	24,100	18,200	15,100	26%	30%	33%	20%
Jana SFB	NA	20,100	15,300	12,800	18%	NA	20%	12%
ESAF SFB	17,200	16,300	12,300	8,400	39%	35%	32%	46%
Utkarsh SFB	14,400	14,000	10,600	8,400	29%	31%	32%	26%
Fincare SFB	NA	9,900	7,600	6,100	27%	NA	32%	24%
Suryoday SFB	6,400	6,100	5,100	4,200	21%	24%	21%	20%
NBFC-MFIs								
CreditAccess Grameen Ltd	21,800*	17,600	13,700	11,300	25%	40%^	28%	21%
Fusion Microfinance Pvt Ltd	9,700	9,300	6,800	4,600	42%	31%	37%	46%
Spandana Sphoorty Financial Ltd	8,800	8,500	6,600	7,300	2%	60%	29%	(19)%
Banks-MFIs								
Bandhan Bank	103,200	109,100	99,300	87,000	12%	7%	10%	14%

Note: Players are arranged in descending order of AUM as of June 30, 2023; * Post merger with Madura Micro Finance Ltd; ^ Year on year growth rate calculated on the consolidated AUM of Credit Access Grameen Ltd. and Madura Micro Finance Ltd as of June 30, 2022.

Comparison of deposit growth

	Deposits (₹ Cr)				Deposits Year-on Year Growth			
	Q1FY23	FY23	FY22	FY21	Q1FY23	FY23	FY22	FY21
SFBs								
AU SFB	69,300	69,400	52,600	36,000	27%	39%	32%	46%
Equitas SFB	27,700	25,400	19,000	16,400	36%	24%	34%	16%
Ujjivan SFB	26,700	25,500	18,300	13,100	45%	40%	40%	39%
Jana SFB	16,800	16,300	13,500	12,400	25%	15%	21%	9%
ESAF SFB	15,700	14,700	12,800	9,000	16%	28%	15%	42%
Utkarsh SFB	14,000	13,700	10,100	7,500	36%	35%	36%	34%
Fincare SFB*	NA	8,000	6,500	5,300	NA	23%	24%	21%
Suryoday SFB	5,700	5,200	3,900	3,300	42%	25%	34%	18%
Banks-MFIs								
Bandhan Bank	108,500	108,100	96,300	78,000	17%	18%	12%	24%

*Data as of Fiscal 2023

ESAF SFB has the highest growth rate of banking outlets year on year for Q1FY24

Q1FY2024	No. of Banking Outlets				Banking outlets Year-on-Year Growth		
	Q1FY24	FY23	FY22	FY21	Q1FY24	FY23	FY22
SFBs							
AU SFB	1,038	1,027	919	744	8.9%	11.8%	23.5%
Equitas SFB	927	922	869	861	5.8%	6.1%	0.9%
Ujjivan SFB	661	629	575	575	15.0%	9.4%	0.0%
Jana SFB	NA	754	715	619	NA	5.5%	15.5%
ESAF SFB	700	700	575	553	21.5%	21.7%	39.8%
Utkarsh SFB	851	830	686	558	NA	21.0%	22.9%
Fincare SFB	NA	1,231	919	806	NA	33.9%	NA
Suryoday SFB	609	577	565	556	8.0%	2.1%	1.6%
NBFC-MFIs							
CreditAccess Grameen Ltd	1,826	1,786 [^]	1,164	964	51.3%	53.4%	20.7%
Fusion Microfinance Pvt Ltd	1,103	1,086	934	725	14.2%	16.3%	28.8%
Spandana Sphoorty Financial Ltd	1,303	1,227	1,120	1,062	16.7%	9.6%	6.5%
Banks-MFIs							
Bandhan Bank	6,140	5,999	5,639	5310	8.9%	6.4%	6.2%

Noter: Banking Outlets includes physical outlets of the respective bank as well as its business correspondents; [^]On a consolidated basis. Source: Company reports, CRISIL MI&A

ESAF SFB has the highest yield on advances among compared SFBs for Q1FY2024

Q1FY2024	Yields on advances	Cost of borrowing	NIM	Opex ratio	Cost to income ratio	Credit Cost Ratio	RoE	RoA
SFBs								
AU SFB	3.3%	1.6%	1.4%	1.1%	65.0%	0.1%	3.5%	0.4%
Equitas SFB	4.3%	1.7%	2.0%	1.7%	65.9%	0.2%	3.6%	0.5%
Ujjivan SFB	5.2%	1.7%	2.3%	1.5%	52.8%	0.1%	7.5%	1.0%
Jana SFB	4.9%*	1.9%	1.8%	1.4%	58.0%	1.0%	4.3%	0.3%
ESAF SFB	5.8%	1.7%	2.9%	1.8%	55.7%	0.9%	7.3%	0.6%
Utkarsh SFB	4.9%	1.8%	2.2%	1.5%	57.0%	0.6%	5.2%	0.6%
Fincare SFB	NA	NA	NA	NA	NA	NA	NA	NA
Suryoday SFB	5.1%	1.6%	2.2%	1.6%	57.5%	0.9%	3.0%	0.5%
NBFC-MFIs								
CreditAccess Grameen Ltd	5.7%*	2.3%	3.2%	1.1%	30.8%	0.4%	6.6%	1.6%
Fusion Microfinance Pvt Ltd	5.8%*	2.6%	3.1%	1.4%	36.3%	0.8%	5.1%	1.2%
Spandana Sphoorty Financial Ltd	6.2%*	3.2%	3.1%	1.4%	42.3%	0.4%	3.8%	1.2%
Banks-MFIs								
Bandhan Bank	3.8%	1.6%	1.6%	0.9%	45.7%	0.6%	3.6%	0.5%

** Yield on advances calculated as total interest earned to average interest-earning assets; Source: Company reports, CRISIL MI&A*

ESAF SFB had the best asset quality as of June 30, 2023, among comparable peers

As of June 30, 2023	Provision Coverage Ratio	GNPA (%)	NNPA (%)	Restructured Book %	CRAR	Tier 1 Ratio
SFBs						
AU SFB	73%	1.76%	0.55%	1.0%	21.5%	19.9%
Equitas SFB	58%	2.75%	1.18%	1.0%*	22.1%	21.4%
Ujjivan SFB	98%*	2.62%	0.06%	0.7%	26.7%	23.6%
Jana SFB	60%	2.90%	1.20%	1.0%	18.7%	16.7%
ESAF SFB	74%	1.65%	0.81%	0.3%	20.6%	19.0%
Utkarsh SFB	90%	3.13%	0.33%	0.2%*	19.8%	17.9%
Fincare SFB	92%*	2.12%	1.09%	0.9%*	19.9%	NA
Suryoday SFB	52%*	3.04%	1.63%	NA	32.7%	30.2%
NBFC-MFIs						
CreditAccess Grameen Ltd	70%	0.89%	0.27%	NA	24.4%	23.5%

As of June 30, 2023	Provision Coverage Ratio	GNPA (%)	NNPA (%)	Restructured Book %	CRAR	Tier 1 Ratio
Fusion Microfinance Pvt Ltd	76%	3.20%	0.78%	0.2%	28.3%	NA
Spandana Sphoorty Financial Ltd	70%	1.63%	0.49%	NA	37.6%	NA
Banks-MFIs						
Bandhan Bank	NA	6.76%	2.18%	NA	19.8%	18.8%

* As of March 2023; Source: Company reports, CRISIL MI&A

Product mix of SFBs (as of June 30, 2023)

Player – SFB	MFI	Vehicle Loans	Mortgage Loan	MSME	Large and Mid-Corporate Loan	Gold Loan	Agriculture	Others
AU SFB	-	33%	7%	30%	21%	-	-	8%
Equitas SFB	19%	25%	11%	36%	4%	-	-	4%
Ujjivan SFB	72%	-	14%	6%	5%	-	-	2%
ESAF SFB	75%	1%	2%	1%	4%	13%	5%	1%
Utkarsh SFB	63%	4%	4%	12%	11%	-	-	6%
Fincare SFB*	61%	0%	12%	16%	2%	9%	-	1%
Suryoday SFB	60%	7%	11%	7%	12%	-	-	4%

* For Fincare SFB, data as of Fiscal 2023; Source: Company reports, CRISIL MI&A

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Bank	Consolidated/ Standalone	Face Value	Total Income for Fiscal 2023 (₹ Cr)	EPS		NAV	P/E	PB	RoNW (%)
				(Basic)	(Diluted)				
ESAF Small Finance Bank Ltd	Restated	10	3,141.57	6.73	6.71	38.03	[•]	[•]	17.69
Suryoday Small Finance Bank	Consolidated	10	1,281.10	7.32	7.32	149.28	22.39	1.10	4.90
CreditAccess Grameen Ltd	Consolidated	10	3,550.79	52.04	52.04	326.89	26.81	4.25	16.18
Spandana Sphoorty Financial Ltd	Consolidated	10	1,477.03	1.74	1.74	436.58	471.38	1.88	0.40
Bandhan Bank Ltd	Consolidated	10	18,373.25	13.62	13.62	121.58	16.55	1.85	11.21
Ujjivan Small Finance Bank Ltd	Consolidated	10	4,754.19	5.88	5.88	21.27	9.81	2.71	26.45
Equitas Small Finance Bank Ltd	Consolidated	10	4,831.46	2.16	4.71	46.44	21.51	2.16	11.12

Source: RHP ~P/E Ratio, and P/B Ratio is calculated as closing share price as at October 20, 2023 at BSE

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