

ESAF small finance bank **SUBSCRIBE**

Better growth than its peers with better asset quality

Summary

ESAF SFB is focused on unbanked and under-banked customer segments, especially in rural and semi-urban Centres. As at June 30, 2023, its gross advances to its customers in rural and semi-urban Centre's (combined) accounted for 63% of the gross advances and 71.7% of its banking outlets were located in rural and semi-urban Centres. Among MSME-focused NBFCs in India, ESAF has one of the highest assets under management growth (at a CAGR of 39% FY21-FY23) and has also witnessed healthy deposit growth, at a CAGR of 28% FY21-FY23. Further, the retail deposits of the banks grew at 23.07% CAGR. ESAF SFB has a rapidly expanding network with 700 branches and 22 business correspondents as on 30 June 2023. At upper price band, IPO is priced at P/BV of 1.6x based on FY23 with ROA of 1.63%. We recommend **SUBSCRIBE** for long term.

Key Investment Rationale

- Better growth than its peers with better asset quality:** ESAF's AUM has grown by 39% CAGR (FY21-23) led by non-MFI portfolio as compared to 18% - 29% CAGR (FY21-23) for its peer (AU, Equitas, Ujjivan) SFBs. Further GNPA stood at 1.6% for ESAF vs 1.76% - 3.13% for its peer SFBs.
- Main focus on company's rural and semi-urban banking franchise:** Company's customers in rural and semi-urban centers have increased from 3.00 million as at March 31, 2021 to 3.93 million as at March 31, 2023 and further increased to 4.07 million as at June 30, 2023. Company's gross advances to customers in rural and semi-urban centres were ₹90,951.76 million, representing 62.97% of company's gross advances as on 30 June 2023.
- Experienced Board and Key Management Personnel:** The bank has an experienced board comprising members with diverse business experience. The management has expertise in scaling up financial services organizations and collectively they have all the relevant experience in credit evaluation, risk management, treasury, and technology.

Issuer	ESAF small finance bank Ltd
Transaction Type	Fresh Issue of Equity shares aggregating upto ₹3907 Mn and Offer for sale of Equity Shares aggregating upto ₹723 Mn
Issue Open / Close	03-Nov-2023 / 07-Nov-2023
Type of Offering	Fresh Issue and Offer for Sale
Total Offer Size	Rs 4,630 Mn
Price Band	Rs.57-60/Sh
Bid Lot	250 Equity Shares and in multiples thereafter
Percentage of Offer Size (Allocation)	<ul style="list-style-type: none"> QIB: 50% NIB: 15% Retail: 35%
Objective	Augmenting banks Tier1 capital to meet future capital requirements

Share holding pattern (%)

	Pre-Issue	Post-Issue
Promoter	74.43	62.64
Public	25.57	37.36
Total	100%	100%

Financial Snapshot

(Rs Mn)	FY21	FY22	FY23	Q1FY24*
NII	9,215.91	11,471.39	18363.40	5,854.53
Net Profit	1,053.96	547.32	3023.33	1,299.64
EPS (Rs)	2.46	1.22	6.73	2.89
ROE (%)	8.85%	4.12%	19.36%	7.33%
ROA (%)	0.96%	0.38%	1.63%	0.63%
GNPA (%)	6.70	7.83	2.49	1.65
NNPA (%)	3.88	3.92	1.13	0.81
CAR (%)	24.23	18.64	19.83	20.56

Source: RHP, Company; Note: * Ratios for Q1FY24 are not annualised

Bunty Chawla

Bunty.chawla@idbicapital.com

+91-22-2217 1843

Exhibit 1: Peer Comparison: AUM

Particulars	AUM (Rs in Bn)				AUM CAGR (FY21-23)	AUM YoY growth		
	FY21	FY22	FY23	Q1FY24		Q1FY24	FY23	FY22
Small finance banks (SFB)								
AUM (in Bn)								
AU SFB	377	478	592	636	25%	27%	24%	27%
Equitas SFB	179	206	279	296	25%	36%	35%	15%
Ujjivan SFB	151	182	241	253	26%	30%	33%	20%
Jana SFB	128	153	201	NA	18%	NA	20%	12%
ESAF SFB	84	123	163	172	39%	35%	32%	46%
Utkarsh SFB	84	106	140	144	29%	31%	32%	26%
Fincare SFB	61	76	99	NA	27%	NA	32%	24%
Suryoday SFB	42	51	61	64	21%	24%	21%	20%
NBFC-MFIs								
CreditAccess Grameen Ltd	113	137	176	218	21%	28%	25%	40%
Fusion Microfinance Pvt. Ltd	46	68	93	97	46%	37%	42%	31%
Spandana Sphoorty Financial Ltd	73	66	85	88	-19%	29%	2%	60%
Banks-MFI								
Bandhan Bank	870	993	1091	1032	14%	10%	12%	7%

Source: RHP, IDBI Capital Research;

Exhibit 2: Peer Comparison: Deposit growth

Particulars	Deposits (Rs in Bn)				Deposits CAGR (FY21-23)	Deposits YoY growth		
	FY21	FY22	FY23	Q1FY24		Q1FY24	FY23	FY22
Small finance banks (SFB)								
AU SFB	360	526	694	693	39%	27%	32%	46%
Equitas SFB	164	190	254	277	24%	36%	34%	16%
Ujjivan SFB	131	183	255	267	40%	45%	40%	39%
Jana SFB	124	135	163	168	15%	25%	15%	9%
ESAF SFB	90	128	147	157	28%	16%	28%	42%
Utkarsh SFB	75	101	137	140	35%	36%	35%	34%
Fincare SFB	53	65	80	NA	23%	NA	23%	21%
Suryoday SFB	33	39	52	57	25%	42%	25%	18%
Banks-MFI								
Bandhan Bank	780	963	1081	1085	18%	17%	18%	24%

Source: RHP, IDBI Capital Research

Exhibit 3: Peer Comparison: Banking outlets growth

Particulars	No of banking outlets				Banking outlets YoY growth		
	FY21	FY22	FY23	Q1FY24	Q1FY24	FY23	FY22
Small finance banks (SFB)							
AU SFB	744	919	1027	1038	8.9%	11.8%	23.5%
Equitas SFB	861	869	922	927	5.8%	6.1%	0.9%
Ujjivan SFB	575	575	629	661	15.0%	9.4%	0%
Jana SFB	619	715	754	NA	NA	5.5%	15.5%
ESAF SFB	553	575	700	700	21.5%	21.7%	39.8%
Utkarsh SFB	558	686	830	851	NA	21.0%	22.9%
Fincare SFB	806	919	1231	NA	NA	33.9%	NA
Suryoday SFB	556	565	577	609	8.0%	2.1%	1.6%
NBFC-MFI							
CreditAccess Grameen Ltd	964	1164	1786	1826	51.3%	53.4%	20.7%
Fusion Microfinance Pvt. Ltd	725	934	1086	1103	14.2%	16.3%	28.8%
Spandana Sphoorty Financial Ltd	1062	1120	1227	1303	16.7%	9.6%	6.5%
Banks-MFI							
Bandhan bank	5310	5639	5999	6140	8.9%	6.4%	6.2%

Source: RHP, IDBI Capital Research

Exhibit 4: Peer Comparison: Yield

Particulars (%)	Yield on advances	Cost of borrowing	NIM	OPEX ratio	CI ratio	CC ratio	ROE	ROA
Small finance banks (SFB)								
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	0.6	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	3.0	3.0	0.5
NBFC-MFI								
CreditAccess Grameen Ltd	5.7	2.3	3.2	1.1	0.4	6.6	6.6	1.6
Fusion Microfinance Pvt. Ltd	5.8	2.6	3.1	1.4	0.8	5.1	5.1	1.2
Spandana Sphoorty Financial Ltd	6.2	3.2	1.6	1.4	0.4	3.8	3.8	1.2
Banks-MFI								
Bandhan bank	3.8	1.6	1.6	0.9	0.6	3.6	3.6	0.5

Source: RHP, IDBI Capital Research;

Exhibit 5: Peer Comparison: Asset quality

Particulars (%)	Provision coverage ratio	GNPA	NNPA	Restructured book	CRAR	Tier 1
Small finance banks (SFB)						
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	1.62	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-MFI						
CreditAccess Grameen Ltd	70	0.89	0.27	NA	24.4	23.5
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-MFI						
Bandhan bank	NA	6.76	2.18	NA	19.8	18.8

Source: RHP, IDBI Capital Research

Key Investment Rationale

- **Better growth than its peers with better asset quality:**

ESAF's AUM has grown by 39% CAGR (FY21-23) led by non-MFI portfolio as compared to 18% - 29% CAGR (FY21-23) for its peer (AU, Equitas, Ujjivan) SFBs. Further GNPA stood at 1.6% for ESAF vs 1.76% - 3.13% for its peer SFBs. In terms of valuation front, ESAF at higher band price (rs.60) trades at 1.6X FY23 BV as compared to 2X Equitas SFB, 2.2X Ujjivan SFB and 3.8X Au SFB.

- **Company's understanding of the micro loan segment has enabled it to grow its business outside of Kerala, company's home state:**

Company can trace its microfinance roots back to 1995. As at June 30, 2023, company had over 3.25 million customers with Micro Loans, the majority of whom were women. Company's understanding of the micro loan segment has enabled it to successfully expand its business outside of Kerala. As at June 30, 2023, company's products and services were offered in 21 states and two union territories. Company's gross Micro Loans to customers outside of Kerala were ₹43,305.24 million, representing 42.30% of company's total gross Micro Loans, as at June 30, 2023. As at June 30, 2023, company's top five 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 ₹50,437.31 million, which represented 49.27% of company's total gross Micro Loans.

- **Main focus on company's rural and semi-urban banking franchise**

Company's main focus is on providing loans to customers in rural and semiurban centres. Company's customers in rural and semi-urban centres (combined) have increased from 3.00 million as at March 31, 2021 to 3.93 million as at March 31, 2023 and further increased to 4.07 million as at June 30, 2023. As at June 30, 2023, company's gross advances to customers in rural and semi-urban centres (combined) were ₹90,951.76 million, representing 62.97% of company's gross advances. As at June 30, 2023, 4.07 million of its customers were in rural and semi-urban centres (combined), representing 56.92% of company's total customers, and the number of banking outlets in rural and semi-urban centres (combined) was 502, representing 71.71% of company's total banking outlets.

- **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.

- **Growing Retail Deposits portfolio**

Company's total deposits increased from ₹89,994.26 million as at March 31 2021 to ₹146,656.25 million as at March 31, 2023, representing a CAGR of 27.66%, and further increased to ₹156,558.54 million as at June 30, 2023, an increase of 6.75%. The company has placed an emphasis on increasing its Retail Deposits. Company's Retail Deposits increased from ₹87,963.84 million as at March 31, 2021 to ₹133,230.03 million as at March 31, 2023, representing a CAGR of 23.07%, and further increased to ₹139,772.67 million as at June 30, 2023, an increase of 4.91%. CASA tends to provide a stable and low-cost source of deposits compared to term deposits. Company's CASA increased from ₹17,476.45 million as at March 31, 2021 to ₹31,374.47 million as at March 31, 2023, representing a CAGR of 33.99%, and decreased to ₹28,519.70 million as at June 30, 2023, a decrease of 9.10%.

About the Company

The bank is a small finance bank with a focus on unbanked and under-banked customer segments, especially in rural and semiurban centres. As at June 30, 2023, its gross advances to its customers in rural and semi-urban centres (combined) accounted for 62.97% of the gross advances and 71.71% of its banking outlets were located in rural and semi-urban centres (combined). The banks primary products are its 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;
- Agricultural Loans

The liability products comprise current accounts, savings accounts, term deposits and recurring deposits.

Services includes safety deposit lockers, foreign currency exchange, giving its customers access to the Bharat Bill Payment System, money transfer services and Aadhaar Seva Kendra services. The bank also distributes third-party life and general insurance policies and Government pension products.

The bank has a network of 700 banking outlets (including 59 business correspondent-operated banking outlets), 767 customer service centres (which are operated by its business correspondents), 22 business correspondents, 2,116 banking agents, 525 business facilitators and 559 ATMs spread across 21 states and two union territories, serving 7.15 million customers as at June 30, 2023. While its operations are spread out across India, its business is concentrated in South India, particularly in the states of Kerala and Tamil Nadu. As at June 30, 2023, 62.43% of its banking outlets are located in South India (including 43.43% in Kerala and 13.86% in Tamil Nadu), 73.09% of its gross advances are from customers in South India (including 43.45% from Kerala and 22.14% from Tamil Nadu) and 86.90% of its deposits are from banking outlets in South India (including 80.04% from Kerala and 3.36% from Tamil Nadu).

Product Portfolio

The bank's asset products comprise: (a) Micro Loans (Microfinance Loans and Other Micro Loans); (b) retail loans, which includes, gold loans, mortgages, personal loans, and vehicle loans; (c) MSME loans; (d) loans to financial institutions; and (e) agricultural loans.

Exhibit 6: AUM by product type and as a percentage of total AUM

Gross Loan Portfolio Mix (In Mn)	June 23		FY21		FY22		FY23	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Micro loans	12,8512	74.70	122,549	75.04	100,160	81.16	71,453	84.80
Retail loans	27,948	16.26	26,148	16.01	14,650	11.87	9,607	11.40
MSME loans	1,532	0.89	1,601	0.98	1,233	1.00	484	0.57
Loans to financial institutions	6,173	3.59	6,137	3.76	4,096	3.32	2,625	3.12
Agricultural loans	7,838	4.56	6,878	4.21	3,268	2.65	90.30	0.11
Total AUM	172,040	100	163,313	100	123,407	100	84,259	100

Source: RHP, IDBI Capital Research

Competitive Strength

■ Deep grass root level understanding of the microfinance business:

As at June 30, 2023, ESAF had over 3.25 million customers with Micro Loans, the majority of whom were women. The company's understanding of the micro loan segment has enabled it to successfully expand its business outside of Kerala. As at June 30, 2023, ESAF's products and services were offered in 21 states and two union territories. The company's gross Micro Loans to customers outside of Kerala were ₹43,305.24 million, representing 42.30% of its total gross Micro Loans, as at June 30, 2023. As at June 30, 2023, the company's top five 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 ₹50,437.31 million, which represented 49.27% of its total gross Micro Loans.

■ **Main focus on rural and semi-urban banking franchise**

Company's main focus is on providing loans to customers in rural and semi-urban centres. Company's customers in rural and semiurban centres (combined) have increased from 3.00 million as at March 31, 2021 to 3.93 million as at March 31, 2023 and further increased to 4.07 million as at June 30, 2023. As at June 30, 2023, company's gross advances to customers in rural and semi-urban centres (combined) were ₹90,951.76 million, representing 62.97% of company's gross advances. As at June 30, 2023, 4.07 million of company's customers were in rural and semi-urban centres (combined), representing 56.92% of its total customers, and the number of banking outlets in rural and semi-urban centres (combined) was 502, representing 71.71% of company's total banking outlets.

■ **Growing Retail Deposits portfolio**

Company's total deposits increased from ₹89,994.26 million as at March 31 2021 to ₹146,656.25 million as at March 31, 2023, representing a CAGR of 27.66%, and further increased to ₹156,558.54 million as at June 30, 2023, an increase of 6.75%. Company's Retail Deposits increased from ₹87,963.84 million as at March 31, 2021 to ₹133,230.03 million as at March 31, 2023, representing a CAGR of 23.07%, and further increased to ₹139,772.67 million as at June 30, 2023, an increase of 4.91%. Company's CASA increased from ₹17,476.45 million as at March 31, 2021 to ₹31,374.47 million as at March 31, 2023, representing a CAGR of 33.99%, and decreased to ₹28,519.70 million as at June 30, 2023, a decrease of 9.10%.

Exhibit 7: Cost of funds for the company

Particulars	FY23	FY22	FY21
Cost of average CASA	4.87%	4.93%	4.67%
Cost of average term deposits	6.55%	6.71%	8.00%
Cost of funds	6.19%	6.30%	7.56%

Source: RHP

- **Customer connections driven by its 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 a 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 Managerial Personnel and Senior 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.

Strategies:

■ Penetrate deeper into its existing geographies

Since April 2020, the bank has considerably expanded the number of states and territories it operates in. In Fiscal 2021, the bank expanded its operations to Meghalaya, Uttar Pradesh, Haryana, Tripura and Chandigarh, by opening banking outlets and/or appointing business correspondents for these states/union territory. In Fiscal 2022, it expanded its operations to Uttarakhand by appointing a business correspondent for that state. In Fiscal 2023, the bank opened Branches in Tripura and Uttarakhand for the first time. The bank intends to deepen its distribution within the states and union territories it operates in by opening additional Branches, having business correspondents open 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. As at June 30, 2023, it had 700 banking outlets (including 59 business correspondent-operated banking outlets), 767 customer service centres (which are operated by business correspondents), 22 business correspondents, 2,116 banking agents, 525 business facilitators and 559 ATMs. As at June 30, 2023, the bank served over 7.15 million customers in 21 states and two union territories.

■ Increase its deposits and in particular the retail deposits

The bank plans to continue to increase its deposits, in particular its Retail Deposits, in order to help grow its business and reduce its Cost of Funds. To increase its deposits, the banking outlets and business correspondents 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. The bank's business correspondent entities are the primary channel for sourcing deposits from its Micro Loan customers. The bank plans to add more business correspondents, which will help to increase its deposits. Furthermore, it intends to continue to target NRIs and HNIs to scale up its deposit base and in particular its 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 to its existing customer base and their family members.
 - Expand the retail loan business: the bank plans to continue to increase its retail advances both in terms of amount and as a percentage of its AUM by targeting agriculturists / small farmers, small-scale entrepreneurs, salaried employees, students and senior citizens in small towns and rural India, thereby expanding its retail loan customer base.
 - 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 its feebased 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 thirdparty life insurance products. In Fiscal 2023, they began distributing third-party mutual funds and offering third-party depository 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.

Exhibit 8: Key Management

Management	Designation
Mr. Ravimohan Periyakavil Ramakrishnan	Part-Time Chairman and NonExecutive Independent Director
Mr. Kadambelil Paul Thomas	Managing Director and Chief Executive Officer
Mr. Gireesh C.P	Chief Financial Officer
Mr. Ranjith Raj P	Company Secretary and Compliance Officer

Source: RHP, IDBI Capital Research

Exhibit 9: Key Milestones

Year	Key Milestones
2016	Incorporation of the bank
2017	Commenced banking operations
	The bank Crossed 2.00 million borrowers
	Received RBI approval for maintaining non resident rupee account, selected for GOI Atal Pension Yojna
2018	Crossed 100 branches in aggregate
2019	Crossed 400 branches in aggregate and banking business crossed ₹100,000 million
2020	Crossed 500 branches in aggregate
2021	Banking business (advances and deposits) crossed over ₹150,000 million
	Crossed a customer base of 6.00 million
2022	Gold Loan Portfolio crossed 10,000 million
	Opened 150 unbanked rural centres
	Opened 700th branch
	Authorized to deal in foreign exchange by the RBI by virtue of the Authorized Dealer – Category I license issued by the RBI
2023	Launched WhatsApp Banking
	Implemented e-signature for Micro Loan disbursals

Source: RHP, IDBI Capital Research

Key Risks:

- The business is significantly dependent on its microloan segment. Any decrease in demand for its Micro Loans could adversely affect its business.
- Micro Loans and some of its retail loans are unsecured. The inability to recover such advances on time or at all, could impact its business.
- Its business is concentrated in South India, particularly in the states of Kerala and Tamil Nadu.
- It faces challenges in its rural-focused Microfinance Loan business, including the high cost of reaching customers, potential customers' lack of financial and product awareness, and vulnerability of household income to local developments.
- The Indian finance industry is intensely competitive. It faces intense competition in all its principal products and services.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	Q1FY24*
Net interest income	9,215.91	11,471.39	18,363.40	5,854.53
<i>Change (yoy, %)</i>	NA	24%	60%	30%
Other operating Income	1,272.48	2,075.83	2,879.13	930.29
Operating expenses	6,318.55	8,628.71	12,305.41	3,778.13
Pre-Provision Profit	4,169.84	4,918.51	8,937.12	3,006.69
<i>Change (yoy, %)</i>	NA	18%	82%	33%
Provision	3,115.88	4,371.19	5,913.79	1,707.05
Net profit	1,053.96	547.32	3,023.33	1,299.64
<i>Change (yoy, %)</i>	NA	-48%	452%	23%
EPS	2.46	1.22	6.73	2.89
Return on Equity (%)	8.85%	4.12%	19.36%	7.33%
Return on Assets (%)	0.96%	0.38%	1.63%	0.63%

Source: Company; IDBI Capital Research; Note: *- Ratios for Q1FY24 are not annualized and growth ratios are on a YoY basis.

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	Q1FY24
Capital	4,494.74	4,494.74	4,494.74	4,494.74
Employee Stock Options Outstanding	0	48.06	58.75	58.10
Reserves	9,025.90	9,573.22	12,596.55	13,896.19
Networth	13,520.64	14,067.96	17,091.29	18,390.93
Borrowings	16,940.00	29,528.33	33,541.95	27,391.25
Deposits	89,994.26	1,28,150.72	1,46,656.25	1,56,558.54
Other liabilities	2,931.62	5,280.57	4,888.33	5,560.59
Total Liab. & Equity	1,23,386.52	1,77,075.64	2,02,236.57	2,07,959.41
Fixed Assets	1,385.12	1,594.75	1,879.27	1,872.56
Investments	19,320.69	40,702.98	48,885.28	48,821.17
Loans	81,675.86	1,16,370.05	1,39,243.31	1,43,215.54
Cash	16,180.72	13,006.68	7,395.48	8,212.69
Balances with Banks and Money at Call and Short Notice	2,010.54	2,112.36	275.01	655.45
Other assets	2,813.59	3,288.82	4,558.22	5,182.00
Total assets	1,23,386.52	1,77,075.64	2,02,236.57	2,07,959.41

Source: Company; IDBI Capital Research; Note: * Figures for Q1FY24 are not annualised

Financial Ratios

(%)

Year-end: March	FY21	FY22	FY23	Q1FY24*
Growth				
Advances	20.23	17.44	19.81	5.81
NII	NA	24	60	30
Pre-Provision Profit	NA	18	82	33
Net Profit	NA	-48	452	23
Spreads				
Yield on Loans	20.03	17.44	19.81	5.81
Cost of Funds	7.56	6.3	6.19	1.72
Spread	8.42	8.31	10.39	3.01
NIM	8.98	8.64	10.67	3.08
Operating Efficiency				
Cost-to-Income	60.24	63.69	57.93	55.69
Asset Quality				
GNPA	6.70	7.83	2.49	1.65
NNPA	3.88	3.92	1.13	0.81
Provision Coverage	52.77	59.38	56.67	74.35
Credit Cost	3.75	4.22	3.82	0.90
Capital Adequacy				
CAR	24.23	18.64	19.83	20.56
Tier I	21.54	16.16	18.12	18.95
Valuation				
EPS	2.46	1.22	6.73	2.89
ROE	8.85%	4.12%	19.36%	7.33%
ROA	0.96%	0.38%	1.63%	0.63%

Source: Company; IDBI Capital Research; Note*: Ratios for Q1FY24 are not annualized and growth ratios are on a YoY basis.



Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

IDBI Capital Markets & Securities Ltd.**Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

SEBI Registration: BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578

Compliance Officer: Christina D’souza; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1907

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