

South based MFI Player focused on the Underbanked Rural & Semi-Urban markets...SUBSCRIBE

Business Overview:

- ⇒ ESAF Small Finance Bank (SFB) is purely focused on un-banked and under-banked customer segments, especially in rural and semi-urban centres. Rural and semi-urban centres (combined) account for 63% of gross advances of the bank and 71.7% of banking outlets as on June 30, 2023.
- ⇒ Primary products are advances (asset products) and deposits (liability products). Advances comprise: (a) Micro Loans, which comprises 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. Liability products comprise current accounts, savings accounts, term deposits and recurring deposits.
- ⇒ AUM increased at a 2yr CAGR of 39.2% to Rs. 163.3bn as on March 31, 2023 and then to Rs. 172bn as on June 30, 2023, an increase of 5.3%. Deposits grew at a 2yr CAGR of 27.6% to Rs. 146.7bn as on March 31, 2023 and then to Rs. 156.6bn as on June 30 2023, an increase of 6.8%. ESAF SFB has placed an emphasis on increasing Retail Deposits. As on June 30, 2023, Retail Deposits were Rs.139.8bn (89.3% of total deposits). The SFB has 6.74mn deposit accounts.
- ⇒ Network of the bank includes 700 banking outlets (including 59 BC-operated banking outlets), 767 customer service centres (operated by its BCs), 22 BCs, 2,116 banking agents, 525 business facilitators and 559 ATMs spread across 21 states and two UT, serving 7.15mn customers as on June 30, 2023.
- ⇒ ESAF SFB business is primarily concentrated in South India, particularly in the states of Kerala and Tamil Nadu. As on June 30, 2023, 62.4% of banking outlets are located in South India (including 43.4% in Kerala and 13.9% in Tamil Nadu), 73.1% of gross advances are from customers in South India (including 43.4% from Kerala and 22.1% from Tamil Nadu) and 86.9% of deposits are from banking outlets in South India (including 80% from Kerala and 3.4% from Tamil Nadu).
- ⇒ "ESAF" brand has been built over more than 27 years, beginning in 1995 when ESAF Foundation started its micro loan activities. The bank has a license to use the "ESAF Brand" and related logos from ESAF Foundation. As an NBFC-MFI, EFHPL, the corporate promoter, was unable to accept deposits as per applicable laws in India. After acquiring the business of EFHPL, ESAF SFB has been able to leverage the strength of the "ESAF" brand to grow deposits since it began business as a small finance bank on March 10, 2017.
- ⇒ The business model focuses on the principles of responsible banking, providing customer-centric products and services through the innovative application of technology. The SFB uses BC entities to source and service customers for Micro Loans. Its BCs also source customers for mortgage loans, vehicle loans, MSME loans, agricultural loans and select deposit products. In addition, BCs are responsible for sourcing and servicing banking agents.
- ⇒ The SFB leverages technology to deliver products and services and continuously work towards improving customers' experience. It has crossed a technology milestone with the successful adoption of e-signatures for Micro Loan disbursements. In FY23, it disbursed over 0.53mn loans using e-signatures.
- ⇒ ESAF SFB Tier II bonds (Basel III) issued in the form of subordinated debt instruments and also proposed Tier II Bonds are rated by CARE Ratings Limited as "CARE A; Stable".

Valuation and Views: At the upper price band, on post issue basis, ESAF SFB is valued at 1.5x FY23 P/B and 1.4x TTM P/B. We believe, the issue is priced effectively and has room for upside. Amongst its Peer Set, Credit Access Grameen and AU SFB are valued above 4x TTM P/B while Bandhan Bank, ESAF SFB and Suryoday SFB are valued below 2x TTM P/B. We recommend to "Subscribe" to the issue given (1) ESAF SFB's healthy asset quality (2) Strong presence in Rural & Semi-Urban markets (3) Focus on Growing AUM book across segments - Retail, Agri, MSME loans and (4) Led by experienced management.

Issue Size & Market Cap	
Type of Issue	Rs. Mn
Fresh Issue	3,907
Offer for Sale	723
Total Issue Size	4,630
Post-Issue Market cap*	30,875

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NII (HNI)	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	03rd November, 2023
Bid/Offer Closing Date	07th November, 2023
Basis of Allotment	10th November, 2023
Initiation of refunds	13th November, 2023
Credit of shares	15th November, 2023
Listing Date	16th November, 2023

Use of Net Proceeds

Augmenting Bank's Tier – I capital base to meet future capital requirements and for increasing business, which is primarily onward lending

General Information

BRLMs	ICICI Securities, DAM Capital Advisors, Nuvama Wealth Management
Registrar	Link Intime India Pvt Ltd

Rishubh Vasa
rishubhv@indsec.co.in

Research Analyst
 +91 22 61146140

Saral Seth
sarals@indsec.co.in

VP-Institutional Equities
 +91 22 61146139

Shareholding Pattern & Selling Shareholders in OFS

	Pre Issue		Type	Offer # of shares (in Mn)	Post Issue	
	# of shares (in Mn)	%			# of shares (in Mn)	%
Promoter & Promoter Group	334.5	74.4%		OFS	-8.2	326.3 63.4%
Public	114.9	25.6%		Fresh Issue + OFS	73.3	188.3 36.6%
Total	449.5	100.0%				514.6 100.0%

Selling Shareholders	Type	# of Shares (in Mn)	OFS* (in Mn)
ESAF Financial Holdings Private Ltd	Promoter	8.2	493
PNB MetLife India Insurance Company Ltd	Public	2.1	127
Bajaj Allianz Life Insurance Company Ltd	Public	1.7	104
Total		12.1	723

*At upper price band

Shareholders (Anchor Book allotment)	# of Shares (in Mn)	Price (Rs.)	Amount (Rs. Mn)
ACM GLOBAL FUND VCC	3.3	60	200
KOTAK MAHINDRA LIFE INSURANCE COMPANY	3.3	60	200
EDELWEISS TOKIO LIFE INSURANCE COMPANY	3.3	60	200
ICICI PRUDENTIAL LIFE INSURANCE COMPANY	1.8	60	110
SBI GENERAL INSURANCE COMPANY	1.8	60	110
FOUNDERS COLLECTIVE FUND	1.8	60	110
ANANTA CAPITAL VENTURES FUND I	1.8	60	110
ASTORNE CAPITAL VCC - ARVEN	1.7	60	100
BNP PARIBAS ARBITRAGE - ODI	1.7	60	100
COPTHALL MAURITIUS INVESTMENT LTD - ODI	1.0	60	60
ALCHEMIE VENTURES FUND - SCHEME I	0.8	60	50
Total	22.5		1,351

The Journey so far:

Kadambelil Paul Thomas, MD and CEO and one of the promoters, along with others, founded **ESAF Foundation**, a foundation focused on the development of microenterprises, community development, and community health development. **ESAF Foundation is governed by the society registrar under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955.**

ESAF Foundation **started micro loan activities in 1995**, when micro loans were not subject to regulation by the RBI. **In 2006**, Kadambelil Paul Thomas along with others **acquired EFHPL, corporate promoter**. Thereafter, ESAF Foundation **transferred its micro loan business undertaking to EFHPL** pursuant to a business transfer agreement dated **March 31, 2008**. Currently, ESAF Foundation does not undertake micro loans business. **EFHPL was awarded NBFC-MFI status by the RBI on January 7, 2014**. EFHPL transferred its business undertaking, comprising its **lending and financing business undertaken as an NBFC-MFI and other business activities incidental thereto, to ESAF SFB on March 10, 2017** pursuant to a business transfer agreement dated February 22, 2017. ESAF SFB does not have any **subsidiaries, associates or joint ventures or a holding company**.

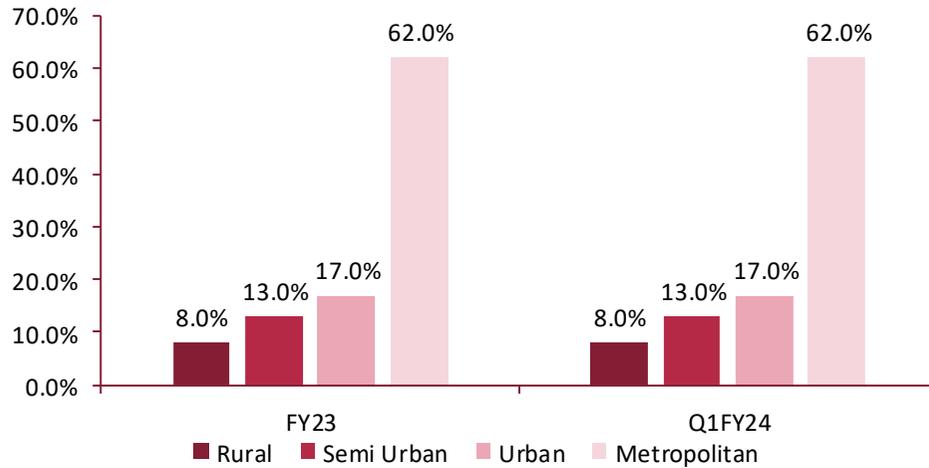
Social Business Strategy:

Seeking a triple bottom line impact: **people; planet; and prosperity**. The bank believes that the social, environmental, and economic outcomes of business create synergies that have an amplified impact on stakeholders. The legacy of a mission, **fighting the partiality of prosperity** (i.e., the drive for inclusion of marginalised sections of society and the equity of opportunities) led to the **formation of ESAF SFB**.

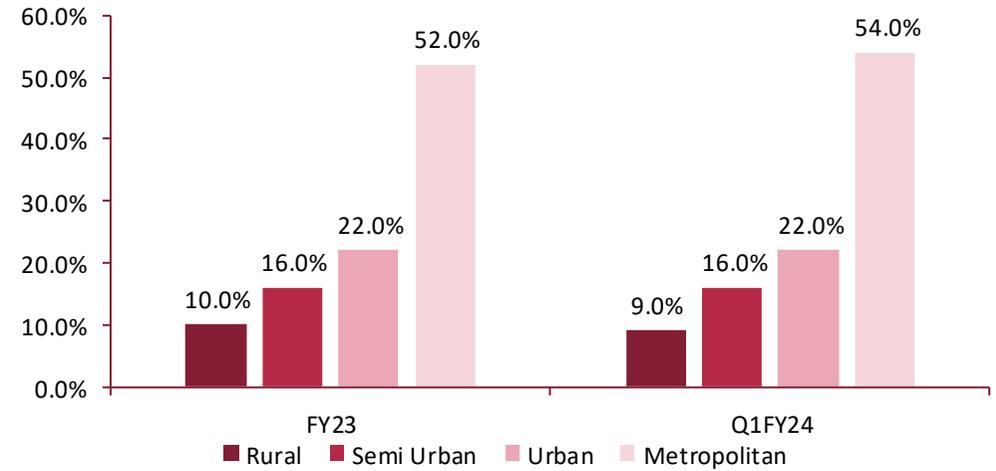
Vision: To be **India's leading social bank** that offers equal opportunities through universal financial access and inclusion, livelihood and economic development.

Industry

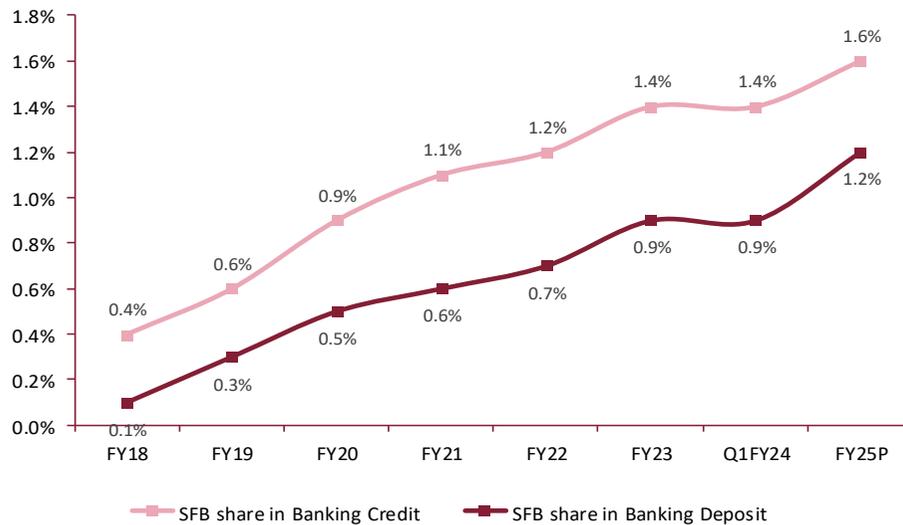
Credit Share (%) - Banking Sector



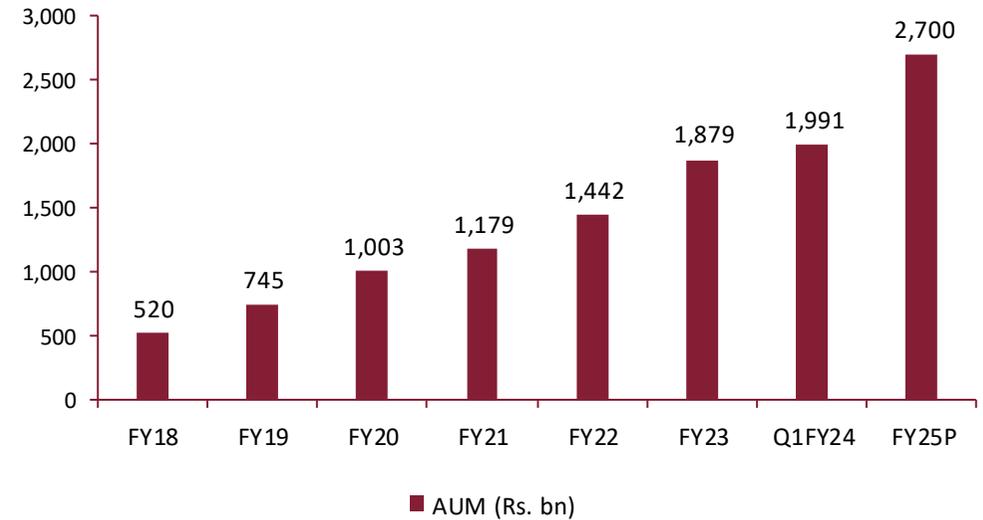
Deposit Share (%) - Banking Sector



Small Finance Bank Market Share (%)

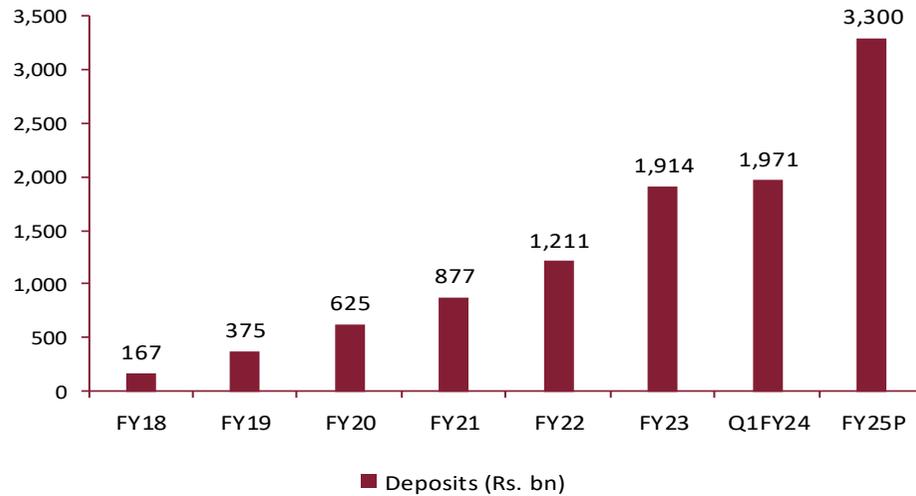


Small Finance Bank AUM (Rs. Bn) (CAGR @ 22% FY24-25)

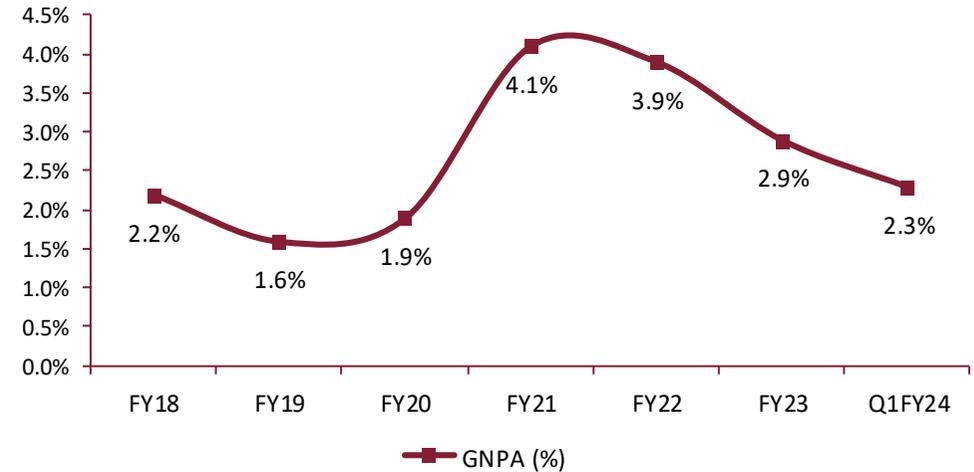


Industry

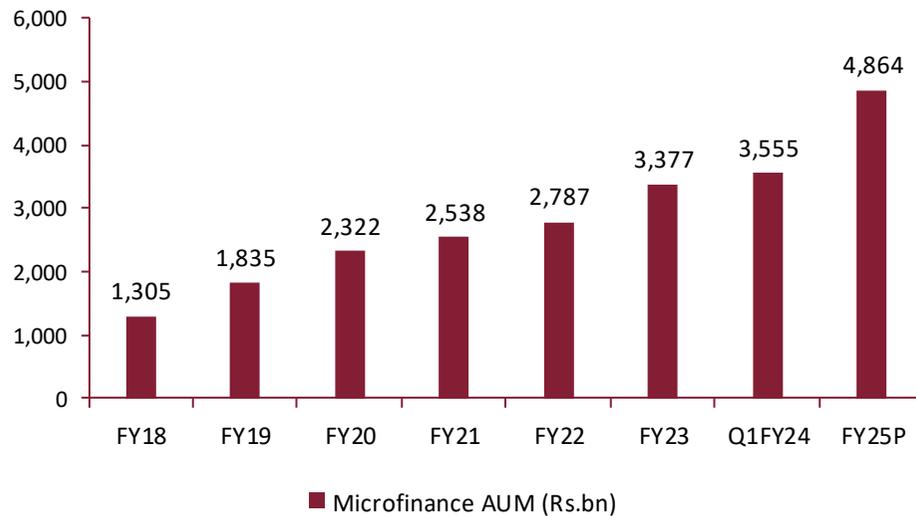
Small Finance Bank Deposits (Rs. Bn) (CAGR 40% FY24-FY25)



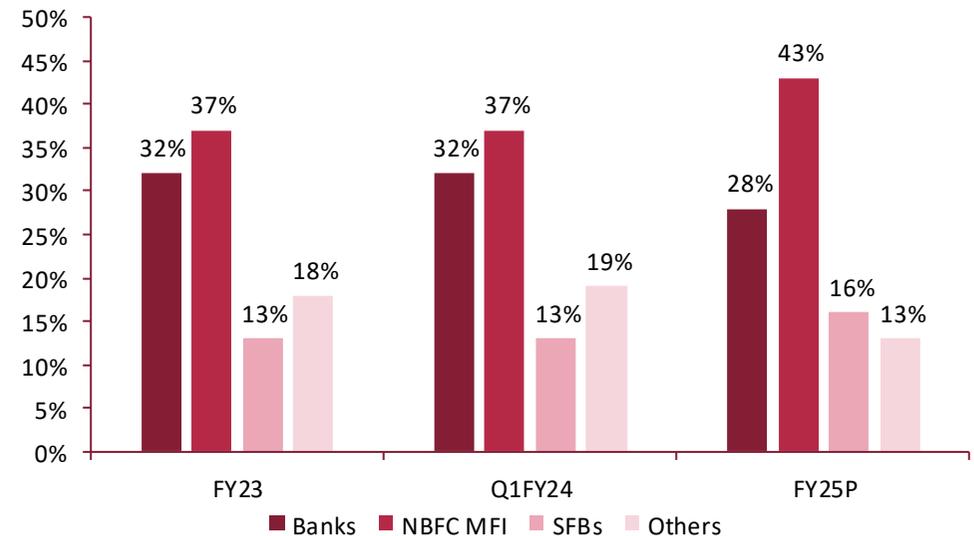
Gross NPA Trend - Small Finance Bank



Microfinance AUM (Rs. Bn) (CAGR 16% FY24-FY25)



Small Finance Bank's share in Microfinance (%)



Strengths

Growing business outside Kerala

- ⇒ ESAF SFB is in the business of microfinance since 1995. Of the 3.25mn customers in microfinance, majority are women customers. Understanding of the micro loan segment has enabled the bank to successfully expand business outside Kerala. Its products and services are offered in 21 states and two union territories.
- ⇒ Top five states outside Kerala for gross Micro Loans are Tamil Nadu, Maharashtra, Madhya Pradesh, Karnataka and Chhattisgarh, with Gross Micro Loans in those states (combined) being Rs. 50.4bn, which represents 49.3% of total gross Micro Loans.

Main focus on rural and semi-urban banking franchise

- ⇒ As on June 30,2023, customers in rural and semi-urban centres (combined) are 4.1mn (56.9% of total customers). Gross advances to customers was Rs. 90.9mn (63% of gross advances) and the number of banking outlets stood at 502 (71.7% of total banking outlets).
- ⇒ There are growth opportunities in rural centres in India as rural centres have lower financial inclusion compared with urban areas and there is thus less competition for banking services in rural centres compared with urban centres. As on March 31,2023, rural centres, accounted for 47% of GDP, received just 8% of the overall banking credit, which shows the vast market opportunity for banks and NBFCs to lend in these areas. With increasing focus of the government towards financial inclusion, rising financial awareness, increasing smartphone and internet penetration, delivery of credit services in rural area is set to increase. Further, usage of alternative data to underwrite customers will also help the financiers to assess customers and cater to the informal sections of the society in these regions.

Growing Retail Deposits portfolio

- ⇒ Total deposits increased at a 2yr CAGR of 27.7% to Rs. 146.7bn as on March 31, 2023 and then to Rs. 156.6bn as on June 30, 2023, an increase of 6.8%. ESAF SFB has focused on increasing its Retail Deposits. Retail Deposits increased at a 2yr CAGR of 23.1% to Rs. 133.2bn as on March 31, 2023 and then to Rs. 139.8bn as on June 30, 2023, an increase of 4.9%.
- ⇒ CASA tends to provide a stable and low-cost source of deposits compared to term deposits. CASA increased at a 2yr CAGR of 34% to Rs. 31.4bn and then to Rs. 28.5bn as on June 30, 2023, a decrease of 9.1%.
- ⇒ In CY2022, India received US\$ 100 billion in remittances, which was the highest amount of remittances out of any country followed by Mexico (US\$ 60 billion). Due to the foregoing and presence in all districts in Kerala, ESAF SFB has been able to capitalize on this opportunity and increase NRI deposits. It began offering NRIs savings bank and term deposits in June 2018 and current accounts in June 2021. NRI deposits increased at a 2yr CAGR of 25.2% to Rs. 31.7bn as on March 31, 2023 and then to Rs. 32.9bn as on June 30, 2023, an increase of 3.8%.

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

- ⇒ Products and services are designed to meet the various lifecycle needs of its 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.
- ⇒ Customer-centric approach for Micro Loans includes payments frequency like weekly, fortnightly or monthly basis based on customers' preferences. As on June 30, 2023, 55.3% of Micro Loan customers repaid their loans on a weekly basis.
- ⇒ BCs collect cash repayments on behalf of ESAF SFB and through regularly meeting with Micro Loan customers are , better able to understand those customers' requirements. Constant engagement with Micro Loan customers helps to keep delinquencies in check. BCs undertake various non-financial services, which include, conducting financial literacy programmes, livelihood programmes, entrepreneurship training programmes and community engagement programmes.
- ⇒ ESF SFB launched 3 new loan products to assist its customers during the COVID-19 pandemic: (1) Income Generation Loan Top Up, a pre-approved loan and a variant of the Income Generation Loan and is targeted at customers who have an existing Income Generation loan; (2) Utdhan Loan Series 3 – Covid Care Loan, tailor made to support the financial needs of customers adversely affected by the COVID-19 pandemic; and (3) Pratheeksha Kiran Loan, mainly for the restoration of livelihoods and households of customers impacted by the pandemic. ESAF SFB restructured loans that were standard as at March 31, 2021 and also provided an initial repayment-holiday based on a borrower's request to start the repayment of a loan as per the Resolution Framework 2.0.

Strengths

- ⇒ Another example is ESAF SFB supported customers during Kerala's floods in 2018 and 2019 by providing emergency funding in the form of "Utdhan Loans" to customers for rebuilding their livelihood and meeting other expenses, moratoriums on repayment of their loans for a period of up to four months depending on the needs of such customers affected by the floods and extending total repayment periods for up to 36 months on certain categories of loans. Customer-centric products and processes have resulted in higher customer retention rates.

Technology-driven model with a digital technology platform

- ⇒ ESAF SFB offers 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. Customers are also able to register savings accounts on a unified payment interface based mobile applications. Account opening and loan underwriting processes have been digitalized by using tablets, which enabled to reduce turnaround time and offer better service to customers. CASA accounts can be opened through tablets, which enables to provide doorstep services to customers. By leveraging technology solutions, the bank provide customers with pre-generated kits immediately upon account opening, enabling them to use the ATM-cum-debit card provided with the pre-generated kits without having to wait for the ATM-cum-debit card to be activated across channels, thereby resulting in increased customer satisfaction.
- ⇒ The bank has crossed a milestone in technology with the successful adoption of e-signatures for Micro Loan disbursals. In FY23, the bank disbursed over 0.53mn loans using e-signatures. The bank has a digitalized central credit-processing unit for micro loans. Customer on-boarding process has been predominantly digitalized for micro loans. It leverages technology for underwriting and credit sanctioning for loan products based on inputs from credit bureaus and/or customer data analytics. Technology solutions enables to ensure cashless disbursement of loans and implemented electronic signing for micro loans. Collection's mechanism has also been digitalized using mobile applications and a payment gateway through which borrowers can repay their loans.

Strategies

Penetrate deeper into existing geographies

- ⇒ As on June 30, 2023, ESAF SFB has 700 banking outlets (including 59 BC-operated banking outlets), 767 customer service centres (operated by BC), 22 BC, 2,116 banking agents, 525 business facilitators and 559 ATMs. It serves over 7.2mn customers in 21 states and 2 UTs. In FY21, ESAF SFB expanded operations to Meghalaya, Uttar Pradesh, Haryana, Tripura and Chandigarh. In FY22, it expanded operations to Uttarakhand. In FY23, the bank opened branches in Tripura and Uttarakhand for the first time.
- ⇒ ESAF SFB intention is to deepen distribution within the States and UTs where it operates by opening additional branches, having BC open more customer service centres, BC-operated banking outlets and encouraging them to enter into agreements with more banking agents, entering into relationships with new BC entities and business facilitators and adding ATMs. It plans to continue to open Branches in urban and semi-urban centres after taking into account data from the RBI for certain parameters, such as aggregate deposits, deposit growth, number of urban households, households with banking access, share of PSU deposits and total NRI remittances.

Increase deposits and in particular Retail Deposits

- ⇒ ESAF SFB plans to increase deposits, in particular Retail Deposits, in order to help grow business and reduce Cost of Funds. To increase deposits, banking outlets and BCs 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. BC entities are the primary channel for sourcing deposits from Micro Loan customers. The bank plans to add more BCs. Furthermore, it will target NRIs to scale up deposit base and in particular CASA base.
- ⇒ To target NRIs, it will continue to focus on regions where NRI remittances are high by launching targeted campaigns around festivals, conducting marketing activities at airports, malls, etc., and entering into tie-ups with third parties, such as remittance arrangers. It also plans to continue to open new banking outlets in centres that have a large population dependent on remittances. It will continue to target HNIs to scale up deposit base and in particular CASA base. To target additional HNIs, ESAF SFB intends to continue to leverage banking outlets by appointing dedicated relationship managers to source deposits and other business from HNI customers. It has a HNI programme dedicated to HNI customers and it plans to offer differentiated services and pricing to HNIs based on the relationship value. The RBI granted ESAF SFB an Authorized Dealer Category I license to deal in Foreign Exchange in India in April 2023, which enables to offer deposits in foreign currency, thereby helping increase NRI customer base.
- ⇒ It also plans to establish relationships with more farmer producers' associations, co-operative societies, government departments, non-government organizations, and educational institutions in order to offer products and services, including CASA, to their members/employees. It will also offer savings accounts targeted at different types of workers.

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

Continue to grow Micro Loan business

- ⇒ AUM of Micro Loans increased at a 2yr CAGR of 31% to Rs. 122.5bn as on March 31, 2023 and then to Rs. 128.5bn as on June 30, 2023, an increase of 4.9%. CRISIL MI&A expects small finance banks' AUM to grow at ~22-24% CAGR between June, 2023 and March, 2025.
- ⇒ ESAF SFB plans to grow Micro Loans by cross-selling and up-selling to customer base and marketing these loans to family members of existing customers, thereby deepening relationships with them and becoming their trusted bank of choice. It also plans to appoint new BCs and have banking agents start to source customers.

Expand retail loan business

- ⇒ In FY18, ESAF SFB began offering retail loans and since then it has expanded portfolio of retail loan products, including offering gold loans in FY19. Gold loans in particular have contributed to the growth of retail loans. It will expand the number of branches that offer gold loans. As on June, 2023 551 Branches, or 86% of 641 Branches offer gold loans.
- ⇒ ESAF SFB plans to increase retail advances both in terms of amount and as a percentage of AUM by targeting agriculturists / small farmers, small-scale entrepreneurs, salaried employees, students and senior citizens in small towns and rural India, thereby expanding retail loan customer base. It plans to focus on individual customers to continue to build retail loan portfolio, as well as capitalize on relationships with existing micro loan customers whose borrowing ability has increased and who require increased loan amounts. It will continue offering personalized loan products to salaried account holders.

Strategies

- ⇒ ESAF SFB plans to increase mortgage business by increasing the number of branches that offer mortgages (as on June, 2023, 375, or 58.5%, of Branches offered mortgages) through focusing on affordable housing loans with new policies and processes designed to increase the ease and efficiency for granting housing loans. It also plans to introduce a mobile-based loan origination system for mortgage loans. In FY23, the bank hired a senior VP in retail assets department to concentrate on increasing mortgage business.

Increase MSME loans

- ⇒ ESAF SFB started offering MSME loans in FY20. AUM of MSME Loans increased at a 2yr CAGR of 81.9% to Rs. 1.6bn as on March 31, 2023 and then to Rs. 1.5bn as on June 30, 2023, a decrease of 4.31%.
- ⇒ It plans to increase MSME loans both in terms of amount and as a percentage of AUM by having RMs in banking outlets reach out to MSMEs and offer them working capital and term loans. It will also help existing Micro Loan customers to grow their businesses with additional funding. It will encourage BCs and business facilitators to find more customers for small ticket term loans.
- ⇒ It also plans to increase supply chain finance by partnering with fintech/tech platforms to find more customers for working capital loans. It uses web-based platforms operated by certain entities to facilitate financing/discounting of trade receivables of MSMEs, and it plans to increase activity on these platforms, thereby increasing receivables discounting business.

Grow Agricultural loan business

- ⇒ The bank had set up agricultural (agri) loan business department in FY20. It introduced 7 products in FY21-FY23. AUM of agricultural loans increased at a 2yr CAGR of 7x to Rs. 6.9bn as on March 31, 2023 and then to Rs. 7.8bn as on June 30, 2023, an increase of 14%.
- ⇒ The bank has agri relationship officers who are responsible for sourcing agri loans in Tamil Nadu, Maharashtra, Madhya Pradesh, Chhattisgarh, Karnataka, Andhra Pradesh, Telangana, Puducherry and Kerala. It plans to increase agricultural advances both in terms of amount and as a percentage of AUM by appointing agri relationship officers in more states, by entering into relationships with more farmer producer organizations and sourcing more loans through banking outlets and BCs.

Increase fee-based income by cross-selling, expanding third-party products and service offerings and expanding fee-based offerings

- ⇒ The bank intends to increase fee-based income by cross-selling third-party products and service offerings to customers and expanding third-party products and service offerings.
- ⇒ In FY19, it began distributing the NPS, Atal Pension Yojna and third-party general insurance products. In FY20, the bank began distributing third-party life insurance products. In FY23, it began distributing third-party mutual funds and offering third-party depository services. In addition, the bank plans to offer bank guarantees and letters of credit to MSMEs.

Continue to leverage technology and customer data analytics

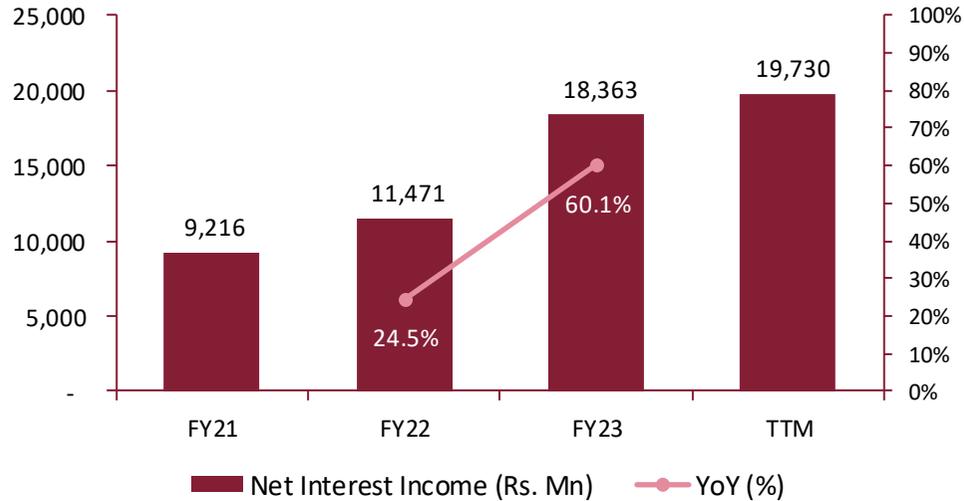
- ⇒ ESAF SFB believes use of technology has significantly improved the efficiency of operations. It plans to further enhance technology platforms, such as internet banking, mobile banking, ATMs, cash deposits machines, customer service applications and payment interfaces, which will increase the adoption of service delivery mechanisms. This will enable the bank to perform more reliable data analytics, resulting in more efficient risk management processes, targeted customer profiling and offer customized products to suit customers' diverse requirements.

Key Risks

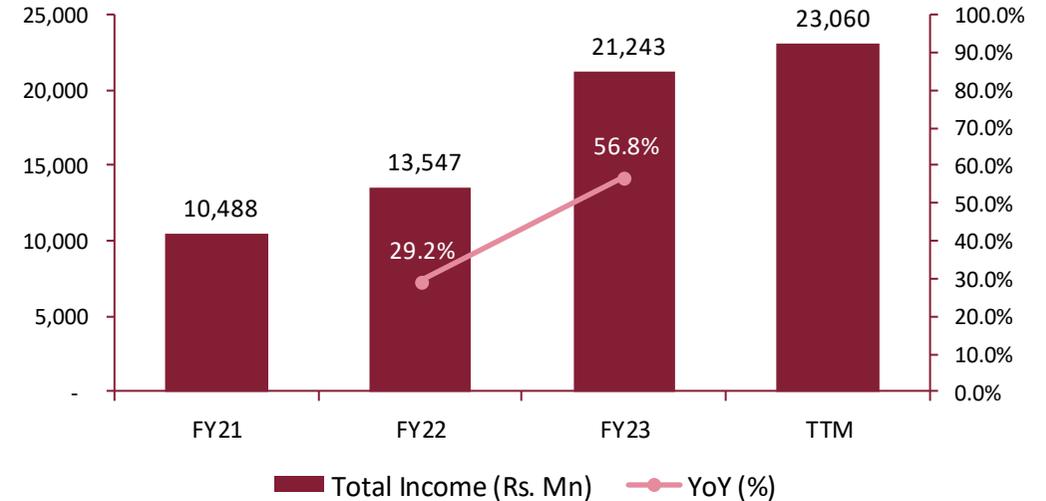
- ⇒ Micro Loans account for 74.7% of the AUM as on June 30,2023 of which 56.5% is Microfinance loans and 18.2% is Other Micro loans. Any decrease in demand can affect business, financial condition, results of operations and cash flows.
- ⇒ Unsecured advances account for 75.2% of total advances (net of provisions). If the bank is unable to recover such advances in a timely manner or at all, financial condition, results of operations and cash flows may be adversely affected.
- ⇒ Business is concentrated in Kerala, Tamil Nadu, Andhra Pradesh, Karnataka, Telangana and the UT of Puducherry. Any adverse change in the economy of these states, can have an adverse effect on financial condition, results of operations and cash flows.
- ⇒ As on March 31, 2023, ESAF SFB is non-compliance with 17 out of the 272 Risk Based Supervision Tranche III requirements and if the Reserve Bank of India imposes penalties for this non-compliance, then it could adversely affect reputation, business, financial condition, results of operations and cash flows.
- ⇒ The RBI and external auditors appointed by the RBI have observed various non-compliances in the past and have required the bank to, among other things, take corrective actions and pay compensation. The bank is currently in non-compliance with certain major observations of the RBI, which is in the process of rectifying. Any significant deficiencies identified by the RBI in a final inspection report or other observations made that the company is unable to rectify to the RBI's satisfaction could lead to sanctions and penalties being imposed by the RBI, which could materially and adversely affect reputation, business, financial condition, results of operations and cash flows.
- ⇒ The RBI has in the past sought clarifications on acquisition of Equity Shares by ESAF Swasraya Multi-State Agro Co-operative Society Limited, a member of Promoter Group and one of the Group Entities, and Lahanti Lastmile Services Private Limited, one of the Group Entities. The bank cannot assure that holding structure will not be subject to additional scrutiny by the RBI in the future.
- ⇒ Certain directions have been issued by the RBI to the Bank in respect of the office of Kadambelil Paul Thomas, the MD, CEO and one of promoters. The bank cannot assure that the Bank and Kadambelil Paul Thomas will not be subject to issuance of further directions by the RBI in future, which could have an adverse reputational effect on business and operations.
- ⇒ The IRDAI and SEBI have issued orders to two of the Selling Shareholders, namely, PNB MetLife and Bajaj Allianz, directing them to pay certain penalties and imposing certain restrictions on them. While they have complied with the said orders, there is no assurance that the IRDAI or SEBI will not take any further action against PNB MetLife and Bajaj Allianz and any such action could adversely affect reputation of the bank.

ESAB Small Finance Bank : Financial story in charts

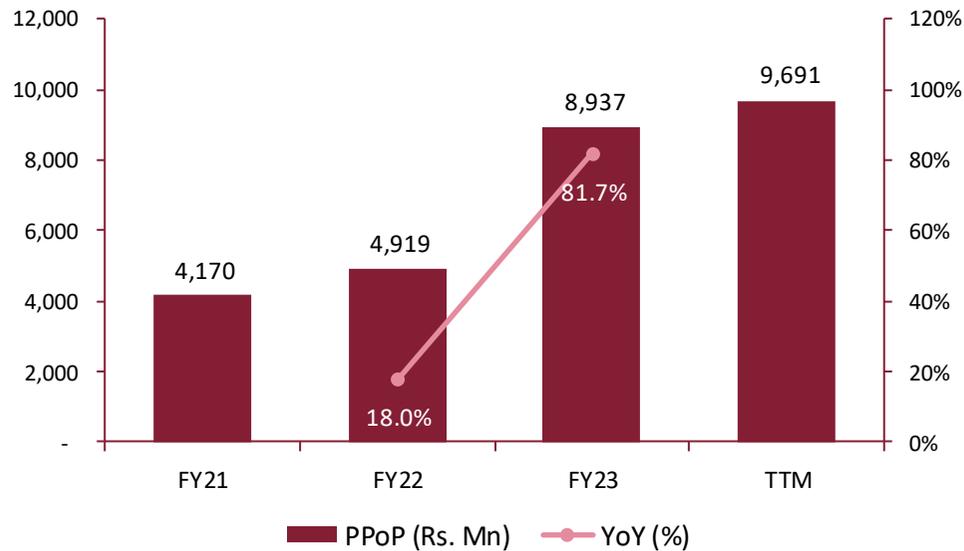
Net Interest Income (Rs. Mn) and YoY (%)



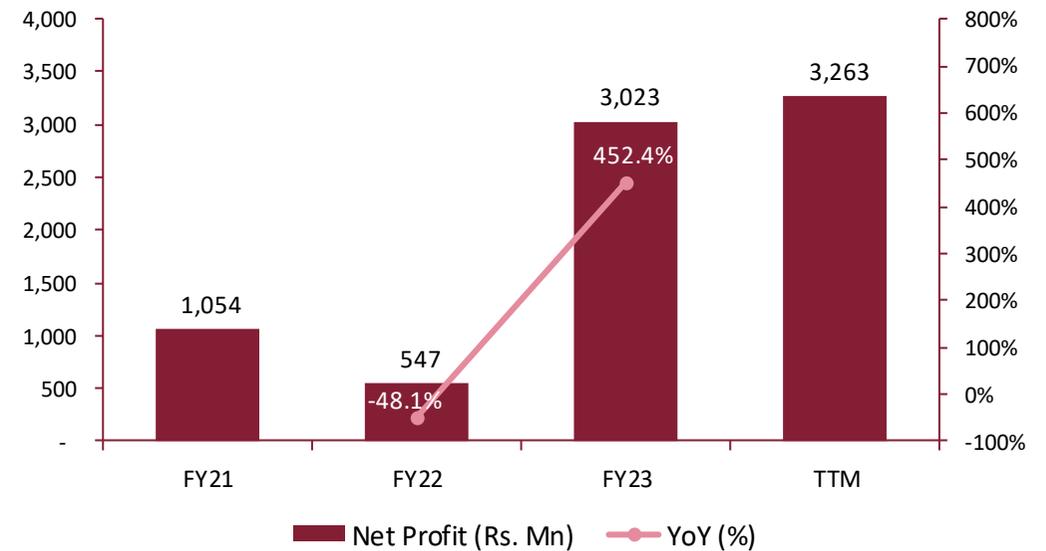
Total Income (Rs. Mn) and YoY (%)



PPoP (Rs. Mn) and YoY (%)

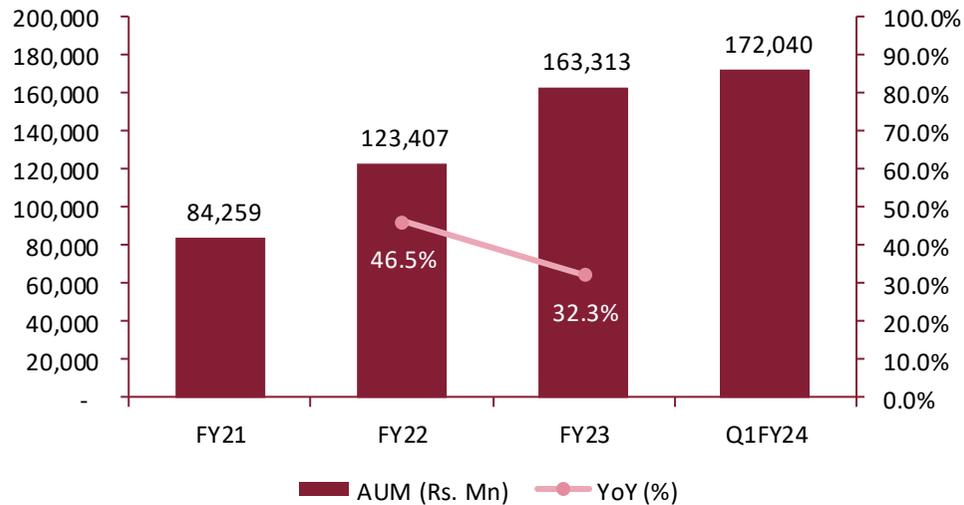


Net Profit (Rs. Mn) and YoY (%)

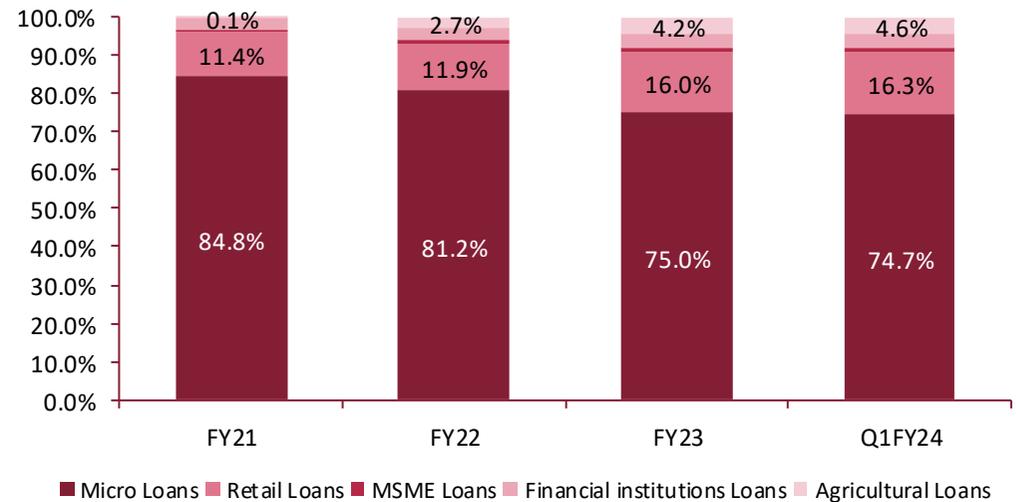


ESAB Small Finance Bank : Financial story in charts

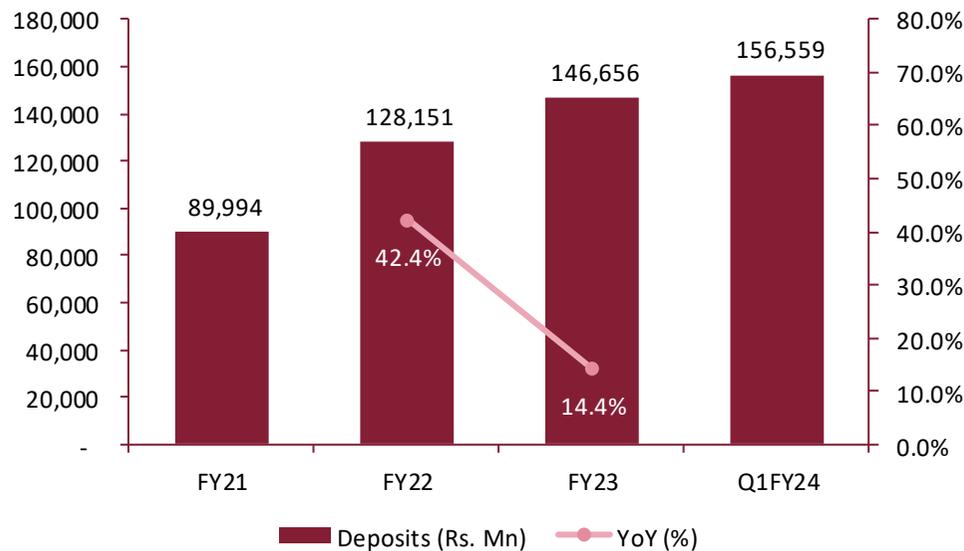
Asset under Management (Rs. Mn) and YoY (%)



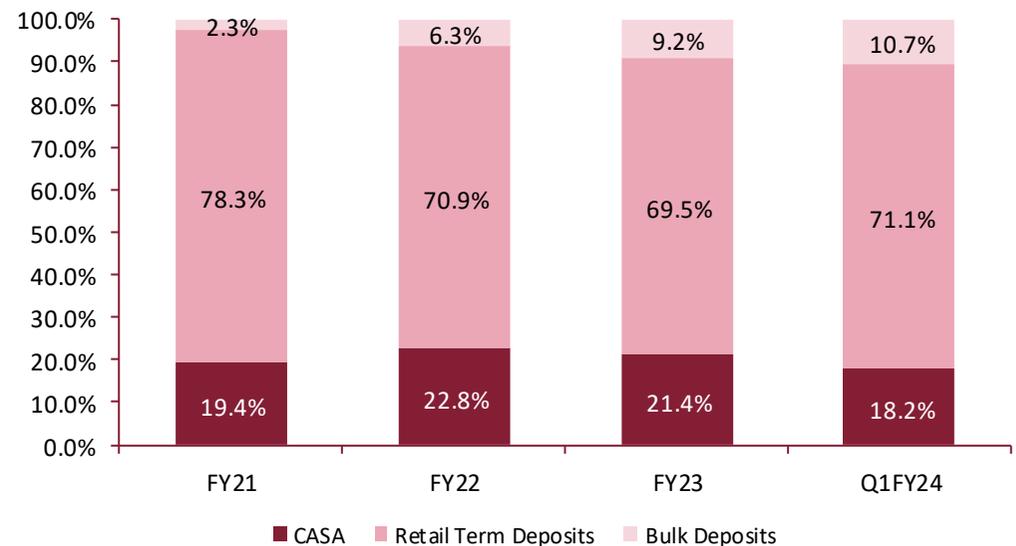
Asset under Management Mix (%)



Deposits (Rs. Mn) and YoY (%)

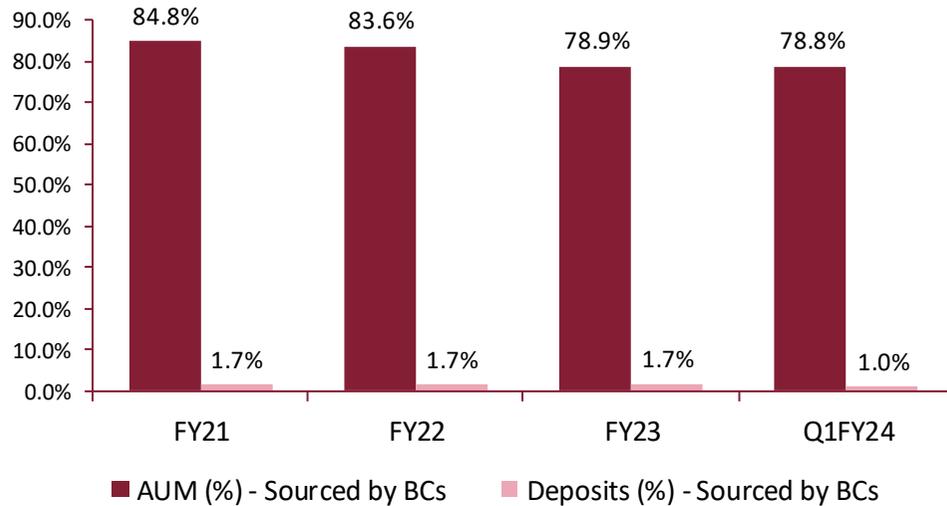


Deposits Mix (%)

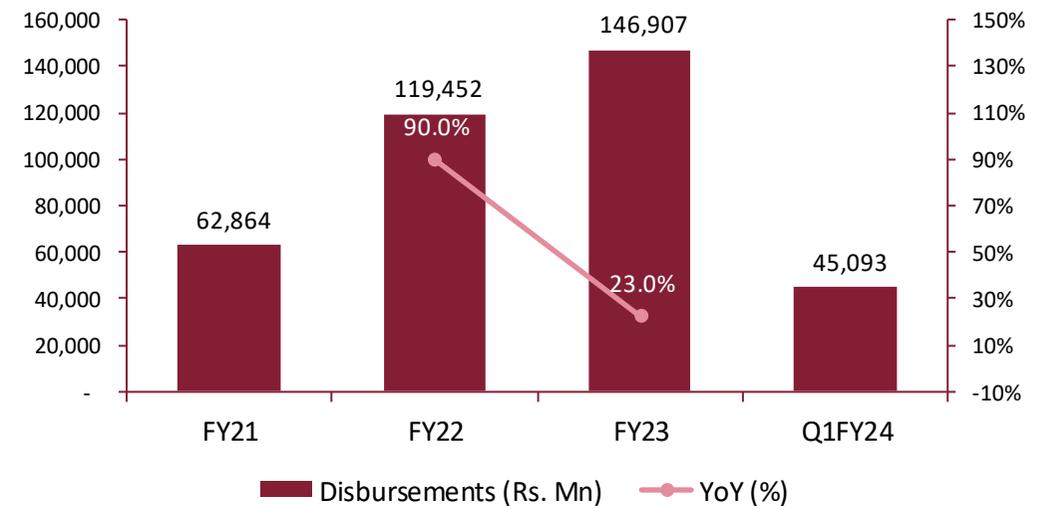


ESAB Small Finance Bank : Financial story in charts

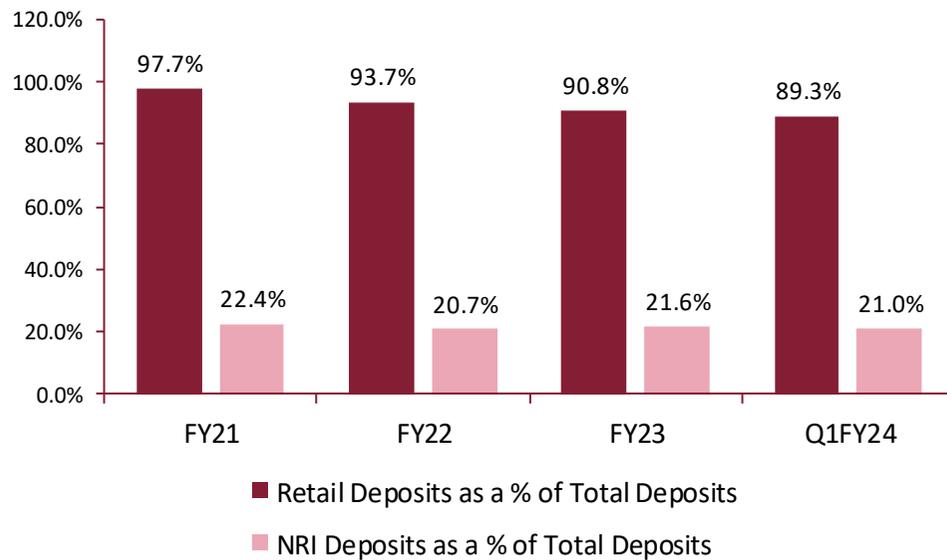
Sourced by Business Correspondents - AUM (%) & Deposits (%)



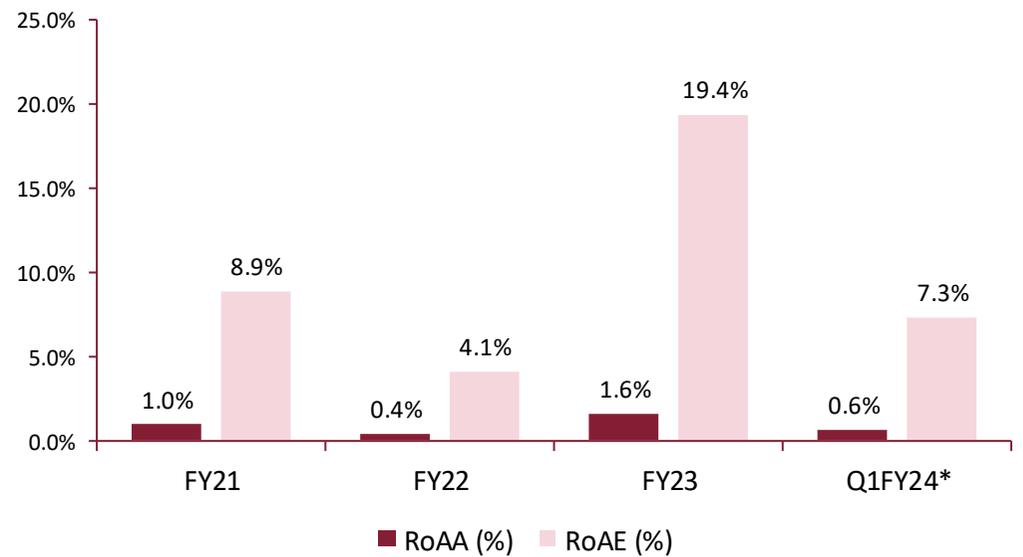
Disbursements (Rs. Mn) and YoY (%)



Retail & NRI Deposits (% of Total Deposits)

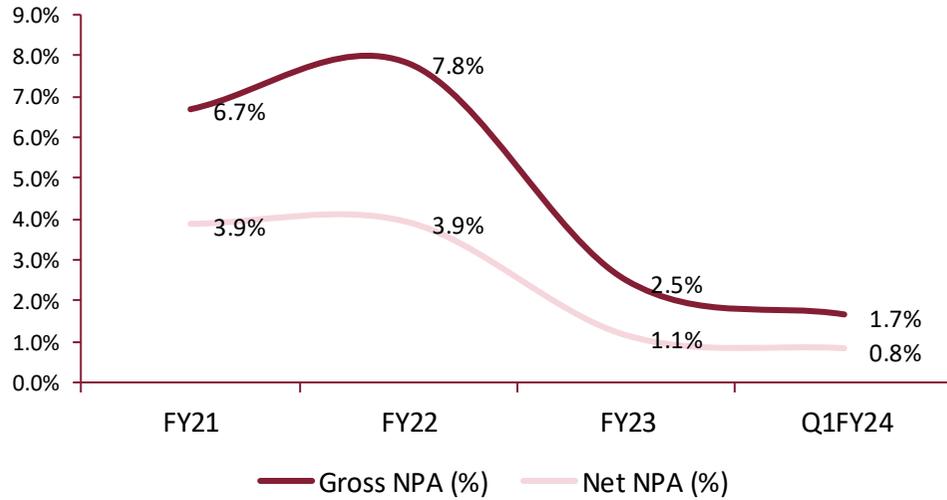


RoAA & RoAE (%)

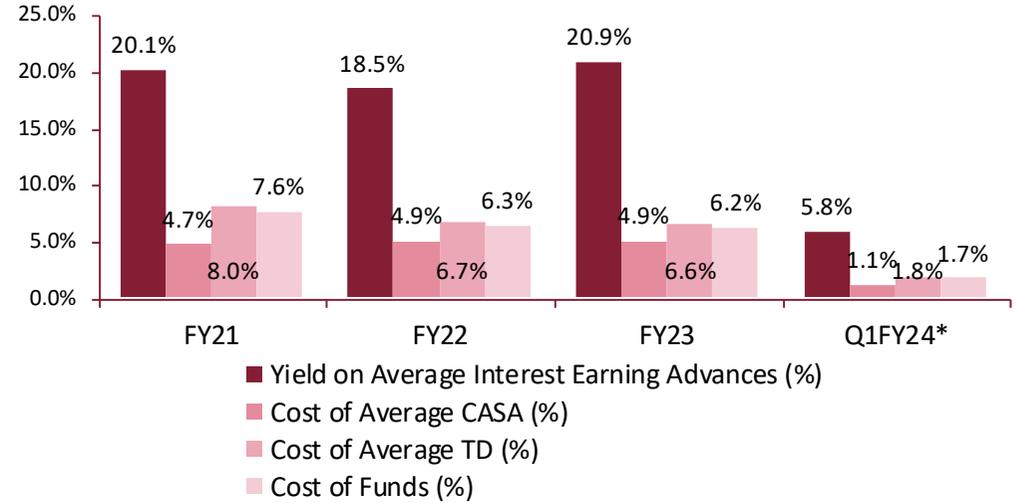


ESAB Small Finance Bank : Financial story in charts

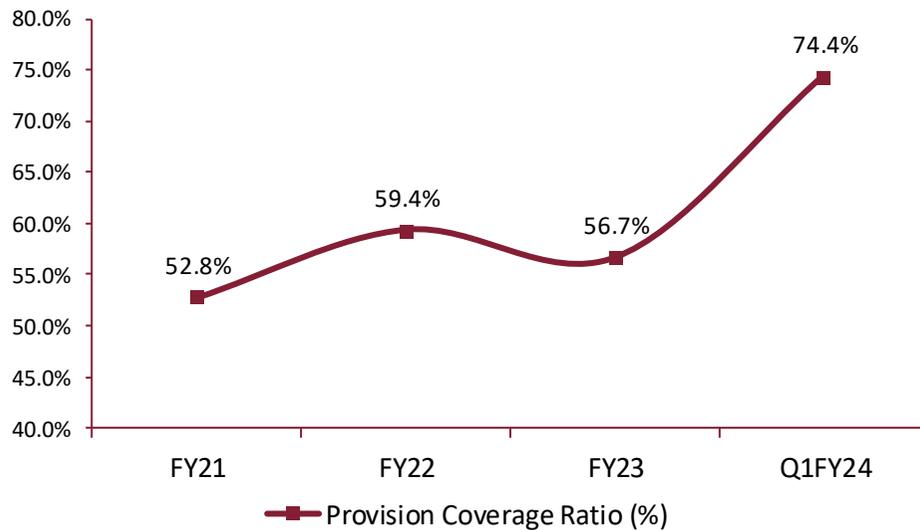
Gross NPA & Net NPA (%)



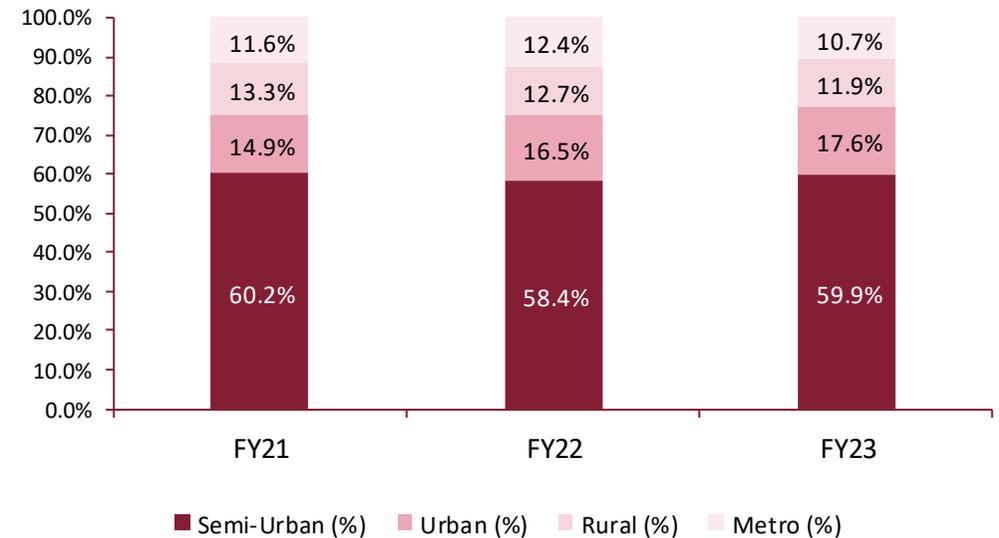
Yield vs Costs (%)



Provision Coverage Ratio (%)



Banking outlets (%)



Peer Performance - Q1FY24

	AU SFB	Equitas SFB	Ujjivan SFB	ESAF SFB	Utkarsh SFB	Suryoday SFB	Credit Access Grameen	Fusion Micro-finance	Spandana Sphoorthy	Bandhan Bank
AUM (Rs. bn)	636	296	253	172	144	64	218	97	88	1,032
Deposits (Rs. bn)	693	277	267	147	137	57	NA	NA	NA	1,085
Retail Deposits (%)	67.7%	76.6%	65.7%	89.3%	62.0%	75.7%	NA	NA	NA	71.2%
CASA Deposits (%)	35.0%	38.4%	24.6%	18.2%	19.0%	14.9%	NA	NA	NA	36.0%
Banking Outlets	1,038	927	661	700	851	609	1,826	1,103	1,303	6,140
Share of Rural+SemiUrban branches (%)	71%	NA	NA	72%	63%	NA	NA	94%	NA	72%
Share of Rural+SemiUrban portfolio (%)	63%	NA	34%	63%	56%	NA	NA	NA	NA	NA
AUM per employee (Rs.Mn)	22.4	14.1	13.1	33.3	9.0	10.0	12.5	NA	8.3	14.3
Business per employee (Rs.Mn)	46.5	26.3	25.3	58.1	17.3	18.6	11.4	NA	7.7	28.7
Retail Deposits per employee (Rs.Mn)	16.5	10.1	9.1	27.1	5.4	6.8	NM	NA	NM	10.7
NIM (%)	1.4%	2.0%	2.3%	2.9%	2.2%	2.2%	3.2%	3.1%	3.1%	1.6%
Opex Ratio (%)	1.1%	1.7%	1.5%	1.8%	1.5%	1.6%	1.1%	1.4%	1.4%	0.9%
Cost to Income Ratio (%)	65.0%	65.9%	52.8%	55.7%	57.0%	57.5%	30.8%	36.3%	42.3%	45.7%
Credit Cost Ratio (%)	0.1%	0.2%	0.1%	0.9%	0.6%	0.9%	0.4%	0.8%	0.4%	0.6%
Yield on Advances (%)	3.3%	4.3%	5.2%	5.8%	4.9%	5.1%	5.7%	5.8%	6.2%	3.8%
Cost of Borrowings (%)	1.6%	1.7%	1.7%	1.7%	1.8%	1.6%	2.3%	2.6%	3.2%	1.6%
RoE (%)	3.5%	3.6%	7.5%	7.3%	5.2%	3.0%	6.6%	5.1%	3.8%	3.6%
RoA (%)	0.4%	0.5%	1.0%	0.6%	0.6%	0.5%	1.6%	1.2%	1.2%	0.5%
Gross NPA (%)	1.8%	2.8%	2.6%	1.7%	3.1%	3.0%	0.9%	3.2%	1.6%	6.8%
Net NPA (%)	0.6%	1.2%	0.1%	0.8%	0.3%	1.6%	0.3%	0.8%	0.5%	2.2%
PCR (%)	73.0%	58.0%	98.0%	74.0%	90.0%	52.0%	70.0%	76.0%	70.0%	NA
CRAR (%)	21.5%	22.1%	26.7%	20.6%	19.8%	32.7%	24.4%	28.3%	37.6%	19.8%

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

DISCLOSURE

DISCLOSURE

BUSINESS ACTIVITIES:

Indsec Securities and Finance Limited (ISFL) is a corporate member of BSE (Equity, WDM segment), of NSEIL (Equity, WDM, Futures & Options and Currency Derivative segments) and has also secured membership of the MSEI Exchange (Currency Derivative Segment) vide registration No. INZ000236731. ISFL is an AMFI Registered Mutual Fund Advisor (MRMFA) vide Registration Number 9194. ISFL is also a Depository Participant of the National Securities Depository Limited (NSDL) and a SEBI registered Portfolio Manager. With this setup ISFL is in a position to offer all types of services in the securities industry.

Since inception company's focus has been on research. In view of its research capabilities ISFL focused mainly on institutional business and is today empaneled with most of the local financial institutions, insurance companies, banks and mutual funds. ISFL has grown from being a medium size broking outfit to become one of the largest capitalized Indian broking company offering the complete range of broking services.

ISFL was incorporated on 28th July 1993 and doesn't have any associates/ subsidiaries. ISFL is a registered Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993 vide registration No. INP000001892.

DISCIPLINARY HISTORY:

- No material penalties / directions have been issued by the SEBI under the securities laws, SEBI Act or Rules or Regulations made there under
- No penalties have been imposed for any economic offence by any authority.
- No material deficiencies in the systems and operations of the Company have been observed by any regulatory agency.
- There are no pending material litigations or legal proceedings, findings of inspections or investigations for which action has been taken or initiated by any regulatory authority against the Company or its Directors, principal officers or employees or any person directly or indirectly connected with the Company.

DECLARATION:

- ISFL/Research Analysts or their associates or their relatives do not have any financial interest in the subject company (ies);
- ISFL/Research Analysts or their associates or their relatives do not have actual or beneficial ownership of 1 % or more in the subject company (ies);
- Directors may have actual or beneficial ownership of 1 % or more in the subject company (ies);
- ISFL/Research Analysts or their associates or their relatives do not have any material conflict of interest in the subject company(ies) at the time of publication of this document;
- ISFL has not received any compensation from the subject company (ies) in the past twelve months;
- ISFL has not managed or co-managed public offering of securities for the subject company (ies) in the past twelve months;
- ISFL has not received any compensation for investment banking or merchant banking or brokerage services or any other service from the subject company (ies) in the past twelve months;
- ISFL has not received any compensation or other benefits from the subject company (ies) or third party in connection with this document;
- None of the research analysts have served as an officer, director or employee of the subject company (ies);
- ISFL has not been engaged in the market making activity for the subject company (ies);

DISCLOSURE

GENERAL TERMS AND CONDITION/ DISCLAIMERS:

This document has been issued by ISFL and is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of security.

This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. However, we do not guarantee its accuracy and the information may be incomplete and condensed. Note however that, we have taken meticulous care to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any other employee of our company is in any way responsible for its contents. The Company's research department has received assistance from the subject company (ies) referred to in this document including, but not limited to, discussions with management of the subject company (ies). All opinions, projections and estimates constitute the judgment of the author as of the date of this document and these, including any other information contained in this document, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. While we would endeavor to update the information herein on reasonable basis, we are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent us from doing so.

Securities recommended in this document are subject to investment risks, including the possible loss of the principal amount invested. Any decision to purchase/sale securities mentioned in this document must take into account existing public information on such security or any registered prospectus. The appropriateness of a particular investment, decision or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved).

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject the company to any registration or licensing requirement within such jurisdiction. Further, this document is not directed or intended for distribution to the US taxpayers covered under US Foreign Account Tax Compliance Act (FATCA) provisions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction

This is just a suggestion and the company will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of the company. No matter contained in this document may be reproduced or copied without the consent of the company. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The information contained in this document is intended solely for the recipient and may not be further distributed by the recipient. The Company accepts no liability whatsoever for the actions of third parties.

The research analyst(s) of this document certifies that all of the views expressed in this document accurately reflect their personal views about those issuer(s) or securities. **Analyst's holding in the stocks mentioned in the Report:-NIL**