

Date : 26th May, 2021

To,

The Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

Dear Sir,

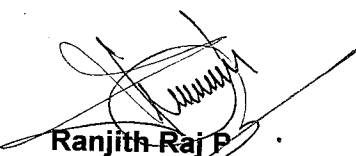
Subject: Submission of Financial Results for the Financial Year ended 31st March, 2021 with the Report of Auditors (Regulations 52 (1) of SEBI (LODR) Regulations, 2015) and Compliance to Regulation 52 (4) and 52(5) of SEBI (LODR) Regulations, 2015

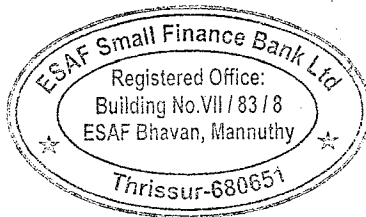
We are enclosing herewith the Audited Financial Results for the year ended 31st March, 2021 along with the report of the auditors as per the Regulation 52 (1) and compliances prescribed in Regulation 52(4) and 52 (5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for your perusal.

Requesting you to take note of the disclosures made in your official records.

Thanking you

Yours Faithfully,


Ranjith Raj P
Company Secretary
Membership No : A 30388



ESAF SMALL FINANCE BANK LIMITED

RBI License No.: MUM 124, CIN: U65990KL2016PLC045669

Registered & Corporate Office: ESAF Small Finance Bank Limited, Building No. VII/83/8, ESAF Bhavan, Mannuthy, Thrissur - Palakkad National Highway, Thrissur - 680 651, Kerala.
Ph. No: 0487 7123456 Email: customercare@esafbank.com www.esafbank.com

No. CTL/DEB/21-22/Noting Certificate/517

May 26, 2021

To Whomsoever It May Concern,

CERTIFICATE FOR RECEIPT AND NOTING OF INFORMATION

[Pursuant to Regulation 52(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

We, Catalyst Trusteeship Limited (“**Debenture Trustee**”) hereby confirm that we have received and noted the information, as specified under regulation 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 (“**Regulations**”), provided to us by **ESAF Small Finance Bank Limited** (“**the Company**”) for the Half Year ended March 31, 2021.

This Certificate is being issued pursuant to the requirements of regulation 52(5) of the aforesaid Regulations, for onward submission to Stock Exchange(s) by the Company.

For Catalyst Trusteeship Limited



For CATALYST TRUSTEESHIP LIMITED
Authorized Signatory

Authorised Signatory

Encl: Results submitted by Company



Disclosures made in compliance with the Regulation 52 (4) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 for the period ended 31st March, 2021

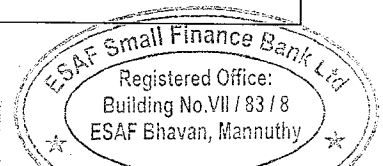
Information to Stock Exchange as per Regulation 52	
a) Un-audited or audited financial results for the half year ended as on March 31, 2021 signed by Statutory Auditor. Half-yearly results shall be taken on record by the Board of Directors and signed by the Managing Director / Executive Director within 45 days from the end of Half Year. b) Credit rating and change in credit rating (if any); c) Asset cover available, in case of non-convertible debt securities. (not-applicable for NBFC); d) Debt-equity ratio; e) Previous due date for the payment of interest / dividend for non-convertible redeemable preference shares / repayment of principal of non-convertible preference shares / non-convertible debt securities and whether the same has been paid or not; f) Next due date for the payment of interest / dividend of non-convertible preference shares / principal along with the amount of interest / dividend of non-convertible preference shares payable and the redemption amount;	a) Financial Results for the half year ended 31st March, 2021 is enclosed herewith. b) The Credit Rating obtained from CARE Ratings and Brickwork Ratings was re-affirmed on 2nd March, 2021 and 16th March, 2021 respectively. The press release obtained from the Rating Agencies is enclosed herewith as Annexure A. c) Not Applicable, as the debt instruments issued by the Bank are unsecured in nature. d) Debt Equity Ratio – 1.25 e) Enclosed herewith as Annexure B f) Enclosed herewith as Annexure C g) Debt Service Coverage Ratio- NA

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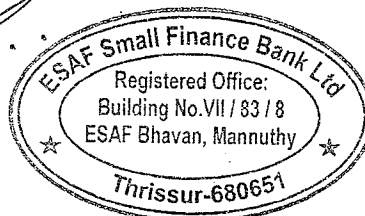
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g) Debt service coverage ratio (not applicable for NBFC registered with RBI); h) Interest service coverage ratio (not applicable for NBFC); i) Details of Debenture redemption reserve (DRR) Debenture Redemption Fund (DRF) in the format. j) Net worth; k) Net Profit After Tax; l) Earnings per Share. m) Copy of the statement, if any filed with the stock Exchange, as per Regulation 52(7) indicating material deviation, if any, in the use of proceeds of issue of NCDs from the object stated in the offer document.	h) Interest Service Coverage Ratio – NA i) Debenture Redemption Reserve Requirement – NA j) Net worth – Rs.1301.19 Crore k) Net Profit after Tax – Rs.105.40 Crore l) Earnings Per Share – Rs. 2.46 m) Not Applicable, as there was no material deviation in the utilization proceeds of the issue.
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For ESAF Small Finance Bank Ltd

Ranjith K.P.
Company Secretary
ACS No: 30388



INDEPENDENT AUDITOR'S REPORT ON AUDIT OF ANNUAL FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF ESAF SMALL FINANCE BANK LIMITED

Opinion

We have audited the Financial Results for the year ended 31 March 2021 included in the accompanying "Statement of Financial Results for the six months and year ended 31 March 2021" (refer "Other Matter" below) of **ESAF SMALL FINANCE BANK LIMITED** (the "Bank"), (the "Statement"), being submitted by the Bank pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

Opinion on Annual Financial Results

In our opinion and to the best of our information and according to the explanations given to us, the Financial Results for the year ended 31 March 2021:

- i. is presented in accordance with the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended; and
- ii. gives a true and fair view in conformity with the recognition and measurement principles laid down in the Accounting Standards prescribed under Section 133 of the Companies Act 2013, read with relevant rules issued thereunder, in so far as they apply to banks, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time and other accounting principles generally accepted in India of the net profit and other financial information of the Bank for the year then ended.

Basis for Opinion on the Audited Financial Results for the year ended 31 March 2021

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 (the "Act"). Our responsibilities under those Standards are further described in Auditor's Responsibilities section below. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (the "ICAI") together with the ethical requirements that are relevant to our audit of the Financial Results for the year ended 31 March 2021 under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte Haskins & Sells

Emphasis of Matter

We draw attention to Note 6 to the Statement which fully describes that the Bank has recognized additional contingency provision on loans to reflect the continuing uncertainties arising from the COVID 19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID 19 pandemic.

Our opinion is not modified in respect of this matter.

Management's Responsibilities for the Statement

This Statement which includes the Financial Results is the responsibility of the Bank's Board of Directors and has been approved by them for the issuance. The Financial Results for the year ended 31 March 2021 has been compiled from the related audited financial statements. This responsibility includes the preparation and presentation of the Financial Results for the six months and year ended 31 March 2021 that give a true and fair view of the net profit and other financial information in accordance with the recognition and measurement principles laid down in the Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder, in so far as they apply to banks, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Results that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Results, the Board of Directors are responsible for assessing the Bank's ability, to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the financial reporting process of the Bank.

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Deloitte Haskins & Sells

Auditor's Responsibilities for audit of the Annual Financial Results

Our objectives are to obtain reasonable assurance about whether the Financial Results for the year ended 31 March 2021 as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors.
- Evaluate the appropriateness and reasonableness of disclosures made by the Board of Directors in terms of the requirements specified under Regulation 52 of the Listing Regulations.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Results, including the disclosures, and whether the Annual Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Annual Financial Results of the Bank to express an opinion on the Annual Financial Results.

Deloitte Haskins & Sells

Materiality is the magnitude of misstatements in the Annual Financial Results that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Annual Financial Results may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Annual Financial Results.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

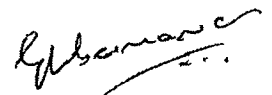
Other Matters

The Statement includes the results for the six months ended 31 March 2021 being the balancing figure between audited figures in respect of the full financial year and the published figures for the six months ended 30 September 2020, which were subjected to limited review by us.

The comparative financial information of the Bank for the previous reporting periods have been audited by the predecessor auditors. The report of these auditors on this comparative financial information expressed an un-modified opinion.

Our opinion is not modified in respect of these matters.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No 117365W)



G. K. Subramaniam
(Partner)

(Membership No. 109839)
UDIN: 21109839AAAAGJ6916

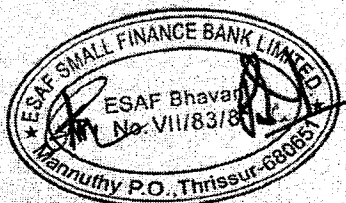
Mumbai, May 26, 2021

ESAF SMALL FINANCE BANK LIMITED
 Building No.VII/83/8, ESAF Bhavan, Thrissur - Palakkad National Highway,
 Mannuthy, Thrissur, Kerala - 680651
 CIN : U65990KL2016PLC045669

Statement of Audited financial results for the Six months and Year ended 31 March 2021

Particulars	Rs. In Lakh			
	Six Months ended 31 March 2021	Six Months ended 31 March 2020	Year ended 31 March 2021	Year ended 31 March 2020
	(Refer Note 11)	(Refer Note 12)	Audited	Audited
I. INCOME				
Interest Earned	79,827	75,257	1,64,117	1,41,325
Other Income	8,108	6,500	12,610	13,319
Total	87,935	81,757	1,76,727	1,54,644
II. EXPENDITURE				
Interest expended	36,258	32,633	71,958	62,108
Operating Expenses	36,588	31,934	63,186	60,068
Provisions and Contingencies	17,592	7,395	31,044	13,431
Total	90,438	71,962	1,66,188	1,35,605
III. PROFIT				
Net Profit/(Loss) for the Period/Year (I - II)	(2,503)	9,795	10,539	19,039
Analytical Ratios				
(i) Capital Adequacy Ratio	24.23%	24.03%	24.23%	24.03%
(ii) Earnings Per Share (EPS) (Face value of Rs.10/- each) *				
- Basic (Rs.)	(0.58)	2.29	2.46	4.45
- Diluted (Rs.)	(0.58)	2.29	2.46	4.45
NPA Ratio				
a) Gross NPA	56,400	10,086	56,400	10,086
Net NPA	31,658	4,217	31,658	4,217
b) % of Gross NPA	6.70%	1.53%	6.70%	1.53%
% of Net NPA	3.88%	0.64%	3.88%	0.64%
c) Return on Assets *	(0.23%)	1.09%	0.95%	2.24%

* Six Months numbers are not annualised



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Notes :

1. Statement of Assets and Liabilities as at 31 March 2021

Particulars	Rs.in Lakh	
	As at 31 March 2021	As at 31 March 2020
	Audited	Audited
CAPITAL AND LIABILITIES		
Capital	44,947	42,780
Reserves and Surplus	90,259	65,629
Deposits	8,99,943	7,02,838
Borrowings	1,69,400	1,20,332
Other Liabilities and Provisions	29,316	15,419
Total	12,33,865	9,46,998
ASSETS		
Cash and Balances with Reserve Bank of India	42,807	30,477
Balances with Banks and Money at Call and Short Notice	1,39,105	59,802
Investments	1,93,207	1,73,363
Advances	8,16,759	6,54,782
Fixed Assets	13,851	12,011
Other Assets	28,136	18,563
Total	12,33,865	9,46,998
Contingent Liabilities	150	150
Bills for collection	-	-

2. The statement of audited financial results for the six months and year ended 31 March 2021 ("Statement" or "financial results") have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 26 May 2021.

3. The above financial results of the Bank have been prepared in all material aspects, in accordance with the generally accepted accounting principles in India ("Indian GAAP"), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time, Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement), 2015 and Accounting Standards as prescribed under section 133 of the Companies Act, 2013.

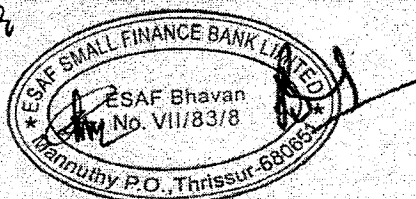
4. The Capital adequacy ratio ("CRAR") has been computed as per the Operating guidelines vide RBI notification RBI/2016-17/81 DBR.NBD.NO.26/16.13.218/2016-17 dated 6 October 2016 ("the Operating guidelines") prescribed for Small Finance Bank. The Bank has followed Basel II standardised approach for credit risk in accordance with the operating guidelines issued by the RBI for Small Finance Banks. Further no separate capital charge for market risk and operational risk have been computed in view of the exception contained in RBI Notification DBR.NBD.NO.4502/16.13.218/2017-18 dated 8 November 2017.

5. During the year the Bank has raised Tier I capital amounting to Rs.16,258 Lakh by way of private placement of 217 Lakh Equity Shares having face value of Rs.10/- each at an issue price of Rs.75/- per Equity Share.

6. COVID-19 virus, a global pandemic has affected the world economy including India. The extent to which the COVID-19 pandemic including the current second wave witnessed in the country, will continue to impact the Bank's operations and asset quality will depend on the future developments, which are uncertain.

The RBI on 27 March 2020, 17 April 2020 and 23 May 2020, announced 'COVID-19 Regulatory Package' on asset classification and provisioning. In terms of these RBI guidelines, the lending institutions have been permitted to grant an effective moratorium of six months on payment of all instalments/interest as applicable, falling due between 1 March 2020 and 31 August 2020 ('moratorium period'). As such, in respect of all accounts classified as standard as on 29 February 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. Considering the prevailing uncertainty over the business due to COVID 19 pandemic (including Second Wave), the Bank holds provisions of Rs 4,040 Lakh as at 31 March 2021 against the potential impact of COVID-19 as additional contingency provision on standard assets (other than provisions held for restructuring under COVID 19 norms) based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

7. The Honourable Supreme Court (SC) in PIL by Gajendra Sharma Vs Union of India & Anr vide its Interim order dated 3 September 2020 has directed Banks that the accounts which were not declared NPA till 31 August 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank has not classified any borrowal account which has not been declared as NPA as at 31 August 2020 as per the RBI Prudential norms on Income Recognition, Asset classification, provisioning and other related matters as Non-Performing Asset (NPA) after 31 August 2020. The interim order granted to not declare accounts as NPA stood vacated on 23 March 2021 vide the Judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors and other connected matter. In accordance with the instructions in paragraph 5 of the RBI circular dated 7 April 2021 issued in this connection, the Bank has continued with the asset classification of borrower accounts as per the extant RBI instructions/ IRAC norms.



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8. Disclosure as per RBI Circular on DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020

Rs. In Lakh

Particulars	As at 31 March 2021
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended *	37,196
Respective amount where asset classification benefits is extended *	3,01,498
Provision made in terms of Para 5 of the Circular	882
Provisions adjusted during the respective accounting periods against slippages and the residual provisions	-
Residual provisions as of 31 March 2021, in terms of Paragraph 6 of the Circular	882

* Balance outstanding as on 31 March 2021

9. In accordance with the instructions in the RBI circular dated 7 April 2021, the Bank shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been finalised by the Indian Banks Association (IBA) in consultation with other industry participants/ bodies as on 19 April 2021. As on 31 March 2021, the Bank holds provision of Rs. 800 Lakh, which was created by debiting Interest Income, to meet its aforesaid obligation towards refund of interest on interest to eligible borrowers as prescribed by the RBI. The bank is currently in the process of suitably implementing the methodology of giving credit to the respective eligible borrower accounts.

10. A) Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated 6 August 2020 are given below.

Rs. In Lakh

Type of Borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution
Personal Loans	63	17	-	-	3
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	571	1,695	-	-	182
Total	634	1,712	-	-	185

B) The Bank has restructured accounts and created provision in accordance with RBI Circular on 'Micro, Small and Medium Enterprises (MSME) sector — Restructuring of Advances' - DBR.No.BP.BC.100/21.04.048/2017-18 dated 7 February 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated 6 June 2018, DBR.No.BP.BC.18/21.04.048/2018-19 1 January 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated 11 February 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated 6 August 2020.

Rs. In Lakh

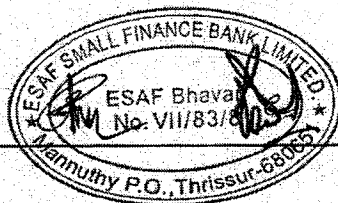
	As at 31 March 2021	As at 31 March 2020
Number of Accounts Restructured	117	-
Amount	214	-

11. The figures of the six months ended 31 March 2021 have been derived as balancing figures between the amounts as per the annual audited accounts for the years then ended and the unaudited financial results for the six months ended 30 September 2020.

12. The figures for the six month period ended 30 September 2019 and year ended 31 March 2020 were audited by the previous Statutory Auditors.

13. Figures for the previous period /year have been classified/regrouped wherever necessary, to conform to the current period /year classification.

Place : Mannuthy
Date : 26 May 2021



Kadambellil Paul Thomas
Managing Director & CEO
DIN: 00199925

No. CARE/CRO/RL/2020-21/1899

Shri K Paul Thomas
MD & CEO
ESAF Small Finance Bank Limited
ESAF Bhavan, Mannuthy P.O.
Thrissur, Kerala- 680651

March 02, 2021

Confidential

Dear Sir,

Credit rating for outstanding Debt Instruments

On the basis of recent developments including operational and financial performance of your Company for FY20 (Audited) and 9MFY21 (Provisional), our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
1.	Tier II Bonds (Basel III)	125.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
	Total	125.00 (Rs. One Hundred Twenty Five Crore Only)		

2. Refer Annexure-I for details of the instruments
3. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

CARE Ratings Ltd.

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off
Eastern Express Highway, Sion (E), Mumbai - 400 022.
Tel.: +91-22- 6754 3456 • Fax: +91-22- 022 6754 3457
Email: care@careratings.com • www.careratings.com

Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Tel: +91-44-2849 0811 / 13 / 76
Tel./ Fax : +91-44-2849 7812

CIN-L67190MH1993PLC071691

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors
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4. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by March 4, 2021, we will proceed on the basis that you have no any comments to offer.
5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
6. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings Ltd.

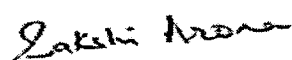
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

9. CARE ratings are not recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Sakshi Arora
Analyst

sakshi.arora@careratings.com



Ravi Shankar R
Manager

ravi.s@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings Ltd.

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Annexure -I

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Amount (Rs. crore)
Tier II Bonds (Basel III)	INE818W08016	30-Dec-2017	10.50%	30-Dec-2024	20.00
Tier II Bonds (Basel III)	INE818W08024	28-Mar-2018	11.50%	28-Mar-2025	20.00
Tier II Bonds (Basel III)	INE818W08032	01-Jun-2018	11.50%	01-Jun-2025	40.00
Tier II Bonds (Basel III) (Proposed)	-	-	-	-	45.00

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Annexure 2
Press Release
ESAF Small Finance Bank

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Tier II Bonds (Basel III) #	125.00 (Rupees One hundred and twenty five crore only)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Certificate of Deposits (Proposed)	500.00 (Rupees Five hundred crore only)	CARE A1+ (A One Plus)	Reaffirmed

Details of instruments/facilities in Annexure-1

#Tier II Bonds under Basel III are characterised by a 'Point of Non-Viability' (PONV) trigger due to which the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. In CARE's opinion, the parameters considered to assess whether a bank will reach the PONV are similar to the parameters considered to assess rating of Tier II instruments even under Basel II. CARE has rated the Tier II bonds under Basel III after factoring in the additional feature of PONV.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the debt instruments of ESAF Small Finance Bank (ESAF SFB) continue to factor in experience of the promoter & management team in the lending business, the group's significant experience in microfinance loans, comfortable capitalization levels and adequate liquidity position. The ratings are, however, constrained by regionally concentrated nature of business, moderation in asset quality parameters during 9MFY21 (refers to the period April 01 to March 31) due to Covid-19 pandemic induced slowdown, limited diversification in loan portfolio which mainly consists of micro finance loans.

Rating Sensitivities

Positive Factors

- Increase in the scale of operations with diversification in terms of geography & products while maintaining good asset quality and capital adequacy levels

Negative Factors

- Weakening of asset quality parameters with credit costs of above 4% on sustained basis resulting in reduction of capital adequacy levels below 18%.

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Detailed description of the key rating drivers

Key Rating Strengths

Experience of promoter and management team

ESAF SFB was promoted by Mr. K Paul Thomas, who is the founder of ESAF group and holds 7.3% stake in ESAF SFB as on September 30, 2020. He has over 32 years of industry experience, of which more than 25 years are in the microfinance sector. He is supported by well qualified and experienced management team which has rich experience in the banking and financial services sector. As on December 31, 2020, the bank's board comprised of nine Directors including six Independent directors who have rich experience in banking and financial services industry.

Comfortable capitalisation levels

Bank's CAR and Tier 1 CAR stood comfortable at 24.03% and 20.99% as on March 31, 2020 respectively (Minimum regulatory requirement of 15% and 7.5%) as against 27.59% and 23.30% as on March 31, 2019. Total CAR stood at 21.04% as on December 31, 2020; reduction in CAR during 9MFY21 was on account growth in net advances to Rs. 7,717 crore as on December 31, 2020 against Rs. 6,548 crore as on March 31, 2020. The bank's tangible net worth stood at Rs. 1,073 crore as on March 31, 2020 (Rs. 1,185 crore September 30, 2020).

Significant growth in AUM; however, share of MFI loans continues to be high

ESAF SFB's AUM grew by 37% during FY20 and stood at Rs. 6,818 crore as on March 31, 2020 (PY: Rs. 4,972 crore) and during 9MFY21, AUM grew by 15% and stood at Rs. 7,820 crore as on December 31, 2020. The bank ventured into new products like LAP (Loan against Property), business loans, corporate loans, gold loan, etc. Nevertheless, the microfinance loan book stood at 93% of the AUM as on March 31, 2020 (89% of the AUM as on December 31, 2020) as against 96% of the AUM as on March 31, 2019. Next to MFI loans, gold loans stood at Rs. 446 crore as on December 31, 2020. Bank has also disbursed Covid-Care loan during 9MFY21 and the outstanding Covid-care loan stood at Rs. 532 crore as on December 31, 2020.

Significant improvement in Deposits in FY20 and 9MFY21

The bank's resource profile majorly comprised of deposits, borrowings and sub-debts at 85%, 10% and 2% respectively as on March 31, 2020 (PY: 72%, 23% and 3%). The total deposits grew by 63% during FY20 and stood at Rs. 7,028 crore as on March 31, 2020 (PY: Rs. 4,317 crore). During 9MFY21, deposits grew by 23% on y-o-y basis and stood at Rs. 8,651 crore as on December 31, 2020. In terms of granularity of deposits, 87% of total deposits were below the ticket size of Rs. 1 crore as on March 31, 2020 (86% as on September 30, 2020). The bank's CASA (as % total deposits) stood at 13.66% as on March 31, 2020 as against 13.55% as on March 31, 2019 and improved to 15.07% as on September 30, 2020.

Improvement in profitability metrics during FY20; However, declined in 9MFY21 due to impact of Covid-19

During FY20, the interest income (as a% of average interest earning assets) reduced to 18.39% (PY:19.53%) and the cost of funds (as a % of average interest-bearing liabilities) declined to 8.72% in FY20 (PY:8.97%) thereby NIM reduced to 9.60% in FY20 (PY: 9.75%). The operating expenses (as a % of average total assets) have slightly improved to 7.28% in FY20 (PY: 7.71%). Credit costs (as % average total assets) reduced to 0.83% in FY20 from 1.99% in FY19. ROTA has improved to 2.31% in FY20 as against 1.53% in FY19 supported by decline in credit cost.

During 9MFY21, PAT stood at Rs. 62 crore on a total income of Rs.1,336 crore. NIM of the bank declined to 9.03% in 9MFY21 due to interest reversal of 90+DPD accounts. PPOP remained healthy at Rs.359 crore during 9MFY21 as against Rs.230 crore in 9MFY20. PPOP/total average assets stood at 4.54% in 9MFY21 as against 2.32% in FY20. However, PAT declined during 9MFY21 on account of increase in provisions to Rs. 297 crore during the period due to impact of Covid-19 on the asset quality of the bank. Credit cost (as a % of total assets) stood at 3.76% and ROTA declined to 0.78% during 9MFY21. With moderation in asset quality parameters post moratorium, the increase in credit costs is expected to impact the profitability in the near term. However, PPOP is expected to absorb the credit costs arising out of the increase in delinquencies.

Key Rating Weaknesses

Moderation in asset quality parameters during 9MFY21

Asset quality witnessed improvement during FY20 with Gross NPA and Net NPA stood at 1.53% and 0.64% respectively as on March 31, 2020 as against 1.61% and 0.77% respectively as on March 31, 2019. Gross NPA and Net NPA stood at 1.22% and 0.05% as on December 31, 2020 (As per Supreme court order on NPA recognition). Proforma Gross NPA and proforma Net NPA stood at 10.70% and 7.40% as on December 31, 2020. 0+ DPD (days past due) increased post moratorium period and stood at 34.44% as on December 31,2020 as against 2.68% as on March 31, 2020. Bank's overdue which were increasing post September 2020 has declined with improvement in collection in January 2021. It is critical for the bank to improve its asset quality indicators due to credit risks associated with marginal credit profile of borrowers.

Regional concentration of loan portfolio

ESAF SFB's AUM continues to remain concentrated in Kerala at 58% of AUM as on December 31, 2020(57% as on March 31, 2020). The top two states constitute 79% of the overall portfolio as on December 31,2020. The bank has improved its presence to 21 states across 483 branches as on September 30,2020 (524 branches as on December 31, 2020) as against 17 states across 322 branches as on September 30, 2019.

Impact of Covid-19

On account of COVID-19, significant proportion of borrowers had availed moratorium. The collection efficiency has witnessed gradual improvement and reached around 73% in the month of September 30,2020 and 78% in January,

2021. The bank has already made total provision of Rs. 220 crore as on December 31,2020 for the impact of Covid-19. With increased delinquencies post moratorium period, the entire impact of Covid-19 on the asset quality and profitability remains to be seen.

Liquidity: Adequate

As per structural liquidity statement of the bank as on December 31,2020, the bank does not have negative cumulative mismatches up to 1-year time bucket. Also, the Liquidity Coverage Ratio (LCR) stood comfortable at 198.65 % as on December 31,2020.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings

CARE's Policy on Default Recognition

Financial Ratios-Financial Sector

CARE's Rating Methodology for Banks

Rating framework for Basel III instruments

Criteria for Short term Instruments

About the Bank

ESAF Small Finance Bank Limited (ESAF SFB) is a Kerala based Small Finance Bank (SFB) which has commenced its banking operations on March 10, 2017. The bank was promoted by Mr. K. Paul Thomas which is a part of Kerala based ESAF group operating in Microfinance space from 1995 and set up ESAF Microfinance & investments Pvt. Limited (EMFIL) in 2007. EMFIL subsequently got SFB license and started its banking operations from March 2017 onwards. ESAF SFB is currently focused in retail banking business with presence in micro-finance, housing finance, business loans, loan against property (LAP), gold loans and providing financing solutions for marginal customers who lack access to the formal banking and financing channels while providing a comprehensive banking and digital platform for all.

The bank received Scheduled status from RBI on December 27, 2018. As on September 31,2020, ESAF Financial Holdings Private Limited held 65.63% of the shareholding in ESAF SFB while Mr. Paul Thomas holding 7.29%, ESAF Swasraya Muti State Agro Co- operative Society Ltd 4.99%, PNB Metlife India Insurance 4.99%, Muthoot Finance Ltd 4.38%, Bajaj Allianz Life Insurance Company 4.08%, PI Ventures 2.04%, ICICI Lombard General Insurance Company held 1.46% and individual investors hold the remaining. As on December 31, 2020, the bank has 524 branches with Rs. 8,651 crore of deposits and AUM of Rs. 7,820 crore.

Brief Financials (Rs. crore)	FY19 (A)	FY20(A)
Total operating income	1,141	1,546
PAT	90	190
Interest coverage (times)	1.50	1.52
Total Assets	7,052	9,459

Brief Financials (Rs. crore)	FY19 (A)	FY20(A)
Net NPA (%)	0.77	0.64
ROTA (%)	1.53	2.31

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Tier II Bonds (Basel III)	INE818W08016	30-Dec-2017	10.50%	30-Dec-2024	20.00	CARE A; Stable
Tier II Bonds (Basel III)	INE818W08024	28-Mar-2018	11.50%	28-Mar-2025	20.00	CARE A; Stable
Tier II Bonds (Basel III)	INE818W08032	01-Jun-2018	11.50%	01-Jun-2025	40.00	CARE A; Stable
Tier II Bonds (Basel III) (Proposed)	-	-	-	-	45.00	CARE A; Stable
Certificate of Deposits (Proposed)	-	-	-	-	500.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Mar-20)	1)CARE A; Stable (25-Jan-19)	1)CARE A-; Negative (01-Dec-17)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (01-Dec-17)
3.	Commercial	ST	-	-	-	-	-	1)CARE A1

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
	Paper							(01-Dec-17)
4.	Bonds-Tier II Bonds	LT	125.00	CARE A; Stable	-	1)CARE A; Stable (06-Mar-20)	1)CARE A; Stable (25-Jan-19)	1)CARE A-; Negative (01-Dec-17)
5.	Certificate Of Deposit	ST	500.00	CARE A1+	-	1)CARE A1+ (06-Mar-20)	1)CARE A1+ (12-Mar-19)	-

Annexure 3: Complexity of Instruments

Sr. No.	Name of the Instrument	Complexity Level
1.	Bonds-Tier II Bonds	Complex
2.	Certificate Of Deposit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

CARE's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**RATING RATIONALE
2021**

ESAF Small Finance Bank Ltd

Brickwork Ratings reaffirms the ratings for the Non-Convertible Debentures of ₹. 50 Crores of ESAF Small Finance Bank Ltd [hereafter referred to as ESAF SFB or the "Bank"]

Particulars:

Facility/ Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar 2020)	Present
Unsecured NCDs	50	50	Long Term	BWR A Stable	BWR A Stable
Total	50	50	INR Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of NCD is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms BWR A/Stable rating for ESAF Small Finance Bank Ltd.'s (hereafter referred to as "ESAF SFB" or the Bank) unsecured Non Convertible Debentures (NCDs) of Rs 50 Crs as tabulated above.

The rating reaffirmation factors, inter alia, ESAF's stable business growth with established presence in microfinance loans through MFI branches, comfortable capitalization, stable asset quality and adequate liquidity. However, the rating is constrained by the limited diversification of the portfolio and regionally concentrated operations.

Rating Outlook: Stable

BWR believes the **ESAF Small Finance Bank Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths:

- Stable business growth:** ESAF has witnessed consistent and sustainable growth in its business in the last 3 years post receipt of "small finance bank" license. Total business of the bank as on 31 Dec 2020 substantially grew to Rs 16,463 Crs from Rs 13,576 Crs in FY20. Bank's Loan book grew by 37% during FY20 from Rs 4,548 Crs in FY19 to Rs.6,548 crs in FY20 and further grew by 15% to Rs.7,812 crs as on 31 December 2020. Microfinance loan book constitutes ~88% of total loan book as on 31 Dec 2020. The total deposits grew by 63% during FY20 from Rs 4,317 Crs in FY19 to Rs.7,028 crs in FY20 and further deposits grew by 23% on y-o-y basis and stood at Rs.8,651 crs as on December 31, 2020. The bank's CASA ratio improved from 13.66% in FY20 to 16.53% as on 31 Dec 2020. Going forward, the ability of the bank to continue its growth trajectory will be a key rating monitorable.
- Comfortable capitalisation:** Bank's CAR and Tier 1 CAR stood comfortable at 21.04% and 18.53% as on 31 Dec 2020, respectively (Minimum regulatory requirement of 15% and 7.5%). The bank's Net worth as on 31 Dec 2020 stood at Rs.1,093 crore with cost of funds at 7.82%. The bank's ability to continue to raise capital during the current fiscal to sustain business growth will be a key rating monitorable.
- Stable financial risk profile:** ESAFs interest income grew by 36.99% from Rs 1,031.64 crs in FY19 to Rs 1,413.25 crs in FY20. For 9MFY21, Bank has reported interest income of 1,256.08 Crs when compared to Rs 1,026.23 Crs for 9MFY20. The increase in interest income is on the back of the consistent growth in advances. For the same period, PAT increased by 110.86% from Rs 90.29 Crs in FY19 to Rs 190.39 crs in FY20. However, for 9MFY21, the bank has reported PAT of Rs 62.11 Crs when compared to Rs 135.86 Crs in 9MFY20. The decrease in PAT is due to increase in provisions to Rs 297 Crs due to the impact of COVID 19. This has resulted in a decrease of ROA & ROE from 2.24% and 17.56% in FY20 to 0.76% and 7.20% in 9MFY21. The bank's ability to continue to maintain its operating profitability and manage provisioning costs will remain a key monitorable.

- **Stable asset quality albeit stressed in the recent past due to the impact of COVID 19:** Bank's asset quality improved in FY20 with Gross NPA and Net NPA decreasing to 1.53% and 0.64%, from 1.61% and 0.77%, respectively in FY19. Gross NPA and Net NPA further improved to 1.22% and 0.05% in 9MFY21 mainly due to the Supreme court order on NPA recognition. However, the pro forma Gross NPA and proforma Net NPA stood at 10.70% and 7.40% as on December 31, 2020. In absolute terms Gross NPA for 9MFY21 stood at Rs 95 Crs and proforma GNPA stood at Rs 835 Crs. Provision coverage ratio as on 31 Dec 2020 stood at 59%. Apart from the normal provisioning, the bank has already made a total provision of Rs.224 Crs as on December 31, 2020 for the impact of Covid-19. The ability of the bank to keep making provisions towards COVID 19 impact and at the same time maintain its profitability and maintain stable asset quality will remain a key rating sensitivity.

Bank's collection efficiency has improved MoM and reached around 50% in January 2021. However, ~92% of borrowers have started repaying in the month of Feb 2021 and the reason behind low collection efficiency is overdues for earlier months. BWR expects that the collection efficiency will improve month on month which will help the bank to maintain a stable asset quality. However, the ability of the bank to improve its collection efficiency to reach pre covid levels will be a key rating sensitivity.

Credit Risks:

- **Regional Concentration of operations:** As on 31 Dec 2020, the bank operates in 21 states with 524 branches. ~82% of gross loan portfolio is concentrated in southern states with Kerala accounting for ~58% of total portfolio, TamilNadu accounting for ~21% and Karnataka accounting for ~3%. The bank plans to diversify geographically in next 2-3 years by opening more branches outside Kerala which will help them to reduce the geographical concentration.
- **Limited diversification of portfolio:** Microfinance loans contribute to ~88% of the total advances (against 97% of the total AUM as on March 31, 2020 and hence is concentrated. Bank has introduced new loans like Home loans, Two-Wheeler loans, Gold loans and Agri - MSME loans to address the issue. Going forward, the company's ability to build a non-MFI portfolio will be a key rating sensitivity.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has considered the standalone financial profile of the bank and has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Ability to raise capital to support profitable business growth, geography and product diversification, improvement in resource profile and manage asset quality from any further deterioration will be key rating positives.

Negative: Non achievement of the projected financial performance, deterioration in asset quality and its impact on profitability and capitalisation will be key rating sensitivities.

LIQUIDITY POSITION: Adequate

Bank has adequate liquidity as reflected through its Liquidity Coverage ratio of 231.56% as on 30 Sep 2020 (as against Min LCR of 100% by Jan 2021) and positive cumulative mismatches up to 1-year time bucket as per the Structural liquidity statement dated December 31, 2020.

COMPANY PROFILE

ESAF Small Finance Bank Limited (ESAF SFB) is a Kerala based Small Finance Bank (SFB) which commenced its banking operations on March 10, 2017. The bank was promoted by Mr. K. Paul Thomas which is a part of Kerala based ESAF group operating in Microfinance space from 1995 and set up ESAF Microfinance & investments Pvt. Limited (EMFIL) in 2007. EMFIL received in principle approval from the Reserve Bank of India (RBI) to establish a Small Finance Bank (SFB) in the private sector under section 22 of the Banking Regulations Act, 1949 on Sep 16, 2015. The Bank received the final license from RBI on Nov 18, 2016 and commenced commercial operations as an SFB on March 10, 2017. On 27 Dec 2018, the bank received "Scheduled Commercial Bank" status from RBI. Its registered office is located at Thrissur. ESAF Small Finance Bank currently operates through 524 Branches across 21 states in India.

As on December 31, 2020, ESAF Microfinance & Investments Pvt Ltd (EMFIL) held 65.63% of the shareholding in ESAF SFB while Mr. Paul Thomas holding 7.30%, ESAF Swasraya Multi state Agro Cooperative Society Ltd 4.99%, PNB Metlife India Insurance 4.99%, Muthoot Finance Ltd 4.38%, Bajaj Allianz life insurance company 4.08%, PI Ventures 2.04%, ICICI Lombard General Insurance company held 1.46% and individual investors hold the remaining.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 18	FY 19	FY20
Result Type		Audited	Audited	Audited
Deposits	Rs in Crs	2523	4317	7028
Advances	Rs in Crs	3155	4548	6548
Total Business	Rs in Crs	5678	8865	13576
CASA	%	9.82	12.60	13.66
CRAR	%	16.92	27.59	24.03
GNPA	%	3.79	1.69	1.53
NNPA	%	2.69	0.77	0.64
Networth	Rs in Crs	325	881	1061

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil

RATING HISTORY

Sl. No.	Instrument/Facility	Current Rating (Mar 2021)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs in Crs)	Rating	18 Mar 2020	13 Feb 2019	27 Mar 2018
1	Fund Based Term Loans	Long Term	-	-	Withdrawn	BWR A (Stable)	BWR A- (Stable)
2	Unsecured	Long Term	50	BWR A	BWR A	BWR A	BWR A-

	NCD			(Stable)	(Stable)	(Stable)	(Stable)
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COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Banks and Financial Institutions

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ESAF Small Finance Bank Ltd

ANNEXURE I

INSTRUMENT (NCD/Bonds/CP) DETAILS

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
Unsecured NCD	22 Dec 2015	25	17.23	22 Dec 2021	INE879Q08028
	28 Dec 2015	25	16.83	28 Dec 2021	INE879Q08036

For print and digital media

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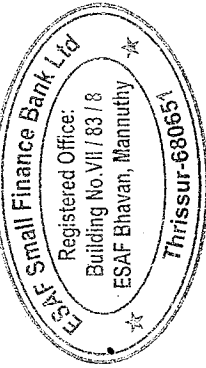
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Annexure B

Details of Redemption and Payment of Interest during the Half Year ended 31st March, 2021

Consent Letter	Series/ Tranche	ISIN	Type (Principal/ Interest)	Due Date of Payment	Amount	Actual Date of Payment
CL/MUM/15-16/DEB/266	11-Dec-2015	INE879Q08028	Interest	22nd December, 2020	Rs.4,30,75,000	22nd December, 2020
CL/MUM/15-16/DEB/279	18-Dec-2015	INE879Q08036	Interest	28th December, 2020	Rs.4,18,44,452	28th December, 2020
CL/MUM/17-18/BT/436	27-Dec-2017	INE818W08016	Interest	31st December, 2020	Rs.1,05,86,301.37	31st December, 2020
CL/MUM/17-18/BT/694	23-Mar-2018	INE818W08024	Interest	31st December, 2020	Rs.1,15,94,520.55	31st December, 2020
CL/MUM/18-19/DEB/41	18-May-2018	INE818W08032	Interest	31st December, 2020	Rs.2,31,89,041.1	31st December, 2020

For ESAF Small Finance Bank Ltd



(Signature)
Ranjith N.P.
Company Secretary
ACS No. 30388

Annexure C

Details of Redemption and Interest due in the next Half Year 01st April, 2021 to 30th September, 2021

Consent Letter	Series/ Tranche	ISIN	Type (Principal/ Interest)	Due Date of Payment	Amount
CL/MUM/15-16/DEB/266	11-Dec-2015	INE879QQ08028	NA	NA	NA
CL/MUM/15-16/DEB/279	18-Dec-2015	INE879QQ08036	NA	NA	NA
CL/MUM/17-18/BT/436	27-Dec-2017	INE818W08016	Interest	30th June, 2021	Rs.1,04,13,698.63
CL/MUM/17-18/BT/694	23-Mar-2018	INE818W08024	Interest	30th June, 2021	Rs.1,14,05,479.45
CL/MUM/18-19/DEB/41	18-May-2018	INE818W08032	Interest	30th June, 2021	Rs.2,28,10,958.9

For ESAF Small Finance Bank Ltd

(Signature)
Ranjith N.P.
Company Secretary
ACS No. 30368

