



**ALL ABOUT**



**ESAF SMALL FINANCE BANK**

**Sector - Small Finance Bank**

**Issue Opens - November 3, 2023 to November 7, 2023**

**Price Band**  
**₹57 to ₹60**

**Face Value**  
₹10

**Lot Size**  
250 Shares

**Issue Size**  
₹463.00 Cr

**Issue Type**  
Book Built

**Research@ganeshstock.com**

# IMPORTANT EVENTS



**Issue Size**

77,166,667 shares / ₹463.00 Cr)

**Fresh Issue**

65,116,667 shares / ₹390.70 Cr)

**Offer for Sale**

12,050,000 shares / ₹72.30 Cr)

**Basis of Allotment**

Friday, November 10, 2023

**Initiation of Refunds**

Monday, November 13, 2023

**Credit of Shares to Demat**

Wednesday, November 15, 2023

**ESFBL IPO Listing date**

Thursday, November 16, 2023

## PROMOTERS

- **Ravimohan Periyakavil Ramakrishnan ( Part-Time Chairman and NonExecutive Independent Director)**
- **Kadambelil Paul Thomas (Managing Director and Chief Executive Officer)**
- **Joseph Vadakkekara Antony (Non-Executive Independent Director)**

Promoters collectively hold 74.43% (Pre Issue) of the Equity Share.

# ABOUT THE COMPANY

The Evangelical Social Action Forum (ESAF) Bank is a small finance bank that was founded in 1992 with the goal of providing services to underbanked and unbanked clients, especially those living in rural and semi-urban areas. By 2023, it would have served 7.15 million clients through a network of 700 banking locations, 767 contact centers, and 559 ATMs spread over 21 states and two union territories. The bank is in charge of 16,331Cr in assets. Microloans, retail loans, MSME loans, loans to financial institutions, and agricultural loans are just a few of the items that ESAF Bank provides. With 43% of its banking locations situated in Kerala, it is well-established there and continues to grow in other areas. In terms of revenue, the bank earns 81% from interest income on advances, 10% from interest income on investments, 6% from commission income, and 3% from other sources.

## SERVICES

Asset Products: Microloans, Retail Loans, MSME Loans, Loans to Financial Institutions, and Agricultural Loans are among the Bank's asset products.

The table below sets forth their AUM by product type and as a percentage of total AUM:

AUM	As of June 30, 2023		As at March 31,2023		As at March 31,2022		As at March 31,2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Micro Loans	1,28,511.97	74.70%	1,22,548.83	75.04%	1,00,159.62	81.16%	71,452.80	84.80%
Retail Loans	27,984.48	16.26%	26,147.54	16.01%	14,649.74	11.87%	9,607.19	11.40%
MSME Loans	1,531.69	0.89%	1,600.61	0.98%	1,233.15	1.00%	483.57	0.57%
Loans to financial Institutions	6,173.07	3.59%	6,137.43	3.76%	4,096.30	3.32%	2,625.44	3.12%
Agricultural Loans	7,838.51	4.56%	6,878.24	4.21%	3,268.10	2.65%	90.3	0.11%
<b>Total AUM</b>	<b>1,72,039.68</b>	<b>100%</b>	<b>1,63,312.65</b>	<b>100%</b>	<b>1,23,406.91</b>	<b>100%</b>	<b>84,259.30</b>	<b>100%</b>

Liability Products: Current accounts, savings accounts, fixed deposits, and recurring deposits are among the Bank's liability products. Along with providing NRE and NRO current accounts, savings accounts, fixed deposits, and recurring deposits, they also cater to NRI clients. Distribution of Third-Party Products Insurance Products: The Bank acts as a corporate agent for the following insurance companies: ICICI Lombard and IFFCO Tokio General Insurance for general insurance products; Bajaj Allianz Life Insurance Company Limited, Kotak Mahindra Life Insurance Company Limited, and PNB MetLife India Insurance Company Limited for life insurance products.

Pension Systems, Safe Deposit Lockers, Foreign Exchange Services , Bharat Bill Payment System, Money Transfer Services, Aadhaar Seva Kendra Services

## OBJECTS OF THE OFFER

The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- To augmenting the Bank's Tier - 1 capital base to meet the future capital requirements.
- General Corporate Purposes

# TRACK RECORD OF FINANCIAL PERFORMANCE



KPIs	Three months period ended June 30, 2023	Three months period ended June 30, 2022	Fiscal 2021	Fiscal 2022	Fiscal 2023
<b>Operations</b>					
Banking Outlets <sup>(1)</sup>	700	576	550	575	700
AUM (in INR million) <sup>(2)</sup>	172,039.68	127,352.96	84,259.30	123,406.91	163,312.65
AUM Growth (%) <sup>(3)</sup>	5.34%	3.20%	N.A.	46.46%	32.34%
Deposits (in INR million)	156,558.54	134,577.46	89,994.26	128,150.72	146,656.25
Deposits Growth (%) <sup>(4)</sup>	6.75%	5.01%	N.A.	42.40%	14.44%
CASA Ratio (%) <sup>(5)</sup>	18.22%	23.29%	19.42%	22.84%	21.39%
CASA + Retail Term Deposits Ratio (as percentage of total deposits) <sup>(6)</sup>	89.28%	92.93%	97.74%	93.71%	90.85%
<b>Capital</b>					
Net worth (in INR million) <sup>(7)</sup>	18,390.93	15,127.62	13,520.64	14,067.96	17,091.29
Total Capital Ratio (CRAR) (%) <sup>(8)</sup>	20.56%	20.31%	24.23%	18.64%	19.83%
Tier 1 Capital Ratio (%) <sup>(9)</sup>	18.95%	17.93%	21.54%	16.16%	18.12%
Cost of Deposits (%) <sup>(10)</sup>	1.67%*	1.52%*	7.54%	6.22%	6.10%
Cost of Funds (%) <sup>(11)</sup>	1.72%*	1.52%*	7.60%	5.99%	6.02%
<b>Asset Quality</b>					
Gross NPA (%) <sup>(12)</sup>	1.65%	6.16%	6.70%	7.83%	2.49%
Provision Coverage Ratio (%) <sup>(13)</sup>	74.35%	62.00%	52.77%	59.38%	56.67%

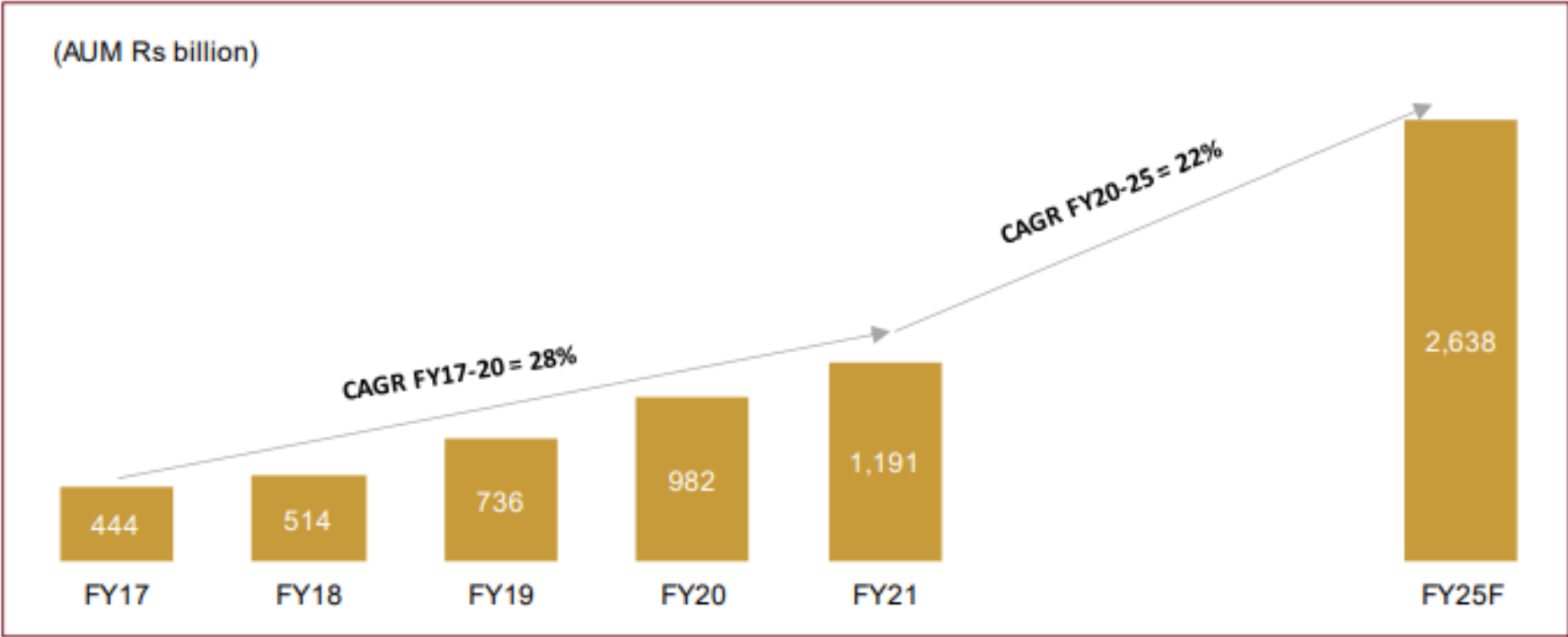
Particulars	As at and for the three months period ended June 30,		As at March 31,		
	2023	2022	2023	2022	2021
Total income	9,917.75	7,383.24	31,415.72	21,475.08	17,684.21
Net profit	1,299.64	1,059.66	3,023.33	547.32	1,053.96
Earnings per Equity Share					
- Basic	2.89*	2.36*	6.73	1.22	2.46
- Diluted	2.89*	2.35*	6.71	1.22	2.46

Sources: RHP

# SMALL FINANCE BANK GROWTH AND OUTLOOK



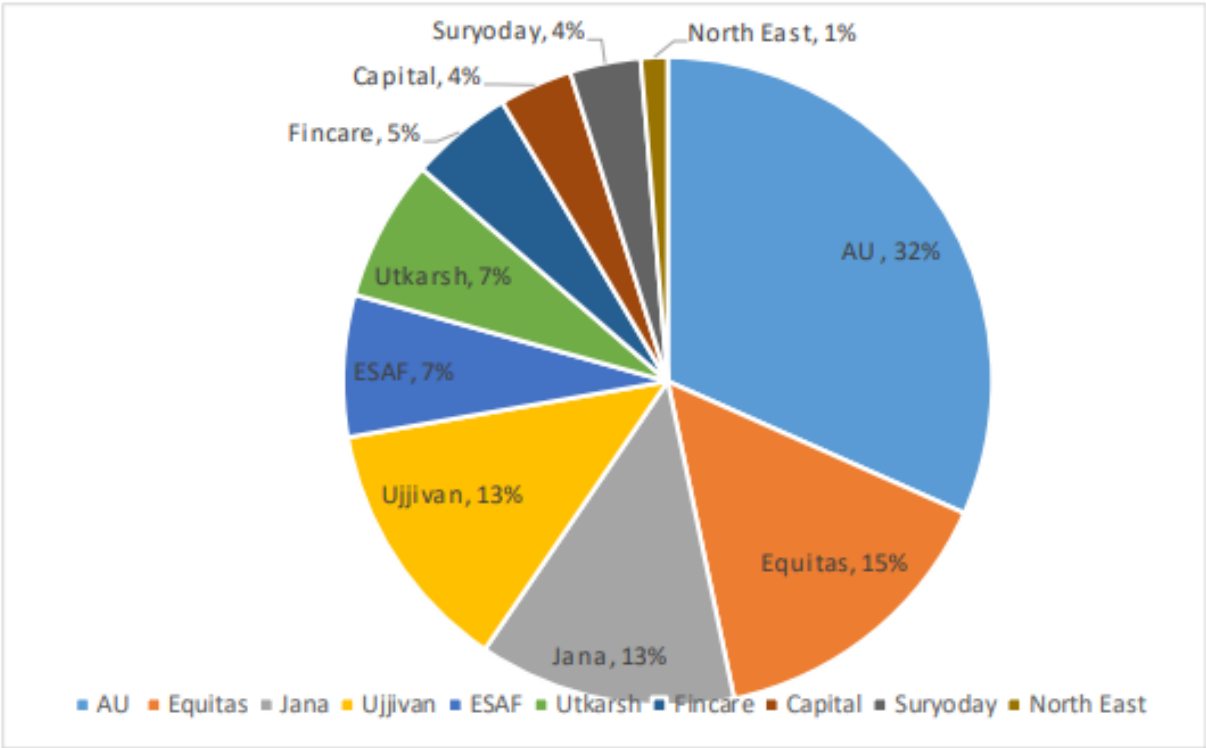
Huge opportunity to support growth over the next three years (AUM)



Note: 1) AUM considered for other players, the amounts are as of the end of the fiscal year indicated; F: Forecast

Source: Company reports, CRISIL Research

## TOP SIX PLAYERS ACCOUNTED FOR 86% OF INDUSTRY AUM AS OF FISCAL 2021



Note: Jana small finance bank and North-east small finance bank AUM is estimated

Source: Company reports; CRISIL Research

Sources: DHRP



# STRENGTHS

- **The company has been able to build its business because of its excellent understanding of the microloan industry.**
- **The banking franchises in rural and semi-urban areas are the primary focus.**
- **The portfolio of its growing retail deposits.**
- **Customer-centric processes and products, along with additional non-financial services for Micro Loan customers, foster relationships with customers.**
- **The business uses a digital technology platform and a technology-driven business approach.**

# RISKS

- **Because of its heavy reliance on the microloan market, the company's cash flows, operating results, and financial health might all suffer from a decline in demand.**
- **Unsecured advances are common, and the business may suffer if they are not recouped.**
- **There a number of fines and penalties imposed by the Reserve Bank of India (RBI).**
- **The two main business states are Tamil Nadu and Kerala.**
- **The company must contend with issues like the high cost of customer acquisition, the ignorance of potential buyers about the company's offerings and finances, and the susceptibility of household income to regional changes.**



# VALUATION AND OUTLOOK

The issue's price range, in terms of valuation, is INR 50-60 per share. A P/E ratio of ESFBL is 8.9x is based on a price range above INR 60 and FY23 EPS of INR 6.73x with an industry average of 94.73X.

## Peers Comparisons

Name of the bank	face Value	Total Income for Fiscal 2023 ( ₹ Cr)	Basic EPS	NAV (Per Share)	P/E	P/B	RoNW %
Suryoday Small Finance Bank	10	1,281.10	7.32	149.28	22.39	1.1	4.9
CreditAccess Grameen LTD	10	3,550.79	52.04	326.89	26.81	4.25	16.18
Spandana Sphoorty Financial LTD	10	1,477.03	1.74	436.58	471.38	1.88	0.4
Bandhan Bank	10	18,373.25	13.62	121.58	16.55	1.85	11.21
Ujjivan Small Finance Bank LTD	10	4,754.19	5.88	21.27	9.81	2.71	26.45
Equitas Small Finance Bank LTD	10	4,831.46	2.16	46.44	21.51	2.16	11.12

ESFBL has maintained its south-centric fancy while reporting growth in both its top and bottom lines. Considering the exceptional return ratios—FY23 ROA/ROE of 1.6%/19.4%—we think it makes sense to subscribe to ESAF Small Finance Bank Limited.

We, therefore, recommend a **"Subscribe"** rating for the issue.

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