



### IPO Details:

ESAF Small Finance Bank (SFB) Ltd is coming out with an IPO of about Rs. 463.00 cr consisting of 1,08,00,000 shares of face value of Rs. 10 each in a price band of Rs. 57 – Rs. 60. The IPO comprises of Fresh Issue of Rs. 390.70 cr and Offer for Sale of Rs. 72.30 cr. The IPO opens on 3<sup>rd</sup> November and closes on 7<sup>th</sup> November.

### Company Details:

- A Small Finance Bank (SFB) with a **focus on unbanked and under-banked customer** segments, especially in rural and semi-urban centres.
- Approximately **63%** of gross advances as of 30<sup>th</sup> Jun' 23 is given to customers in rural and semi-urban centres while **72%** of the banking outlets are located in rural and semi-urban centres.
- **Offers diversified loan products** which includes, a) Micro Loans comprising of MFI loans and other micro loans, b) retail loans including gold loans, mortgages, personal loans and vehicle loans, c) MSME loans, d) loans to financial institutions and e) agricultural loans.
- **Provides additional services** like safety deposit lockers, forex, access to Bharat Bill Payment System, money transfer services and Aadhar Seva Kendra services.

### Strength:

- Caters to about **71.5 lacs customers** through network comprising of **700** banking outlets, **767** customer centres, **22** business correspondents, **2,116** banking agents, **525** banking facilitators and **559** ATMs across **21 states and 2 UTs**.
- **Leverages technology for i) underwriting and credit sanctioning** for loan products based on inputs from credit bureaus and/or its customer data analytics, ii) **cashless disbursement** of loans and iii) **digital collections**.
- Products and services are **designed to meet the various lifecycle needs of its customers** such as home loans, loans for agricultural activities, loan against property, personal loans, education loans, gold loans and vehicle loans.
- **Acts as a corporate agent** for Bajaj Allianz Life Insurance Company Ltd. Kotak Mahindra Life Insurance Company Ltd and PNB Metlife India Insurance Company for distributing life insurance products and ICICI Lombard and IFFCO Tokio General Insurance for distributing general insurance products.



### Growth Drivers:

- Despite larger **contribution to GDP of 47%**, the **rural segment's share in credit** remains fairly **low at 8%** of the total credit outstanding, thereby providing long runway for growth.
- Small Finance Bank are better placed competitively vis a vis MFIs or rural focused NBFCs on the back of **access to low cost CASA deposits**.
- Intends to grow business by **deepening its distribution** in existing markets by opening branches.
- **Increase fee based income** by cross-selling and expanding third party products and service offerings.

### Key Financial Highlights –

#### ESAF SFB Ltd (Rs. Cr)

Particulars	FY2020-21	FY2021-22	FY2022-23	Q1 FY24
AUM	8,426	12,341	16,331	17,204
Disbursements	6,286	11,945	14,691	4,509
Deposits	8,999	12,815	14,666	15,656
Net Interest Income (NII)	922	1,147	1,836	585
PPOP	417	492	894	301
PAT	105	55	302	130
Networth	1,352	1,407	1,709	1,839
<b><u>Key Ratios -</u></b>				
CASA Ratio	19.4%	22.8%	21.4%	18.2%
Credit/Deposit	93.6%	96.3%	111.4%	109.9%
Average Yields	20.14%	18.46%	20.87%	5.81%
Cost of Funds	7.56%	6.30%	6.19%	1.72%
NIMs	8.98%	8.64%	10.67%	3.08%
Cost/Income Ratio	60.2%	63.7%	57.9%	55.7%
RoAA	0.95%	0.39%	1.63%	0.63%
RoAE	8.85%	4.12%	19.36%	7.33%
Gross NPAs	6.70%	7.83%	2.49%	1.65%
Net NPAs	3.88%	3.92%	1.13%	0.81%
PCR	52.77%	59.38%	56.67%	74.35%



- Net Interest Income (NII) of the ESAF SFB has grown at a CAGR of 41.2% between FY21 – FY23 to touch Rs. 1,836 cr in FY23.
- Pre-provisioning operating profits have grown from Rs. 417 cr in FY21 to Rs. 894 cr in FY23, translating into CAGR of 46.4%.
- Profits after tax have grown at even faster CAGR of 69.4% between FY21 – FY23 with PAT touching Rs. 302 cr in FY23.
- With the improvement in profitability capital efficiency of the ESAF Bank has improved with RoA and RoE at 1.6.3% and 19.36% in FY23.
- Asset quality too have improved with Gross NPAs declining to 2.49% in FY23 from 6.70% in FY21 while Net NPAs too declined from 3.88% in FY21 to 1.13% in FY23. ESAF SFB has also increased its PCR from 52.77% in FY21 to 74.35% in Q1 FY24..

#### **Objectives of Fund Raise – Fresh Issue of Rs. 390.70 cr:**

- Net Proceeds from the proceeds of the fresh issue will be utilized towards augmentation of Bank's Tier 1 capital base to meet future capital requirements and for increasing business of the Bank which is primarily onward lending.

#### **Valuations:**

- At Upper end of the IPO price band of Rs. 60, ESAF Small Finance Bank Ltd will be valued at about Rs. 3,088 cr.
- On Price/Book it will be valued at 1.4x its post IPO networth of Rs. 2,230 cr and Price/Adj. Book of 1.5x.
- **Investments can be made in ESAF Small Finance Bank Ltd from listing gains perspective considering healthy growth momentum, improvement in asset quality, higher Provision Coverage, improvement in capital efficiency which is reflected in higher RoAs and RoEs and attractive valuations vis a vis listed peers like Equitas Small Finance Bank, Ujjivan Small Finance Bank and Utkarsh Small Finance Bank.**



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\*Long Term Investments could range from 3-5 years.