

8<sup>th</sup> April, 2020

To,  
Catalyst Trusteeship Limited  
GDA House, Plot No. 85,  
Bhusari Colony (Right),  
Paud Road, Pune, Maharashtra 411038

Dear Sir,

**Sub: Statutory Compliance Report of NCD's for the quarter ended on 31<sup>st</sup> March, 2020.**

**Ref: Non-Convertible debentures (NCD) issued by the company.**

Kindly refer to the details of the Non-Convertible Debentures issued by the Bank and listed on BSE and outstanding as on the date, given below;

SL. NO.	Particulars of NCD	Amount (in crores)	ISIN
1	Listed Tier-II Bonds (NCD)	25	INE879Q08036
2	Listed Tier-II Bonds (NCD)	25	INE879Q08028
3	Listed Tier-II Bonds (NCD)	20	INE818W08016
4	Listed Tier-II Bonds (NCD)	20	INE818W08024
5	Listed Tier-II Bonds (NCD)	40	INE818W08032

In this regard, please find attached the following details and documents towards statutory compliance for the quarter ended 31<sup>st</sup> March, 2020.

1. Updated list of the Debenture holders as on 31<sup>st</sup> March, 2020 (as recorded in the beneficiary position statement i.e. BENPOS)- **Annexure A.**
2. Details of any due and unpaid interest and principal payments separately under each CL/ISIN and reasons thereof: **NIL**
3. Details of grievances received, resolved and unresolved from debenture holders for the quarter ended on 31<sup>st</sup> March, 2020- **Annexure B**
4. A Statement ensuring that the assets of the company issuing debentures and of the guarantors, if any, are sufficient to discharge the interest and principal amount at all times that such assets are free from any other encumbrances except those which are specifically agreed to by the debenture holders (certificate from a practicing Chartered Accountant supporting the security cover certificate)- **Not Applicable as all the**

**debentures issued by the bank are in the form of Unsecured Tier- II Instruments.**

5. Incase where listed debt securities are secured by way of receivables/book debts,
  - (a) A Certificate from the Director/managing Director of the issuer company/receivables: **NA**
  - (b) A certificate from an independent Chartered Accountant giving the value of the book debts/receivables. - **Not Applicable as all the debentures issued by the company are in the form of Unsecured Debentures Tier- II Instruments.**
6. A certificate from a Practicing Chartered Accountant (PCA) in respect of Utilization of Funds during the Implementation Period of the project- **Enclosed Separately.**
7. Details of any significant changes in Composition of Board, if any, which may amounts to change in control as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011- **NIL.**
8. Details of requisite/pending information/documents indicated as conditions precedents/subsequent in debenture documents in respect of the company's NCD issuances- **NIL**
9. Any Revision in the Rating of the debentures- **Credit Rating was reaffirmed (Letter Enclosed)**
10. Updated information on default in payment of principal and interest on due dates, ISIN wise BENPOS, Credit rating and DRR sought in **Annexure C.**

**For ESAF Small Finance Bank Limited**



**Ranjith Raj P**  
**Company Secretary**  
**Mem 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, 123457, Email: info@esafbank.com [www.esafbank.com](http://www.esafbank.com)

**ANNEXURE - A**  
**BENPOS AS ON 31ST MARCH, 2020**

SL.No	DPID	CLIENTID	NAME1	ADD1	ADD2	ADD3	CITY	PIN	POSITION	ISIN	EMAIL1
1	IN300484	29626737	AU SMALL FINANCE BANK LIMITED	CORPORATE HOUSE BLOCK 5TH FLOOR	KANAKIA ZILLION JUNCTION OF LBS	AND CST ROAD KURLA WEST	MUMBAI MAHARASHTR	400070	50.00	INE879Q08028	TREASURY@AUBANK.IN
2	IN301313	21620816	HINDUJA LEYLAND FINANCE LIMITED	NO 27 A DEVELOPED INDUSTRIAL ESTATE	SOUTH PHASE	GUINDY	CHENNAI	600032	50.00	INE879Q08028	
3	IN303622	10001398	CASPIAN IMPACT INVESTMENTS PRIVATE LIMITED	8-2-596/5/B/1	ROAD NO 10	BANJARA HILLS	HYDERABAD	500034	80.00	INE879Q08028	ciibank@caspiant.in
4	IN300126	11274416	UNIFI AIF	HDFC BANK LIMITED, A-204	SEMPIRE PLAZA TWR MAYFAIR	NDAN 96, I P EXTN	MUMBAI PATPARGANJ	400083	1.00	INE879Q08036	TEG@UNITICAP.COM
5	IN300394	14605628	RITU MITTAL		3RD FLOOR, FREE PRESS JOURNAL MARG,	215 NARIMAN POINT,	MUMBAI	110092	1.00	INE879Q08036	D.MITTAL07@GMAIL.COM
6	IN300749	11055630	A K CAPITAL FINANCE LIMITED	30/39 FREE PRESS HOUSE,	REDDY LAYOUT 20TH MAIN BTM 4TH STAGE	NYANAPPANA HALLI BANGALORE SOUTH		400021	10.00	INE879Q08036	finance@akgroup.co.in
7	IN301135	26018960	PREMANATH S V	NO 15 AND 16 2ND CROSS SRINIVAS			BENGALURU	560076	1.00	INE879Q08036	premanathsv@gmail.com
8	IN301250	13872664	GURU INVESTMENT ( P ) LTD	3 , WOOD STREET 9TH FLOOR			CALCUTTA	700016	2.00	INE879Q08036	rgoenka1@rediffmail.com
9	IN301330	17832763	RAMINDER SINGH GUJRAL	109	SECTOR-10A	CHANDIGARH JOURNAL MARG 215 NARIMAN POINT	CHANDIGARH	160011	20.00	INE879Q08036	gujral_rs@yahoo.in
10	IN301330	22396780	A K CAPITAL FINANCE LIMITED	30 39 3RD FLOOR	FREE PRESS HOUSE FREE PRESS		MUMBAI	400021	40.00	INE879Q08036	
11	IN301549	50641097	SHIVANGINI PROPERTIES PVT LTD	NO 209 RAMANSHREE	CHAMBERS NO 37	LADY CURZON ROAD	BANGALORE	560001	25.00	INE879Q08036	nkj.eiccl@yahoo.com
12	IN301549	52523491	NIRMAL KUMAR JAIN	UNIT NO 209 RAMANASHREE CHAMBERS	NO 37 LADY CURZON RD	SHIVAJI NAGAR	BANGALORE KARNATAKA	560001	5.00	INE879Q08036	nkj.eiccl@yahoo.com
13	IN301604	11582062	S RAMACHANDRAN	NO 38 6TH TEMPLE ROAD	MALLESHWARAM	BANGALORE	BANGALORE	560003	1.00	INE879Q08036	ramachandran198@hotmail.co m
14	IN301774	10272027	Girish Chander Agarwal	1504	State Bank Colony		Kasganj	207123	1.00	INE879Q08036	9720511911A@GMAIL.COM
15	IN301774	15432621	SATYENDRA KUMAR MITTAL	170	SFS SHAKTI APARTMENTS	PHASE III ASHOK VIHAR	DELHI	110052	1.00	INE879Q08036	sknda@yahoo.co.in
16	IN301774	15685159	POONAM MITTAL	SFS 170	SFS FLATS	ASHOK VIHAR PH III	DELHI	110052	2.00	INE879Q08036	
17	IN301774	18803968	SATYENDRA KUMAR MITTAL & SONS HUF	S/O K C MITTAL 170 SHAKTI APARTMENT	SFS FLATS ASHOK VIHAR III	NORTH WEST DELHI	DELHI	110007	2.00	INE879Q08036	mittal.satyendra@yahoo.in
18	IN301774	19471728	GIRISH CHANDER AGARWAL HUF	H NO 844 STATE BANK COLONY			KASGANJ	207123	1.00	INE879Q08036	agrawal8433056800@gmail.co m
19	IN301774	19499117	DEEPAK AGGARWAL	H NO-47 FIRST FLR BLK-E SEC-1	NEAR SENIOR SECONDARY GIRLS	SCHOOL ROHINI RITAHLA NORTH W MALABAR ROAD	DELHI	110085	2.00	INE879Q08036	DEEPAGGARWAL9@GMAIL.CO M
20	IN302470	40005276	VINOD M AMBANI	7D LANDS END	29D DOONGERSI ROAD		MUMBAI	400006	2.00	INE879Q08036	vinod.ambani@ril.com
21	IN302814	10775443	Sudarshan Kumar Chawla	Chawla Bhawan	Bamrauli		Allahabad	211012	1.00	INE879Q08036	CHAWLASUDARSHAN@HOTMAIL.COM
22	IN303028	53600374	ANIRUDDHA ROY	143 3RD CROSS 4TH MAIN	HAL 3RD STAGE		BANGALORE	560075	1.00	INE879Q08036	animoniroy@gmail.com
23	IN303270	10124971	JAWAHAR PAMNANY	304/305 PRIMUS EDEN	KANAKPURA ROAD	NETTIGERE	BENGALURU	560082	1.00	INE879Q08036	ZJPZ@HOTMAIL.COM
24	IN303270	10244253	JAWAHAR PAMNANY HUF	304 305 PRIMUS EDEN	KANAKPURA ROAD	NETTIGERE	BANGALORE KARNATAKA	560082	1.00	INE879Q08036	ZJPZ@HOTMAIL.COM
25	IN303622	10007549	SRIRAM THIAGARAJAN	434 TZED HOMES, OFF VARTHUR ROAD	RAMAGONDANAHALLI	BENGALURU, KARNATAKA	INDIA	560066	1.00	INE879Q08036	thiagarajan.sriram@gmail.com
26	IN303622	10007975	PRATEEK SRIVASTAVA	NO 17, WATERWOODS RAMAGONDANAHALLI	WHITEFIELD VARTHUR MAIN ROAD	BANGALORE	INDIA	560066	1.00	INE879Q08036	prateek.og@gmail.com
27	IN303622	10010392	DIPTI HARISH PATEL	19-27 1st MAIN JAYAMAHAL EXTN	BANGALORE	KARNATAKA	INDIA	560046	1.00	INE879Q08036	DIPTI1927@GMAIL.COM
28	IN303622	10011328	VISHWESHWAR HEGDE	302 SHIVALAYA APARTMENT	5th A MAIN NEAR BAPTIST HOSPITAL	HEBBAL H A FARM	BANGALORE KARNATAKA INDIA	560024	1.00	INE879Q08036	VISHUHEGDE1@GMAIL.COM
29	IN303622	10013266	BHALCHANDRA B PARANDEKAR	N - WING 1104 SAMRAIYA BALWANTPURAM	SOCIETY, PAUD ROAD, SHIVTIRTHANAGAR,	KOTHRUD PUNE CITY PUNE, MAHARASHTRA	INDIA	411038	1.00	INE879Q08036	BBPARANDEKAR@YAHOO.COM
30	IN304096	10000551	VIRATECH SOFTWARE AND DATA SYSTEMS PVT LTD	MADGUL LOUNGE 4TH FLOOR FLAT NO-43,	23, CHETLA CENTRAL ROAD,	OPP CHETLA PARK	KOLKATA	700027	27.00	INE879Q08036	vinay@viratechsoftware.com
31	12032300	00773533	GREEN MALABAR FINANCE VENTURES LIMITED	14 D ANANTA BUILDING BREACH	CANDY RAJABALI PATEL LANE		MUMBAI	400026	50.00	INE879Q08028	JACKLYN@SKY_ADVANCE.COM
32	16014800	00586453	SIDHARTH SHANKAR SUBRAMANIAN	HDFC BANK LIMITED, CUSTODY SERVICES	EMPIRE PLAZA 1, 4 TH FLOOR	LBS MARG, VIKHROLI (W)	MUMBAI	400083	20.00	INE879Q08028	
33	12012600	00270885	JAKIN NITIN SHAH (HUF)	9/91 AVANTI APTS	S B MARG	DADAR WEST	MUMBAI	400028	1.00	INE879Q08036	jakin_shah@hotmail.com
34	12013300	01074160	R ASHOK	38/1 6TH TEMPLE ROAD	MALLESHWARAM	BANGALORE	BANGALORE	560003	1.00	INE879Q08036	ramachandran198@hotmail.co m
35	12023000	01164248	POONAM MITTAL	A-108 SECTOR 23 NOIDA	GAUTAM BUDDHA NAGAR	UTTAR PRADESH	NOIDA	201301	1.00	INE879Q08036	gkp_poonam@yahoo.co.in
36	12039200	00000707	CHHAYA DEVI	17/1, DHANDAYUTHAPANI	KOTTURPURAM 1ST STREET,		CHENNAI	600085	1.00	INE879Q08036	

37	12039200	00020086	AYE FINANCE PVT LIMITED	809-812, 8TH FLOOR, VIPUL SQUARE,	B-BLOCK, SUSHANT LOK-1,		GURUGRAM	122009	7.00	INE879Q08036	finance@ayefin.com
38	12055600	00009147	VIRATECH INFOMEDIA PRIVATE LIMITED	MADGUL LOUNGE	4TH FLR FLOOR FLAT NO 43,	23 CHETLA CENTRAL ROAD,	KOLKATA	700027	10.00	INE879Q08036	
39	12055600	00011213	ACCESS INDIA CONSULTANTS PVT LTD	MADGUL LOUNGE, 4TH FLOOR,	FLAT NO. 43,	23, CHETLA CENTRAL ROAD,	KOLKATA	700027	6.00	INE879Q08036	vinay@viratechsoftware.com
40	12055600	00013793	VIRATECH TRADING PRIVATE LIMITED	4TH FLOOR FLAT NO 43	MADGUL LAUNGE 23 CHETLA	CENTRAL ROAD ALIPORE	KOLKATA	700027	12.00	INE879Q08036	vinay@viratechsoftware.com
41	12055600	00015543	VIRATECH CONSULTANCY SERVICES PVT LTD .	MADGUL LOUNGE,4TH FLOOR	FLAT NO 43, 23 CHETLA	CENTRAL ROAD	KOLKATA	700027	2.00	INE879Q08036	vinay@viratechsoftware.com
42	13012400	01644298	RATNA MUKHERJEE	NO 30 1ST MAIN VIVEKANANDA	LAYOUT OUTERRING RD NR GENARAL	STORE OPP HOME TOWN MALL	MARATHA HALI BANGALORE	560037	1.00	INE879Q08036	rbmukherjee27@gmail.com
43	13012400	05580593	UNIFI AIF	HDFC BANK LIMITED,CUSTODY OPERATIONS	EMPIRE PLAZA TWR- 1 4TH FLOOR,CHANDA	LBS MARG, VIKHROLI WEST	MUMBAI	400083	41.00	INE879Q08036	TEG@UNIFICAP.COM
44	13023400	00468161	SAYYAM INVESTMENTS PRIVATE LIMITED	TRILOK MARKET			BIJAY NAGAR	781122	1.00	INE879Q08036	
45	16014800	00597594	M N CHANDRASEKARAN .	HDFC BANK, CUSTODY OPERATIONS	EMPIRE PLAZA, TOWER 1, 4 TH FLOOR	LBS MARG, CHANDAN NAGAR,VIKHROLI (W)	MUMBAI	400083	1.00	INE879Q08036	
46	16014800	00598199	SURESH SUNDARAM .	HDFC BANK LIMITED, CUSTODY SERVICES	EMPIRE PLAZA 1, 4 TH FLOOR	LBS MARG, VIKHROLI (W)	MUMBAI	400083	2.00	INE879Q08036	SURESH_SUNDARAM@REDDIFF MAIL.COM
47	16014800	00603896	NANDINI CHANDAPPA	HDFC BANK LIMITED, CUSTODY SERVICES	EMPIRE PLAZA 1, 4 TH FLOOR	LBS MARG, VIKHROLI (W)	MUMBAI	400083	1.00	INE879Q08036	nchandappa@gmail.com
48	16014800	00634502	L LAKSHMAN .	HDFC BANK LIMITED, CUSTODY SERVICES	EMPIRE PLAZA 1, 4 TH FLOOR	LBS MARG, VIKHROLI (W)	MUMBAI	400083	3.00	INE879Q08036	l.lakshman@rane.co.in
49	16014800	00668540	PUSHPA LAKSHMAN	HDFC BANK LIMITED, CUSTODY SERVICES	EMPIRE PLAZA 1, 4 TH FLOOR	LBS MARG, VIKHROLI (W)	MUMBAI	400083	1.00	INE879Q08036	l.lakshman@rane.co.in
50	16014800	00883212	CHITRA RAMAMURTHY	HDFC BANK LIMITED, CUSTODY SERVICES	EMPIRE PLAZA 1, 4 TH FLOOR	LBS MARG, VIKHROLI (W)	MUMBAI	400083	3.00	INE879Q08036	accounts@theeyefoundation.com
51	16014800	00901756	GOPINATH N	HDFC BANK LIMITED, CUSTODY SERVICES	EMPIRE PLAZA 1, 4 TH FLOOR	LBS MARG, VIKHROLI (W)	MUMBAI	400083	2.00	INE879Q08036	gopi.natarajan@omegahms.com
52	IN301516	10000012	FEDERAL BANK LIMITED	REASURY DEPARTMENT	ST FLOOR LAXMI TOW	RA -KURLA COM	RA -EAST MU	400051	200.00	INE818W08016	
53	IN301516	10000012	FEDERAL BANK LIMITED	REASURY DEPARTMENT	ST FLOOR LAXMI TOW	RA -KURLA COM	RA -EAST MU	400051	200.00	INE818W08024	
54	IN300214	22333045	STATE AGRO COOP	RE, KALATHODE OLLU	OLLUKKARA PO	THRISSUR KERALA		680655	400.00	INE818W08032	RAJESH@ESAF.IN
TOTAL									1300.00		

For ESAF Small Finance Bank Limited



Ranjith Raj P  
Company Secretary  
Mem No : A 30388

### Statement Of Investor Complaints For The Quarter Ended March 2020

Security Code      **957360**      Company      **ESAF Small Finance Bank Ltd**

Exchange Received Time **04-04-2020 11:25:55** Exchange Disseminated Time **04-04-2020 11:26:02** Time Taken **00:00:07**

No.of Investor complaints pending at the beginning of the quarter	No.of Investor complaints received during the quarter	No.of Investor complaints disposed of during the quarter	No.of Investor complaints unresolved at the end of the quarter
0	0	0	0

Name of the Signatory :- RANJITH RAJ P

Designation                      :- Company Secretary and Compliance Officer

## Annexure - C

Name of Company:ESAF Small Finance Bank Limited

Quarterly Compliance - Listed NCDs -

Statement on ISIN, BENPOS, payment on due dates, Credit rating &amp; DRR Requirement As on 31-Mar-2020

Sr. No.	Consent Letter / Tranche Reference	Consent Letter/ Tranche Date	ISIN **	Issue Size (per ISIN)Rs. Crore	Listed/ Unlisted	Secured / Unsecured	Defaulted or Delayed Principal/ Interest Outstanding (if	Due date of payment (in respect of default on Due	Actual date of payment (in respect of default on Due	Date of information sharing with Credit Rating Agency (in	Credit Rating & Agency As at the end of Last Quarter	Number of Investors as at the end of Quarter	Creation of Debenture Redemption Reserve, if applicable -
1	CL/MUM/15-16/DEB/266	11-Dec-2015	INE879Q08028	25.00	Listed	UnSecured	NIL	NA	NA	NA	BWR A Stable	5	NA
2	CL/MUM/15-16/DEB/279	18-Dec-2015	INE879Q08036	25.00	Listed	UnSecured	NIL	NA	NA	NA	BWR A Stable	46	NA
3	CL/MUM/17-18/BT/436	27-Dec-2017	INE818W08016	20	Listed	UnSecured	NIL	NA	NA	NA	CARE A; STABLE (Single A; Outlook; Stable)	1	NA
4	CL/MUM/17-18/BT/694	23-Mar-2018	INE818W08024	20.0	Listed	UnSecured	NIL	NA	NA	NA	CARE A; STABLE (Single A; Outlook; Stable)	1	NA
5	CL/MUM/18-19/DEB/41	18-May-2018	INE818W08032	40.0	Listed	UnSecured	NIL	NA	NA	NA	CARE A; STABLE (Single A; Outlook; Stable)	1	NA

\*\* In case of any ISIN omitted by us due to oversight, kindly add them while furnishing information.

For ESAF Small  
Finance Bank  
Limited

Ranjith Raj P  
Company Secretary  
Mem No : A 30388



**A. JOHN MORIS & CO.,**  
CHARTERED ACCOUNTANTS

Ajm-Kch/Cer/01/2010-2021

7<sup>th</sup> April, 2020

UDIN : 20236710AAAABX1838

**CERTIFICATE**

We have examined and verified the books of accounts and other relevant documents and registers maintained by M/S ESAF Small Finance Bank Limited having its Registered office and Corporate Office at Building No.VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy P O, Thrissur, Kerala - 680 651 with a view to ascertain statutory compliance for the quarter ended 31<sup>st</sup> March, 2020 relevant to the Non-Convertible Debentures (NCDs) issued by the company.

On the basis of such examination and on obtaining the information and explanation which we deemed necessary for the purpose, we hereby confirm the following details by certifying that:

1. The details of the NCDs issued by the Company under the trusteeship of Catalyst Trusteeship Limited are given in Annexure I.
2. The company has utilised the funds for the purpose of growth of the microfinance loan portfolio of the Company.
3. As per Rule 18(7)(b)(ii) of the Companies (Share Capital and Debentures) Rule, 2014 issued by Ministry of Corporate Affairs, creation of Debenture Redemption Reserve (DRR) is not required for Bank's registered with the RBI under Section 22 of the Banking Regulation Act, 1949, when such debentures are issued on private placement basis. Accordingly, the company has not created Debenture Redemption Reserve.
4. During the quarter, no NCDs had the interest fallen due.
5. During the quarter, no NCDs were due for redemption.
6. As on 31<sup>st</sup> March, 2020, there is no default in payment of interest.

The certificate is issued at the request of the Company for submitting to debenture trustee M/S Catalyst Trusteeship Limited.

For A John Moris & Co,  
Chartered Accountants  
FR NO : 007220S

C A Jobin George  
Partner  
M. NO : 236710



Place: Kochi

Kochi Off : G334, H. No. : 39/4543 A, IInd Floor, North Side, Opp. HIG - 49, Near South Indian Bank, Panampilly Nagar, Kochi - 682036  
Ph : +91 484 2317585, Cell: +91 9995832342, E-mail: agjobin@ajohnmoris.com / ajm kochi@ajohnmoris.com Website: www.ajohnmoris.com

H.O. : No. 5, Lakshmipuram, Ist Street, Deivasigamani Road, (Near Music Academy), Royapettah, Chennai - 600 014.

Branches : Chennai, Nagercoil, New Delhi, Bengaluru, Mumbai, Tiruppur, Triuchirappali, Kumbakonam, Erode, Madurai, Nagari (A.P), Jeypore (Odisha)



**A. JOHN MORIS & CO.,**  
CHARTERED ACCOUNTANTS

**Annexure I - NCDs' position during the Quarter Ended 31<sup>st</sup> March, 2020**

Rs(in Crores)

S l N o :	Particulars of NCD	Secured/ Unsecured	ISIN	Am oun t	Inte rest Paid	Rede mptio n amou nt	Next due date of interest	Outsta nding as on 31 <sup>st</sup> Ma rch20 20	Book Debt Hyp othe cated
1	Subdebt	Unsecured	INE879Q08036	25	Nil	N.A	28-Dec-2020	25	N.A
2	Subdebt	Unsecured	INE879Q08028	25	Nil	N.A	22-Dec-2020	25	N.A
3	Basel III complaint Tier II bonds in the form of NCD	Unsecured	INE818W08016	20	Nil	N.A	30-June-2020	20	N.A
4	Basel III complaint Tier II bonds in the form of NCD	Unsecured	INE818W08024	20	Nil	N.A	30-June-2020	20	N.A
5	11.50% ESAFSFB Tier II Bonds June 2025	Unsecured	INE818WQ8032	40	Nil	N.A	30-June-2020	40	N.A

For A John Moris & Co,  
Chartered Accountants  
FR NO : 007220S

C A Jobin George  
Partner  
M. NO : 236710

Kochi Off : G334, H. No. : 39/4543 A, IInd Floor, North Side, Opp. HIG - 49, Near South Indian Bank, Panampilly Nagar, Kochi - 682036  
Ph : +91 484 2317585, Cell: +91 9995832342, E-mail: agjobin@ajohnmoris.com / ajm kochi@ajohnmoris.com Website: www.ajohnmoris.com  
H.O. : No. 5, Lakshmipuram, Ist Street, Deivasigamani Road, (Near Music Academy), Royapettah, Chennai - 600 014.  
Branches : Chennai, Nagercoil, New Delhi, Bengaluru, Mumbai, Tiruppur, Triuchirappali, Kumbakonam, Erode, Madurai, Nagari (A.P), Jeypore (Odisha)





10<sup>th</sup> March, 2020

To,

**The Catalyst Trusteeship Limited**  
Office No. 83 – 87, 8th floor,  
'Mittal Tower', 'B' Wing,  
Nariman Point, Mumbai – 400021  
Maharashtra

Dear Sir/ Madam,

**Subject: Intimation of Reaffirmation of Credit Rating**

We hereby intimate that CARE Ratings via letter dated March 02, 2020, as part of annual rating surveillance exercise has reaffirmed the credit Rating of the Bank's Non-Convertible Debentures (NCDs) and the details of the same are as follows:

Facilities	Amount (Rs. Crore)	Rating	Rating Action
Tier II Bond issue	125.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed

Enclosed herewith the rating letter issued by CARE Ratings for your reference.

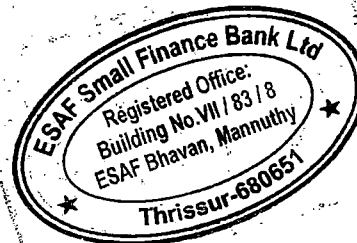
We request you to kindly take the above documents on record.

Thanking you,

**Yours Faithfully,**

**For ESAF Small Finance Bank Limited,**

  
**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, 123457, Email: info@esafbank.com [www.esafbank.com](http://www.esafbank.com)

CARE/CRO/RL/2019-20/1791

Mr. K Paul Thomas  
Managing Director & CEO  
ESAF Small Finance Bank Limited  
ESAF Bhavan, Mannuthy P.O.,  
Thrissur, Kerala - 680 651

March 2, 2020

**Confidential**

Dear Sir,

**Credit rating for Debt facilities**

On the basis of recent developments including operational and financial performance of your bank for FY19 (Audited) and H1FY20 (Provisional), our Rating Committee has reviewed the following ratings:

Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Tier II Bond facilities	125* (Rs. One Hundred and Twenty Five crore only)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed

\*outstanding amount of Rs.80 crore as on February 25, 2020

- Details of the instruments are provided in Annexure I
- Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

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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- 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

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

1

CARE Ratings Limited

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CIN: L67190MH1993PLC071691

which is enclosed for your perusal as Annexure. 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, 2020, 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 debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
7. 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.
8. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
9. CARE ratings are not recommendations to buy, sell, or hold any securities.

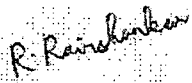
If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

  
Meenakshi D  
Manager

[meenakshi.d@careratings.com](mailto:meenakshi.d@careratings.com)

  
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Manager  
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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.

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.

# ANNEXURE I

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	INE818W08016	30-Dec-2017	10.50%	30-Dec-2024	20.00	CARE A; Stable
Tier II Bonds	INE818W08024	28-Mar-2018	11.50%	28-Mar-2025	20.00	CARE A; Stable
Tier II Bonds	INE818W08032	01-Jun-2018	11.50%	01-Jun-2025	40.00	CARE A; Stable
Tier II Bonds (Proposed)					45.00	CARE A; Stable

**Annexure  
Press Release**

**ESAF Small Finance Bank**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>2</sup>	Rating Action
Tier II Bond issue	125.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Certificate of Deposits (Proposed)	500.00	CARE A1+ (A One Plus)	Reaffirmed
Long term Bank Facilities	-	-	Withdrawn

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the debt instruments and certificate of deposits of ESAF Small Finance Bank Ltd (ESAF SFB) factors in comfortable capitalisation profile and growth in overall business of the bank and improving profitability during FY19(refers to the period April 01 to March 31) and H1FY20(refers to the period April 01 to September 30). The ratings continue to factor in experience of the promoter & management team in the lending business, the group's significant experience in microfinance loans and comfortable liquidity position. The ratings are, however, constrained by regionally concentrated nature of business, limited diversification in loan portfolio which mainly consists of micro finance loans.

The ratings assigned to the long-term bank facilities is withdrawn with immediate effect, as the bank has fully repaid the amount under the said facility and there is no amount outstanding as on date.

**Rating Sensitivities**

**Positive Factors**

- Increase the scale of operations across newer geographies and improve product mix of advances book while maintaining good asset quality on a sustained basis

**Negative Factors**

- Weakening of asset quality on sustained basis
- Weakening of capital adequacy with CAR declining below 17% on a sustained basis

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://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 December 31, 2019. He has over 32 years of industry experience, of which more than 22 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. The bank has been augmenting its senior management team by recruiting professionals from the banking and financial sector. As on December 31, 2019, the bank's board comprised of eight Directors including five Independent directors who have rich experience in banking and financial services industry.

**Comfortable capitalisation levels:** The bank's capitalisation profile is comfortable supported by the capital infusion of Rs.464 crore through private placement of equity shares during September 2018. As on March 31, 2019, the CAR and Tier I ratio stood at 27.59% and 23.30% respectively (25.69% and 21.99% as on September 30, 2019) as against 16.92% and 12.40% as on March 31, 2018.

**Improvement in advances, however share of MFI loans continues to be high:** ESAF SFB's AUM improved by 22% during FY19 and stood at Rs.5,060 crore as on March 31, 2019 (PY:Rs.4,131 crore) and during H1FY20, AUM improved by 10% and stood at Rs.5,559 crore as on September 30, 2019. Post transition to SFB, ESAF SFB has introduced new products like LAP (Loan against Property), business loans, corporate loans, gold loan, etc. Nevertheless, the microfinance loan book stood at 97% of the AUM as on March 31, 2019 (96% of the AUM as on September 30, 2019) as against 98% of the AUM of the total AUM as on March 31, 2018.

**Significant growth in Deposits with improvement in granularity:** The bank's total borrowing increased to Rs.6,019 crore as on March 31, 2019 (Rs.7,401 crore as on September 30, 2019) as against Rs. 5,240 crore as on March 31, 2018. The bank's borrowing profile majorly comprised of deposits, loans from other institutions and sub-debts at 72%, 23% and 3% respectively as on March 31, 2019 (PY:60%, 24% and 11%). As on September 30, 2019, the share (as a % of total borrowings) of deposits, loans from other institutions and sub-debt stood at 82%, 15% and 3% respectively. The total deposits grew by 71% during FY19 and stood at Rs.4,317 crore as on March 31, 2019 (PY: Rs.2,523 crore). During H1FY20, deposits grew by 40% and stood at Rs. 6,063 crore as on September 30, 2019. Due to significant growth in deposits, the CD ratio of the bank improved to 105 times as on March 31, 2019 (89% as on September 30, 2019) as against 125 times as on March 31, 2018.



The bank's term deposits are also granular in nature with 89% of the total term deposits below the ticket size of Rs.1.0 crore as on March 31, 2019 (88% as on September 30, 2019) as against 56% as on March 31, 2018. The bank's CASA (as % total deposits) has also improved to 14% in March 31, 2019 (12% in September 30, 2019) from 10% in March 31, 2018.

***Improving asset quality indicators but risks associated with marginal credit profile of borrowers continues:***

The bank improved its collections and recovery mechanisms and the collection efficiency stood at 90% for FY19 (PY: 96%) and has improved to 97% for H1FY20 though the bank was impacted by Kerala floods and collection efficiency declined to 75% during August 2018. During FY19, the bank written off its loans to the extent of Rs.89.4 crore and the asset quality indicators of the bank has improved with gross NPA and Net NPA stood at 1.61% and 0.77% respectively as on March 31, 2019 (1.76% and 0.62% as on September 30, 2019) as against 3.79% and 2.69% as on March 31, 2018. It is critical for the bank to maintain its asset quality indicators at current levels due to credit risks associated with marginal credit profile of borrowers (share of microfinance loans stood at 96% of the AUM as on September 30, 2019) who are vulnerable to adverse economic cycles.

***Improving profitability metrics:***

ESAF SFB's profitability improved during FY19, PAT stood at Rs.90 crore on a total income of Rs.1,141 crore in FY19 as against PAT at Rs.27 crore on a total income of Rs.699 crore in FY18. During FY19, the yield on advances (as a % of average interest earning assets) improved to 23.75% (PY:23.15%) and the cost of borrowings (as a % of average interest bearing liabilities) declined to 8.97% in FY19 (PY:9.45%) thereby improvement in NIM at 9.75% in FY19 (PY:7.32%). The operating expenses (as a % of average total assets) have slightly improved to 7.71% in FY19 (PY: 7.90%). Credit costs (as % average total assets) has increased to 1.99% in FY19 from 0.92% in FY18. ROTA has improved to 1.53% in FY19 as against 0.70% in FY18 supported by improvement in NIM. During H1FY20, PAT stood at Rs.91 crore on a total income of Rs.729 crore. During H1FY20, operating expenses (as a % of average total assets) ratio improved to 7.21% as against 7.71% in FY19 and credit costs (as a % of average total assets) improved to 1.55% in H1FY20 as against 1.99% in FY19 and aided in improving the profitability indicators. ROTA for H1FY20 stood at 2.36% (no tax expenses were incurred).

***Key Rating Weaknesses***

***Regional concentration of loan portfolio continues:*** ESAF SFB's AUM continues to remain concentrated in Kerala at 53% as on September 30, 2019. The top two states constitutes 81% of the overall portfolio as on March 31, 2019 (PY:81%). However, the bank has taken initiatives to reduce the concentration, AUM in Kerala declined to 52% as on March 31, 2019 from 59% as on March 31, 2019, through establishment of branches and expansion of portfolio across newer states. The bank has improved its presence to 12 states

as on March 31, 2019 as against 10 states as on March 31, 2018 and further to 17 states across 322 branches as on September 30, 2019.

Liquidity: Adequate

As per structural liquidity statement of the bank as on December 31, 2019, the bank does not have negative cumulative mismatches up to 1 year time bucket. Also, the Liquidity Coverage Ratio (LCR) stood comfortable at 507.02% as on September 30, 2019. In addition, the bank had excess SLR investments of Rs.166 crore as on September 30, 2019 which remained favourable from the liquidity perspective.

**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

Bank - CARE's Rating Methodology for Banks

Bank - Rating framework for Basel III instruments (Tier I & Tier II)

Criteria for Short term instruments

Policy on Withdrawal of ratings

**About the Company**

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 December 31, 2019, 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 September 30, 2019, the bank has 332 branches across 153 districts in 17 states of India with deposits of Rs.6,063 crore and AUM of Rs.5,559 crore.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	699	1,141
PAT	27	90
Interest coverage (times)	1.25	1.50
Total Assets	4,714	7,052
Net NPA (%)	2.69	0.77
ROTA (%)	0.70	1.53

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

#### Analyst Contact

Mr P Sudhakar

Contact no. - 044-28501000

Email: [p.sudhakar@careratings.com](mailto:p.sudhakar@careratings.com)

#### 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

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**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	INE818W08016	30-Dec-2017	10.50%	30-Dec-2024	20.00	CARE A; Stable
Tier II Bonds	INE818W08024	28-Mar-2018	11.50%	28-Mar-2025	20.00	CARE A; Stable
Tier II Bonds	INE818W08032	01-Jun-2018	11.50%	01-Jun-2025	40.00	CARE A; Stable
Tier II Bonds (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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A; Stable (25-Jan-19)	1)CARE A-; Negative (01-Dec-17)	1)CARE A-; Stable (02-Feb-17) 2)CARE A- (04-Nov-16)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (01-Dec-17)	1)CARE A-; Stable (02-Feb-17) 2)CARE A- (04-Nov-16)
3.	Commercial Paper	ST	-	-	-	-	1)CARE A1 (01-Dec-17)	1)CARE A1 (15-Feb-17)
4.	Bonds-Tier II Bonds	LT	125.00	CARE A;	-	1)CARE A;	1)CARE A-;	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
				Stable		Stable (25-Jan-19)	Negative (01-Dec-17)	
5.	Certificate Of Deposit	ST	500.00	CARE A1+	-	1) CARE A1+ (12-Mar-19)	-	-

*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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

CARE/CRO/RR/2019-20/1152

Mr. K Paul Thomas  
Managing Director & CEO  
ESAF Small Finance Bank Limited  
ESAF Bhavan, Mannuthy P.O.,  
Thrissur, Kerala - 680 651

March 2, 2020

Dear Sir,

Credit rating of debt instruments

Please refer to our letter dated March 2, 2020 on the above subject.

2. The rationale for the rating is attached as an Annexure - I.
3. We request you to peruse the annexed documents 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, 2020 we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

*R. Rameshankar*

Ravi Shankar R  
Manager

Encl: As above

CARE Ratings Limited

**Annexure -I**  
**Rating Rationale**  
**ESAF Small Finance Bank**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Tier II Bond Issue	125.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Certificate of Deposits (Proposed)	500.00	CARE A1+ (A One Plus)	Reaffirmed
Long term Bank Facilities	-	-	Withdrawn

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the debt instruments and certificate of deposits of ESAF Small Finance Bank Ltd (ESAF SFB) factors in comfortable capitalisation profile and growth in overall business of the bank and improving profitability during FY19(refers to the period April 01 to March 31) and H1FY20(refers to the period April 01 to September 30). The ratings continue to factor in experience of the promoter & management team in the lending business, the group's significant experience in microfinance loans and comfortable liquidity position. The ratings are, however, constrained by regionally concentrated nature of business, limited diversification in loan portfolio which mainly consists of micro finance loans.

The ratings assigned to the long-term bank facilities is withdrawn with immediate effect, as the bank has fully repaid the amount under the said facility and there is no amount outstanding as on date.

**Rating Sensitivities**

**Positive Factors**

- Increase the scale of operations across newer geographies and improve product mix of advances book while maintaining good asset quality on a sustained basis

**Negative Factors**

- Weakening of asset quality on sustained basis
- Weakening of capital adequacy with CAR declining below 17% on a sustained basis

**Detailed description of the key rating drivers**

**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 December 31, 2019. He has over 32 years of industry experience, of which more than 22 years are in the microfinance sector. He is

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

supported by well qualified and experienced management team which has rich experience in the banking and financial services sector. The bank has been augmenting its senior management team by recruiting professionals from the banking and financial sector. As on December 31, 2019, the bank's board comprised of eight Directors including five Independent directors who have rich experience in banking and financial services industry.

**Comfortable capitalisation levels:** The bank's capitalisation profile is comfortable supported by the capital infusion of Rs.464 crore through private placement of equity shares during September 2018. As on March 31, 2019, the CAR and Tier-I ratio stood at 27.59% and 23.30% respectively (25.69% and 21.99% as on September 30, 2019) as against 16.92% and 12.40% as on March 31, 2018.

**Improvement in advances, however share of MFI loans continues to be high:** ESAF SFB's AUM improved by 22% during FY19 and stood at Rs.5,060 crore as on March 31, 2019 (PY:Rs.4,131 crore) and during H1FY20, AUM improved by 10% and stood at Rs.5,559 crore as on September 30, 2019. Post transition to SFB, ESAF SFB has introduced new products like LAP (Loan against Property), business loans, corporate loans, gold loan, etc. Nevertheless, the microfinance loan book stood at 97% of the AUM as on March 31, 2019 (96% of the AUM as on September 30, 2019) as against 98% of the AUM of the total AUM as on March 31, 2018.

**Significant growth in Deposits with improvement in granularity:** The bank's total borrowing increased to Rs.6,019 crore as on March 31, 2019 (Rs.7,401 crore as on September 30, 2019) as against Rs. 5,240 crore as on March 31, 2018. The bank's borrowing profile majorly comprised of deposits, loans from other institutions and sub-debts at 72%, 23% and 3% respectively as on March 31, 2019 (PY: 60%, 24% and 11%). As on September 30, 2019, the share (as a % of total borrowings) of deposits, loans from other institutions and sub-debt stood at 82%, 15% and 3% respectively. The total deposits grew by 71% during FY19 and stood at Rs.4,317 crore as on March 31, 2019 (PY: Rs.2,523 crore). During H1FY20, deposits grew by 40% and stood at Rs. 6,063 crore as on September 30, 2019. Due to significant growth in deposits, the CD ratio of the bank improved to 105 times as on March 31, 2019 (89% as on September 30, 2019) as against 125 times as on March 31, 2018.

The bank's term deposits are also granular in nature with 89% of the total term deposits below the ticket size of Rs.1.0 crore as on March 31, 2019 (88% as on September 30, 2019) as against 56% as on March 31, 2018. The bank's CASA (as % total deposits) has also improved to 14% in March 31, 2019 (12% in September 30, 2019) from 10% in March 31, 2018.

**Improving asset quality indicators but risks associated with marginal credit profile of borrowers continues:** The bank improved its collections and recovery mechanisms and the collection efficiency stood at 90% for FY19 (PY: 96%) and has improved to 97% for H1FY20 though the bank was impacted by Kerala floods and collection efficiency declined to 75% during August 2018. During FY19, the bank written off its loans to the extent of Rs.89.4 crore and the asset quality indicators of the bank has



improved with gross NPA and Net NPA stood at 1.61% and 0.77% respectively as on March 31, 2019 (1.76% and 0.62% as on September 30, 2019) as against 3.79% and 2.69% as on March 31, 2018. It is critical for the bank to maintain its asset quality indicators at current levels due to credit risks associated with marginal credit profile of borrowers (share of microfinance loans stood at 96% of the AUM as on September 30, 2019) who are vulnerable to adverse economic cycles.

**Improving profitability metrics:** ESAF SFB's profitability improved during FY19, PAT stood at Rs.90 crore on a total income of Rs.1,141 crore in FY19 as against PAT at Rs.27 crore on a total income of Rs.699 crore in FY18. During FY19, the yield on advances (as a% of average interest earning assets) improved to 23.75% (PY:23.15%) and the cost of borrowings(as a % of average interest bearing liabilities) declined to 8.97% in FY19(PY:9.45%) thereby improvement in NIM at 9.75% in FY19 (PY:7.32%). The operating expenses (as a % of average total assets) have slightly improved to 7.71% in FY19 (PY: 7.90%), credit costs (as % average total assets) has increased to 1.99% in FY19 from 0.92% in FY18. ROTA has improved to 1.53% in FY19 as against 0.70% in FY18 supported by improvement in NIM. During H1FY20 PAT stood at Rs.91 crore on a total income of Rs.729 crore. During H1FY20, operating expenses (as a % of average total assets) ratio improved to 7.21% as against 7.71% in FY19 and credit costs (as a % of average total assets) improved to 1.55% in H1FY20 as against 1.99% in FY19 and aided in improving the profitability indicators. ROTA for H1FY20 stood at 2.36% (no tax expenses were incurred).

**Regional concentration of loan portfolio continues:** ESAF SFB's AUM continues to remain concentrated in Kerala at 53% as on September 30, 2019. The top two states constitutes 81% of the overall portfolio as on March 31, 2019 (PY:81%). However, the bank has taken initiatives to reduce the concentration of AUM in Kerala to 52% as on March 31, 2019 from 59% as on March 31, 2019, through establishment of branches and expansion of portfolio across newer states. The bank has improved its presence to 12 states as on March 31, 2019 as against 10 states as on March 31, 2018 and further to 17 states across 322 branches as on September 30, 2019.

**Liquidity: Adequate**

As per structural liquidity statement of the bank as on December 31, 2019, the bank does not have negative cumulative mismatches up to 1 year time bucket. Also, the Liquidity Coverage Ratio (LCR) stood comfortable at 507.02% as on September 30, 2019. In addition, the bank had excess SLR investments of Rs.166 crore as on September 30, 2019 which remained favorable from the liquidity perspective.

**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**

Bank - CARE's Rating Methodology for Banks

Bank - Rating framework for Basel III instruments (Tier I & Tier II)

Criteria for Short term instruments

Policy on Withdrawal of ratings

**About the Company**

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 December 31, 2019, ESAF Financial Holdings Private Limited held 65.63% of the shareholding in ESAF SFB while Mr. Paul Thomas holding 7.29%, ESAF Swasraya Mutt 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 September 30, 2019, the bank has 332 branches across 153 districts in 17 states of India with deposits of Rs.6,063 crore and AUM of Rs.5,559 crore.

**Financial Performance:**

	(Rs. crore)		
	ESAF SFB*	ESAF SFB	ESAF SFB
For the period ended / as at March 31,	2017*	2018	2019
	(12m, A)	(12m, A)	(12m, A)
<b>Working Results</b>			
Interest Income	445	597	1,032
Non Interest Income	39	102	109
Total Income	484	699	1,141
Interest Expenses	195	315	458
Operating Expenses (Incl. Depreciation)	174	304	453
Provisions (excl tax)	25	36	102
PAT	55	27	90
<b>Financial Position</b>			
Deposits	409	2,523	4,317
Tangible Network	305	333	888
On book Advances	1,483	3,155	4,548
Total Advances (including off-book)	2,327	4,131	5,060
Investments	579	732	1,531
Total Assets	3,183	4,714	7,052
<b>Key Ratios (%)</b>			

**Profitability**

Interest Income/Avg Interest Earning Assets	18.41	18.58	19.53
Interest Expenses / Avg Interest Bearing Liabilities	9.54	9.45	8.97
Interest Spread	8.87	9.13	10.56
Net Interest Margin (NIM)	10.12	7.32	9.75
Operational Expenses / Avg Total Assets	7.08	7.90	7.71
Return on total assets	2.22	0.70	1.53
Return on network	16.89	8.45	14.78

**Solvency**

Overall Gearing (times)	7.76	12.67	6.81
Capital Adequacy Ratio	16.27	16.87	27.59
Tier I Capital Adequacy Ratio	13.39	12.36	23.30
Credit/Deposit ratio	362.23	125.05	105.36

**Asset Quality**

Gross NPA to Gross Advances (%)	0.53	3.79	1.61
Net NPA to Net Advances (%)	0.24	2.69	0.77
Net NPA to Tangible Network (%)	0.99	25.43	3.96

A: Audited; \*The financials of SFB and MFI is consolidated

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

*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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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.

19

**Annexure-1: Details of Instruments/Facilities**

Name of the Instruments	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Tier II Bonds	INE818W08016	30-Dec-2017	10.50%	30-Dec-2024	20.00	CARE A; Stable
Tier II Bonds	INE818W08024	28-Mar-2018	11.50%	28-Mar-2025	20.00	CARE A; Stable
Tier II Bonds	INE818W08032	01-Jun-2018	11.50%	01-Jun-2025	40.00	CARE A; Stable
Tier II Bonds (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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	1) CARE A; Stable (25-Jan-19)	1) CARE A-; Negative (01-Dec-17)	1) CARE A-; Stable (02-Feb-17) 2) CARE A- (04-Nov-16)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1) Withdrawn (01-Dec-17)	1) CARE A-; Stable (02-Feb-17) 2) CARE A- (04-Nov-16)
3.	Commercial Paper	ST	-	-	-	-	1) CARE A1 (01-Dec-17)	1) CARE A1 (15-Feb-17)
4.	Bonds-Tier II Bonds	LT	125.00	CARE A; Stable	-	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+ (12-Mar-19)	-	-

## RATING RATIONALE

18 Mar 2020

### ESAF Small Finance Bank Ltd

**Brickwork Ratings Reaffirms the ratings for the Non-Convertible Debentures of ₹. 50 Crores and withdraws the ratings for the Bank Loan Facilities of Rs 342.11 Crs of ESAF Small Finance Bank Ltd [hereafter referred to as ESAF SFB or the “Bank”]**

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2019)	Present
Unsecured NCD	50	50	Long Term	BWR A (Stable)	BWR A (Stable)
Fund based	342.11	-	Long Term	BWR A (Stable)	Withdrawn
<b>Total</b>	<b>392.11</b>	<b>50</b>	<b>INR Fifty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of NCD is provided in Annexure-I

#### RATING ACTION / OUTLOOK

The rating reaffirmation factors, inter alia, ESAF's stable business growth with established presence in microfinance loans through MFI branches, improved profitability and adequate capitalization. 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:** ESFBL currently operates in 17 states with 454 branches and 208 ATMs and has plans to further expand the branches across India. For the nine months ended December 31, 2019 total business grew by ~59% year-on-year(y-o-y) to Rs 12,516 Crs as total advances grew by ~38% year-on-year(y-o-y) to Rs 6,045 Crs and total deposits grew by ~87% to Rs 6,471 Crs. Current & savings accounts (CASA) ratio, stood at 12.67% as on December 31, 2019 (12.60% as on March 31, 2019) remains much lower than industry levels.
- **Adequate capitalisation:** In FY19, the bank raised capital of Rs 464 Crs from various institutional investors resulting in increase in reported Networth to Rs 894 Crs as on March 31, 2019. It further increased to Rs 1,030 Crs by end of December 2019 due to retention of profits resulting in an adequate capital position with total regulatory capital adequacy ratio (CRAR) of 23.43% and Tier I CRAR of 20.17%. The bank's ability to continue to raise capital during the current fiscal to sustain business growth will be a key rating monitorable.
- **Improved profitability:** ESAF's profitability improved in FY19 with profit after tax (PAT) increasing to Rs 90 Crs for FY19 from Rs 27 Crs in FY18 mainly due to decrease in borrowing costs and cost of deposits thereby resulting in improved net interest margin (NIM) from 8.65% in FY18 to 10.65% in FY19. Return on assets (ROA) & return on Networth (RONW) also improved from 0.72% & 9.33% in FY18 to 1.52% & 13.86% respectively in FY19. For 9MFY20, Bank's profitability further improved with PAT of Rs 136 Crs on the back of good business growth. The bank's ability to continue to maintain its operating profitability and manage provisioning costs will remain a key monitorable.

### Credit Risks:

- **Regional Concentration of operations:** As on 31 Dec 2019, the bank operates in 17 states with 454 branches. ~84% of gross loan portfolio is concentrated in southern states with Kerala accounting for 53% of total portfolio, TamilNadu accounting for 27.19% and Karnataka accounting for 3.17%. 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 ~97% of the total AUM (against 98% of the total AUM as on March 31, 2018) 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 507.02% and positive cumulative mismatches up to 1-year time bucket as per the Structural liquidity statement dated December 31, 2019. Bank also has excess SLR investments of Rs.166 crore as on September 30, 2019 which remained favorable from the liquidity perspective.

## **COMPANY PROFILE**

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 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 454 Branches and 208 ATMs spread across 17 states in India.



As on December 31, 2019, ESAF Microfinance & Investments Pvt Ltd (EMFIL) held 65.63% of the shareholding in ESAF SFB while Mr. Paul Thomas holding 7.29%, 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	9MFY20
Result Type		Audited	Audited	Unaud
Deposits	Rs in Crs	2523	4317	6,471
Advances	Rs in Crs	3155	4548	6,045
Total Business	Rs in Crs	5678	8865	12,516
CASA	%	9.82	12.60	12.67
CRAR	%	16.87	27.59	23.43
GNPA	%	3.79	1.61	1.96
NNPA	%	2.69	0.77	0.69
Networth	Rs in Crs	343	894	1,030

**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 2020)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs in Crs)	Rating	13 Feb 2019	27 Mar 2018	3 Oct 2017
1	Fund Based Term Loans	Long Term	342.11	Withdrawn	BWR A (Stable)	BWR A- (Stable)	BWR A- (Stable)
2	Unsecured NCD	Long Term	50	BWR A (Stable)	BWR A (Stable)	BWR A- (Stable)	NA

## COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://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**

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

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