

Ref No: 05/SE/CS/FEB/2023-24

Date: April 05, 2024

To,

<b>Listing Department</b> <b>BSE Limited</b> <b>Phiroze Jeejeebhoy Towers,</b> <b>Dalal Street, Mumbai – 400001</b>	<b>Listing &amp; Compliance Department</b> <b>National Stock Exchange of India Limited</b> <b>Exchange Plaza, 5<sup>th</sup> Floor</b> <b>Plot No.C/1, “G” Block</b> <b>Bandra- Kurla Complex</b> <b>Bandra(E), Mumbai- 400051</b>
<b>BSE Scrip Code: 544020</b>	<b>NSE Symbol: ESAFSFB</b>

Dear Sir / Madam,

**Sub: Intimation on the recent rating action of Brickwork Ratings (BWR) dated April 04, 2024 on Tier II Bonds**

This is in reference to the recent rating downgrade of Tier II Bonds (under BASEL III) of ESAF Small Finance Bank Limited (the Bank) aggregating to Rs 20 Crores by Brickwork Ratings (BWR) from “BWR A/Negative/Reaffirmed to BWR A-/Negative/ISSUER NOT COOPERATING” category vide Rationale released on April 04, 2024. The rating rationale is enclosed.

The Bank clarifies and confirms that it continues to enjoy the higher rating by CARE Edge Ratings Limited for the following instruments/facilities which include the instrument rated by Brickwork.

<b>Facilities/Instruments</b>	<b>Amount (₹ crore)</b>	<b>Rating</b>	<b>Rating Action by press release dated February 22, 2024</b>
Tier-II bonds (Basel III)-I	80.00	CARE A; Stable	Reaffirmed
Tier-II bonds (Basel III)-II	20.00 (Reduced from 150.00)	CARE A; Stable	Reaffirmed
Lower Tier-II bonds (Basel II)-I	150.00	CARE A; Stable	Reaffirmed
Lower Tier-II bonds (Basel II)-II	130.00	CARE A; Stable	Assigned
Assigned Certificate of deposit	500.00	CARE A1+	Reaffirmed

Further, the Bank also reiterates that its operations are normal and its financial health is sound.

**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: customercare@esafbank.com [www.esafbank.com](http://www.esafbank.com)

Requesting you to take the same into your records.

**Thanking you,**

**Yours Faithfully,**

**For ESAF Small Finance Bank Limited**

**Ranjith Raj. P**  
**Company Secretary and Compliance Officer**

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## RATING RATIONALE

04 April 2024

### ESAF Small Finance Bank Ltd

**Brickwork Ratings downgrades the ratings for the Tier II Bonds (under BASEL III) of ESAF Small Finance Bank Ltd aggregating to Rs 20 Crs and migrates the ratings to the ISSUER NOT COOPERATING category.**

#### Particulars

Instruments**	Amount Rs Crs.		Tenure	Rating#	
	Previous	Present		Previous (Dec. 30, 2022)	Recommendation
Tier II Bonds (under Basel III)	20.00	<b>20.00</b>	LT	BWR A/ Negative Reaffirmed	<b>BWR A-/Negative/ ISSUER NOT COOPERATING*/Downgrade</b>
Total	20.00	<b>20.00</b>	<b>INR Twenty Crores Only</b>		

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

\* Issuer did not cooperate; based on best available information.

\*\* Complete details of instruments are provided in Annexure.

#### Rating Action/Outlook/Nature of Non-Cooperation

Brickwork Ratings (BWR) downgrades the ratings for the Tier II Bonds (under Basel III) of ESAF Small Finance Bank Ltd. (ESAF or Bank) amounting to Rs. 20.00 Crs. and migrates it under the ISSUER NOT COOPERATING category as tabulated above.

BWR has been seeking information from the Bank to review the ratings assigned to Tier-II bonds. However, despite repeated follow-ups, the company has not provided the requisite information for reviewing the ratings on time. In line with extant SEBI guidelines, BWR has reviewed the rating based on the best available information and migrated the ratings to the 'Issuer Not Cooperating' category.

The lender/investors may note to exercise due caution while using the above ratings, which mention "ISSUER NOT COOPERATING" since the ratings lack any projection or forward-looking component as they have been arrived at based on the best available information about the company, without any management interaction.

#### Limitations of the Rating

Information availability risk is a key factor in the assessment of credit risk as generally non-cooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress. Users of the credit rating should therefore take into account the possible deterioration in the credit quality of the rated entity arising from its non-transparency and withholding of information required for a review of the rating.



### About the Company

Headquartered in Thrissur, Kerala, ESAF Small Finance Bank Ltd. (formerly known as ESAF Microfinance and Investments) is a small finance bank providing banking services to the underbanked and unbanked. The bank started its operation as an NGO in 1992 under the name of Evangelical Social Action Forum. ESAF Microfinance was a non-banking finance company and microfinance institution (NBFC-MFI), licensed by the Reserve Bank of India (RBI). It became a small finance bank in March 2017 and started operating in January 2018. On 27 Dec 2018, it received “Scheduled Commercial Bank” status from RBI. ESAF Small Finance Bank has a presence in 21 states and 2 UTs and 731 branches. As of December 31, 2023, the bank has 79.4 lakh total customers, 5,823 employees, 30 business correspondents, 917 customer service centres, 4003 banking agents and 723 business facilitators.

**(Based on publicly available information)**

### Key Financial Indicators

Particulars	Units	FY-22 (Audited)	FY-23 (Audited)	Q3FY-24 (Unaudited)
Gross Advances	Rs. in Crs	12130.64	16,331	17,153
Deposits	Rs. in Crs	12815.07	14,666	18,860
PAT	Rs. in Crs	54.7	302.3	382
Gearing	Times	1.70x	1.47x	0.54x
CRAR	%	18.64	19.83	21.03
GNPA	%	7.83	2.5	4.2

### Key Covenants of the Instrument/Facility Rated

Tier -II (Basel-III) bonds for Rs. 20 Crs through private placement. Details are in the Annexure -II.

### Non-cooperation with previous Credit Rating Agency, if any

There is no Non-cooperation from other CRAs.

### Any Other Information

Nil



**Rating History for the previous Three years [including withdrawal and suspended]**

Instrument	Current Rating (2024)		2023		2022		2021 (16 Mar. 21)	
	Amt.	Rating	Amt.	Rating	Amt.	Rating	Amt.	Rating
Tier II Bonds (under Basel III)	20.00	BWR A-/Negative/ISS UER NOT COOPERATING */Downgrade	NA	NA	20.00	BWR A/ Negative Reaffirmed	50.00	BWR A Stable
					280.00	Withdrawn on non-utilization  (30 Dec. 22)		
					50.00	Withdrawn on redemption		
					300.00	BWR A/ Negative Assignment  (18 Mar. 2022)		

**Complexity levels of the Instruments**

**Highly Complex**

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

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)
- [Rating Criteria for Basel III Compliant Instruments](#)
- [What Constitutes Non-Cooperation](#)

Analytical Contacts	
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**Annexure - I**  
**Details of Bank Facilities rated by BWR**  
 Not Applicable

**Annexure - II**  
**INSTRUMENT (NCD/Bonds/CPs) Details**

<b>Instrument details</b>	<b>Issue date</b>	<b>Amount</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>ISIN</b>
Unsecured Unlisted Redeemable Tier II Bonds (Basel III) in form of NCD	31 Mar 2022	20	11.25%	30 Apr 2032	INE818W08081

**ANNEXURE - III**  
**List of Entities Consolidated: Not Applicable**

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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