

THE ‘JOY’ KEEPS GROWING...

Even in a year as challenging as 2020, we are proud to be able to deliver joy no matter the circumstances.

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2020

Particulars	₹ In Lakhs		
	Six month period ended 30 September 2020	Six month period ended 30 September 2019	Year ended 31 March 2020
	Unaudited (₹)	Audited (₹)	Audited (₹)
I. INCOME			
Interest Earned	84,290	66,068	1,41,325
Other Income	4,502	6,819	13,319
Total	88,792	72,887	1,54,644
II. EXPENDITURE			
Interest expended	35,700	29,473	62,106
Operating Expenses	26,598	28,134	60,068
Provisions and Contingencies	13,452	6,036	13,431
Total	75,750	63,643	1,35,605
III. PROFIT			
Net Profit for the Period/Year (I - II)	13,042	9,244	19,039
Analytical Ratios			
(i) Capital Adequacy Ratio	24.29%	25.69%	24.03%
(ii) Earnings Per Share (EPS) (Face value of ₹10/- each)*			
- Basic	3.05	2.16	4.45
- Diluted	3.05	2.16	4.45
NPA Ratio			
a) Gross NPA	9.761	9.634	10.086
Net NPA	1.352	3.341	4.217
b) % of Gross NPA	1.32%	1.76%	1.53%
% of Net NPA	0.19%	0.62%	0.64%
c) Return on Assets*	1.24%	1.16%	2.24%

* Six months period numbers are not annualised

Notes:

1.Statement of Assets and Liabilities as at 30 September 2020

Particulars	₹ In Lakhs	
	As at 30 September 2020	As at 31 March 2020
	Unaudited (₹)	Audited (₹)
CAPITAL AND LIABILITIES		
Capital	42,780	42,780
Reserves and Surplus	78,671	65,629
Deposits	8,20,839	7,02,838
Borrowings	1,39,015	1,20,332
Other Liabilities and Provisions	37,280	15,418
Total	11,18,585	9,46,997
ASSETS		
Cash and Balances with Reserve Bank of India	34,382	30,477
Balances with Banks and Money at Call and Short Notice	1,26,131	59,802
Investments	1,97,843	1,73,363
Advances	7,28,968	6,54,782
Fixed Assets	12,478	12,011
Other Assets	18,783	16,562
Total	11,18,585	9,46,997
Contingent Liabilities	145	150
Bills for collection	-	-

2. The statement of unaudited financial results for the six month period ended 30 September 2020 ("Statement" or "Financial Results") have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 10 November 2020.

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 and Accounting Standards as prescribed under section 133 of the Companies Act, 2013.

4. There are no changes to the significant accounting policies adopted during the six month period ended 30 September 2020 as compared to those followed for the year ended 31 March 2020.

5. 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.

6. (i) The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. 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 ('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.
(ii) Further, during the current period on account of the moratorium, the collections have been impacted resulting in consequential lower Business Correspondent expenses (included in Other Expenses), which are accounted on completion of collection services rendered. The Bank has seen an increase in the collection and disbursement activity post the moratorium period.
(iii) The Honourable Supreme Court 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 as NPA till 31 August 2020 shall not be declared as NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank has not classified any borrower 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.
However, if the Bank had classified borrower accounts as NPA after 31 August 2020 and corresponding provisions would have been made, the Bank's proforma Gross NPA ratio and proforma Net NPA ratio would have been 1.46% and 0.29% respectively.
(iv) The Bank had provided ₹440.78 Lakhs during the year ended 31 March 2020 and ₹ 440.78 Lakhs during the six month period ended 30 September 2020 as required under regulatory guidelines aggregating to 10% of the SMA accounts outstanding as on 29 February 2020. However, considering the prevailing uncertainty over the business due to covid 19 pandemic, the Bank as a prudential measure set aside an additional provision of ₹ 4,407.79 Lakhs during six month period ended 30 September 2020 being 50% of such outstanding SMA accounts taking the total provisions to ₹ 5,289.35 Lakhs as against the outstanding amount of ₹ 8815.57 Lakhs as on 29 February 2020.
(v) The extent to which the COVID-19 pandemic will impact the Bank's provision on assets and future results will depend on future developments including the final decision of the Honourable Supreme Court of India in relation to moratorium and other related matters, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether Government-mandated or adopted by the Bank.

7. The Government of India (GOI) has announced the Scheme for grant of ex-gratia payment of difference between compound interest and simple interest ("differential interest") for six months to borrowers in specified loan accounts (1.3.2020 to 31.8.2020) on 23 October 2020, which mandates ex-gratia payment to certain categories of borrowers by way of crediting the difference between simple interest and compound interest for the period between 1 March 2020 to 31 August 2020 by respective lending institutions. Further Department of Financial Services vide its circular dated October 29, 2020 has clarified among other points that crops and other agricultural loans are excluded from the ambit of this scheme. Accordingly the Bank has given credit to the eligible customer account on 4 November 2020.

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

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

JOY OF BANKING, NOW FOR EVERYONE.
- Place: Mannuthy

Date: 10 November 2020

ESAF

ESAF SMALL FINANCE BANK

CIN: U65990KL2016PLC045669

Regd. & Corp. Office: ESAF Small Finance Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur - Palakkad National Highway, Mannuthy, Thrissur, Kerala - 680651. Ph.: 0487-7123 456, customercare@esafbank.com

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Sd/-

Kadambelil Paul Thomas

Managing Director & CEO

DIN: 00199925