ESAF SMALL Finance BANK LIMITED

Our Bank was incorporated as \"ESAF Small Finance Bank Limited\" in May 31, 2019, at Trivandrum, Kerala, as a public limited company under the Companies Act, 2013, and was granted the certificate of incorporation by the Registrar of Companies, Kerala at Trivandrum (\"RC\") on June 5, 2019. Our Promoters, ESAM Financial Holdings Private Limited, are public limited companies registered to establish a small finance bank \"ESAF\". By the RBI, our promoters are required to submit a small finance bank establishment plan \"SFSP\" prior to the final approval on the small finance bank establishment. On September 29, 2021, our promoters submitted the SFSP to the RBI, and our SFSP was approved on November 26, 2021. In compliance with the approved SFSP, our bank was constituted on December 31, 2021, approved by the RBI for formation, and \"ESAF Small Finance Bank Limited\" came into existence on January 1, 2022.

We are a small finance bank headquartered in Kerala providing micro, retail and corporate banking, par banking activities such as debit card, third party financial product distribution, in addition to treasury and permitted foreign exchange business.

The offer is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations:
- QIP Portion: Not more than 50% of the Net Offer | Institutional Portion: Not less than 15% of the Net Offer | Retail Portion: Not less than 35% of the Net Offer | Employee Reservation Portion: Upto [Equity Shares aggregating up to ₹125.00 Million]
- The Price Band: ₹75 to ₹90 per Equity Share of Face Value of ₹10 Each

In accordance with the recommendation of Independent Directors of our Bank, pursuant to their resolution dated October 30, 2021, the above provided price band is justified based on quantitative factors/ROIs disclosed in the \"Basis for Price\" section of the RHP vis-a-vis the weighted average cost of acquisition \"WACA\" of primary and secondary transactions, as applicable, disclosed in the \"Basis for Price\" section on page 130-140 of the RHP.

In making an investment decision, potential investors must only rely on the information included in the Red Herring Prospectus and the terms of the offer, including the risks involved and not rely on any other external sources of information about the offer available in any manner.

Risks to Investors:

1. Our business is concentrated in Kerala and Tamil Nadu. As at June 30, 2023, 43.43% and 13.86% of our banking outlets were in Kerala and Tamil Nadu, respectively. Our business is subject to adverse changes in the economies of these states, which could have an adverse effect on our financial condition, results of operations and cash flows.

2. As at June 30, 2023, and March 31, 2022, 2021 and 2017, 75.15%, 75.39%, 83.42% and 85.50% of our advances (net of provisions) were secured by mortgaged property in Kerala and Tamil Nadu, respectively. Any adverse changes in the economies of these states, could have an adverse effect on our financial condition, results of operations and cash flows.

3. As at March 31, 2023, we were in compliance with 17 out of the 272 Registrations of Informational Treaties (\"RST\") required under the Reserve Bank of India (\"RBI\") rules. The RBI imposes penalties on us for non-compliance, which could adversely affect our reputation, business, financial condition, results of operations and cash flows.

4. As at June 30, 2023, and March 31, 2022, 2021 and 2017, 74.70%, 73.04%, 71.14% and 68.51% of our advances under mortgages and securities were secured with mortgaged property. Any decrease in demand for our mortgaged property could adversely affect our business, financial condition, results of operations and cash flows.

5. Under the provisions of the SFIP Licensing Guidelines, the RBI has-Principle Approval and thereafter, the Final Approval, the Equity Shares are required to be mandatorily listed on a stock exchange in India within three years from the date the Bank reached a net worth of ₹50.00 million, which we reached on July 31, 2018. Therefore, the Equity Shares were required to be listed on a stock exchange in India before July 31, 2021, which we did not comply with.

6. As at June 30, 2023, and March 31, 2022, 2021 and 2020, 74.70%, 73.04%, 71.14% and 68.51% of our advances under properties and securities were mortgaged or secured with mortgaged property. Any decrease in demand for our mortgaged property could adversely affect our business, financial condition, results of operations and cash flows.

7. Our business is significantly dependent on our business correspondents. Our business correspondents sourced or serviced 74.75%, 73.53%, 83.35% and 84.78% of our gross advances as at June 30, 2023, March 31, 2022, 2021 and 2020, respectively. If any of our business correspondents default, our business, financial condition, results of operations and cash flows could be adversely affected.

8. The attrition rate of our employees was 3.87% (not annualized), 2.67% (not annualized), 2.07% and 13.03% for the three months periods ended June 30, 2023, and 2020, respectively. If the attrition rate of our employees continues to increase, our business and financial condition, results of operations and cash flows could be adversely affected.

9. The majority of our customers complaints relate to internet banking, mobile banking and electronic banking and (ii) transaction disputes related to withdrawal of cash from ATMs through ATM cards and disputes related to debit card transactions carried out at the merchant through point-of-sale machines. If we are unable to resolve our customers complaints to their satisfaction, they may decide to no longer bank with us, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

10. The gross proceeds of the Offer are up to ₹4,630.00 million, which includes the gross proceeds of the Offer for Sale by the Selling Shareholders of up to ₹732.00 million, which represents 15.62% of the gross proceeds of the Offer. Our Bank will not receive any proceeds from the Offer for Sale.
11. Average cost of acquisition of Equity Shares for the Selling Shareholders namely, ESAF Financial Holdings Private Limited is ₹10.11, PNBeMutLife India Insurance Company Limited is ₹0.07 and Bajaj Allianz Life Insurance Company Limited is ₹0.07 and Offer Price at the upper price Band is ₹0.00.

12. Weighted average cost of acquisition of all Equity Shares transacted in one year, 18 months and three years preceding the date of the Red Herring Prospectus:

<table>
<thead>
<tr>
<th>Period</th>
<th>Weighted average cost of acquisition per Equity Share (in ₹)</th>
<th>Weighted average cost of acquisition above Face Value (in ₹)</th>
<th>Range of acquisition price (in ₹)</th>
<th>Lowest price – Highest price (in ₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last one year</td>
<td>Nil</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Last 18 months</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80/0.80</td>
<td>0.80/0.80</td>
</tr>
<tr>
<td>Last 3 years</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80/0.80</td>
<td>0.80/0.80</td>
</tr>
</tbody>
</table>

*As certified by A. John Morris & Co., Chartered Accountants pursuant to their certificate dated October 30, 2023.

13. Weighted average cost of acquisition compared to Floor Price and Cap Price:

<table>
<thead>
<tr>
<th>Past Transactions</th>
<th>Weighted average cost of acquisition (in ₹)</th>
<th>Weighted average cost of acquisition above Face Value (in ₹)</th>
<th>Floor price (in ₹)</th>
<th>Cap price (in ₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WALA or past five primary/secondary transactions</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80/0.80</td>
<td>0.80/0.80</td>
</tr>
</tbody>
</table>

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14. Market Capitalization to Revenue From Operations and total market valuation at floor and cap prices:

**Particulars**
- **At Floor Price** (₹ 57)
- **At Cap Price** (₹ 106)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Market Capitalization to Revenue From Operations</th>
<th>Total Market Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>1.04 times</td>
<td>₹ 25,593.03 million</td>
</tr>
<tr>
<td>2024</td>
<td>1.08 times</td>
<td>₹ 30,886.79 million</td>
</tr>
</tbody>
</table>

15. Weighted Average Return on Net Worth for Fiscals 2023, 2022 & 2021 is 11.44%.

16. The three BRLMs associated with the Offer have handled 70 public issues in the past three years, out of which 26 issues closed below the offer price on listing date.

<table>
<thead>
<tr>
<th>Name of BRLMs</th>
<th>Total Issues</th>
<th>Issues closed below IPO Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Securities Limited</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>DAM Capital Advisors Limited</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Nuvama Wealth Management Limited</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Common issues of above BRLMs</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>26</td>
</tr>
</tbody>
</table>

**ISSUE OPENS TODAY**

**BID OFFER CLOSES ON SUNDAY, NOVEMBER 7, 2023**

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**THE EQUITY SHARES OF OUR BANK WILL GET LISTED ON MAIN BOARD PLATFORM OF BSE AND NSE**

In case the offer is accepted in the Pro-Cut-off Period. The Bid Offer Period must be extended by 3 working days from the date of the Pro-Cut-off Period to allow the public to cancel Allotment Applications, if any. The modification time will be fixed in the 4th Bid Application Form. The results of the Offer may be modified or cancelled at the discretion of the Bank.

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**ABBA**

Simba, Safe, Smart!

**Applications Supported By IRDAI**

ABBA (ApplicationBasket) is a mobile application that provides a single basket to hold all the Bid application forms under one umbrella. ABBA is available on both Android and iOS platforms. To use ABBA, a user needs to have an account with the bank. The user can track their application status, view offers, and more. ABBA also allows users to share their application details with others.

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**BOOK RUNNINIG LIAISON**

**REGISTRARS TO THE OFFER**

- **COMPANY SECRETARY & COMPANY OFFICER**
- **Bijaya Rana**

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**LINK Intime**

**INTIME**

- **INTIME**
- **INTIME**

---

**STATUS**

- **Active**
- **Active**

---

**F Y 2023**

- **F Y 2023**
- **F Y 2023**

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**COMPANY OFFICERS**

- **Chairman & Managing Director**
- **Chief Executive Officer**
- **Chief Financial Officer**
- **Chief Strategy Officer**
- **Chief Technology Officer**
- **Chief People Officer**

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**BID OFFER CLOSURES ON SUNDAY, NOVEMBER 7, 2023**

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