

5th May 2017

Department of Corporate Services
Bombay Stock Exchange Limited
P J Towers, Dalal Street,
Mumbai 400001

Dear Sir/ Madam

Sub: Audited Results of the Bank pursuant to Regulation 52 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref: Scrip Codes - 949255, 949649, 950976, 950972, 951748, 951930, 952464, 952614, 954775, 954784, 954769, 954788, 954803, 954804, 954825, 954780, 954802, 951924, 952217, 950723, 947882, 952266, 952700, 947944, 952815, 952812 and 953456

Kindly refer to the above mentioned Non-Convertible Debentures (NCDs) listed in BSE under **F Group – Debt Instruments**.

Pursuant to the aforesaid regulation, please find attached the audited financial results of Equitas Small Finance Bank Limited for the half year and year ended 31st March 2017, approved by the Board of Directors in their Meeting held on 4th May 2017.

Kindly acknowledge receipt.

Thanking you

Yours truly

For **Equitas Small Finance Bank Limited**
(previously Equitas Finance Limited/ Equitas Finance P Limited)



Sampathkumar K R
Company Secretary





EQUITAS SMALL FINANCE BANK LIMITED

CIN: U65191TN1993PLC025280

[formerly known as, Equitas Finance Limited]

[Wholly owned Subsidiary of Equitas Holdings Limited]

Regd. Office: 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Chennai 600 002

Website: www.equitasbank.com

Statement of Audited Financial Results for the six months / year ended 31 March 2017

Particulars	₹ in Lakh)			
	Six months ended	Six months ended	Year ended	Year ended
	31-Mar-17 Unaudited [Refer Note 11]	31-Mar-16 Unaudited [Refer Note 12]	31-Mar-17 Audited	31-Mar-16 Audited [Refer Note 12]
1 Income from Operations (a)+(b)+(c)+(d)	68,713.75	21,404.50	98,105.34	40,816.39
(a) Interest Income from Loans	61,933.44	21,379.82	90,973.38	40,766.33
(b) Income on Investments	5,408.11	-	5564.01	-
(c) Interest on Balances with Reserve Bank of India and other Inter-Bank Funds	1,372.20	24.88	1567.95	50.06
(d) Others	-	-	-	-
2 Other Income	13,330.61	4,746.19	23,326.83	7,119.77
3 Total Income (1+2)	82,044.36	26,150.69	121,432.17	47,936.16
4 Interest Expended (including Finance Charges)	31,561.13	8,515.02	44,715.78	15,523.42
5 Operating Expenses (i)+(ii)+(iii)	37,466.11	8,089.38	54,304.20	18,351.09
(i) Employee Cost	22,564.45	5,264.01	31,803.89	9,346.03
(ii) Depreciation / Amortisation	2,587.36	267.34	3,170.87	473.55
(iii) Other Operating Expenses	12,314.30	2,558.03	19,329.44	8,531.51
6 Total Expenditure, excluding Provisions & Contingencies (4+5)	69,027.24	16,604.40	99,019.98	33,874.51
7 Operating Profit before Provisions & Contingencies (3-6)	13,017.12	9,546.29	22,412.19	14,061.65
8 Provisions (including standard asset provision but other than Tax) / Write-offs & Contingencies	5,031.68	1,732.95	6,267.47	979.19
9 Exceptional Items	-	-	-	-
10 Profit from Ordinary Activities before Tax (7-8-9)	7,985.44	7,813.34	16,144.72	13,082.46
11 Tax Expense	2,803.09	2,720.44	5,731.32	4,570.44
12 Net Profit from Ordinary Activities after Tax (10-11)	5,182.35	5,092.90	10,413.40	8,512.02
13 Extraordinary Items (net of Tax Expense)	-	-	-	-
14 Net Profit for the Period / Year (12-13)	5,182.35	5,092.90	10,413.40	8,512.02
15 Paid-up Equity Share Capital (Face Value of Share: ₹10 each)	100,594.34	42,300.00	100,594.34	42,300.00
16 Reserves excluding Revaluation Reserves	-	-	-	-
17 Analytical Ratios	-	-	-	28,791.91
(i) Capital Adequacy Ratio (%)	35.51%	29.63%	35.51%	29.63%
(ii) Earnings Per Share (EPS) - Not Annualised for six months - Basic / Diluted (₹ per share)	0.52	1.20	1.30	2.01
18 NPA Ratio	-	-	-	-
a) Gross NPA	20,647.46	5,525.27	20,647.46	5,525.27
Net NPA	10,494.94	4,055.78	10,494.94	4,055.78
b) % of Gross NPA to Advances	3.56%	2.42%	3.56%	2.42%
% of Net NPA to Advances	1.84%	1.78%	1.84%	1.78%
c) Return on Assets - Not Annualised for six months (% of Profit After Tax to Total Assets)	0.56%	2.01%	1.13%	3.35%

Notes:

- The above financial results were reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on 04 May 2017.
- These 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, Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015, Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016 and practices prevailing within the banking industry in India, as applicable.
- The RBI issued Licence No. MUM: 119 dated June 30, 2016 to Equitas Holdings Limited ("EHL") to carry on the business of Small Finance Bank ("SFB") in India, subject to certain terms and conditions.
- As per these terms and conditions and pursuant to a Scheme of Amalgamation (the "Scheme") amongst Equitas Micro Finance Limited ("EMFL"), Equitas Housing Finance Limited ("EHFL") and Equitas Finance Limited ("EFL"), approved vide the order of the Hon'ble High Court of Judicature at Madras dated June 6, 2016, EMFL and EHFL have merged with EFL as per the order with effect from September 2, 2016. Accordingly, net assets of ₹ 88,736.73 lakhs of EMFL and EHFL, and total reserves of ₹ 53,123.5 lakhs of EMFL and EHFL, have been transferred to EFL. EFL has received a revised Certificate of Incorporation dated September 2, 2016, subsequent to which the name of the Company changed from Equitas Finance Limited to Equitas Small Finance Bank Limited ("ESFBL"). As consideration for the merger, ₹46,373.81 lakh equity shares of ESFBL have been issued to the shareholders of EMFL and EHFL, in the following ratios; based on audited financial statements of EMFL, EHFL and EFL as at and for the period ended September 1, 2016:
 - 1.4037 shares of EFL for every 1 share of EMFL
 - 0.7657 shares of EFL for every 1 share of EHFL.



5 In accordance with the accounting treatment provided for in the Scheme,

a. the Bank has recorded the assets and liabilities at the respective book values as appearing in the books of EMFL and EHFL at the close of business of the day immediately preceding the Appointed date i.e. September 2, 2016.

b. the Bank has credited Share Capital by the aggregate face value of 420,344,269 shares and 43,393,774 shares of ₹10 each, new equity shares issued to the shareholders of EMFL and EHFL respectively.

c. the excess/(deficit) of net assets and reserves over face value of new equity shares allotted, of (₹ 12,089.50 lakhs) and ₹ 1,327.98 lakhs, has been debited/credited to Surplus in Profit and Loss account and Capital reserve respectively.

6 As a result of the Scheme, the businesses of EMFL and EHFL (primarily being Micro Finance and Housing Finance respectively) have been merged into, and continue to be carried on by, ESFBL.

7 EMFL and EFL had different accounting policies relating to accounting for processing fees collected from the customers. In EMFL, loan processing fee was recognized over the life of the loan on a straightline basis and in EFL, it was recognized as income in the year in which the loan is sanctioned. Consequent to the Scheme of amalgamation, the fee income is now recognized in the year in which loan is sanctioned and disbursed and an amount of ₹ 2,150.74 lakhs (net of income tax of ₹ 1,138.25 lakhs) is credited to Reserves.

8 Consequent to changes in the business portfolio of the bank on account of amalgamation, commencement of Small Finance Bank operations and other external factors during the year, the Bank has re-assessed its estimates of provision for non-performing and standard advances, in order to comply with the Guidelines issued by the Reserve Bank of India. The changes include the change on account of criteria for identification of non-performing assets and also the percentages for provision for impairment of loan assets. Considering the various changes in the estimates and also the changes in the business portfolio on account of amalgamation of EHFL and EMFL, commencement of banking operations and other external factors, certain items of unusual nature/revision in estimate, to the extent identified are included in the results and are detailed below:

1. Preclosure and other incidental charges amounting to ₹ 1,107.32 lakhs incurred by the Bank on foreclosure of certain term loans taken in the capacity as NBFC have been disclosed under Operating expenses.

2. Additional NPA provision on specific advances in respect of Micro Finance portfolio, identified as having inherent weaknesses, amounting to ₹ 3,584.00 lakhs has been disclosed under Provisions and contingencies.

3. Reversal of standard asset provision of ₹ 3,873.74 lakhs consequent to alignment of Standard Asset provisions with RBI guidelines applicable for Banks has been disclosed under Provisions and contingencies.

9 In respect of instalments due during the period between November 1, 2016 and December 31, 2016 on advances made, that were standard as of November 1, 2016, the Bank has availed the benefit of extended period of 90 days (60 days in case of housing finance loans), in determining the classification of existing standard assets as sub-standard, as permitted vide RBI's circular DBR.No.BP.BC.37/21.04.048/2016-17 and DBR.No.BP.BC.49/21.04.048/2016-17 dated November 21, 2016 and December 28, 2016 respectively.

10 The Capital adequacy ratio ("CAR") as on March 31, 2017 has been computed as per applicable Basel II requirements in accordance with RBI Master Circular No DBOD.BP.BC.9/21.06.001/2013-14 dated 1 July 2013, on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF). The CAR as at March 31, 2016 was computed based on guidance issued by the RBI as applicable to NBFC's and hence are not comparable.

11 The Statement includes the results of the half year ended March 31, 2017, being the derived balancing figure between the audited figures in respect of the full financial year ended March 31, 2017 and the published year to date figures upto the half year ended September 30, 2016, of the current financial year which were subject to limited review by the previous auditors of the Bank.

12 The Company was converted from a NBFC to a Bank on the effective date of merger, i.e., September 2, 2016 and upon receipt of banking license from RBI, the Bank commenced operations on September 5, 2016. Accordingly, the current year/period results have been prepared and presented in accordance with the requirements prescribed under the Banking Regulation Act, 1949. On account of the foregoing, since banking operations were not carried out during the previous year, and as a result of the Scheme of Amalgamation, the figures for the previous period/ year are not strictly comparable with those of the current year/period. Previous period/year figures have been reclassified/regrouped by the management, wherever necessary, to conform to these requirements.

13 The Bank has become a scheduled bank with effect from December 23, 2016 vide Official Gazette Notification dated February 4, 2017.

14 Consequent to the Bank's letter dated December 26, 2016 to the Reserve Bank of India ("RBI") seeking clarification on payment of dividend for the year ended March 31, 2017 and RBI's response Letter No DBR.PSBD.No.8436/16.02.002/2016-17 dated January 19, 2017, the Bank is required to obtain prior approval of RBI for payment of dividend. Accordingly, subject to the approval of RBI and the Shareholders of the Bank at the Annual General Meeting, the Board of Directors at their meeting held on May 4, 2017 have proposed dividend pay out of up to 35% of net profits of the Bank for the Financial Year 2016-17 (which translates to a dividend of ₹ 0.36 per share) or such lower rate as may be approved by RBI.

For Equitas Small Finance Bank Limited


P N Vasudevan

Managing Director & Chief Executive Officer

Place: Chennai
Date : 04 May 2017

