



SATIN CREDITCARE NETWORK LTD.
Reaching out!

“Satin Creditcare Network Limited Q3 FY17 Earnings Conference Call”

February 13, 2017



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Moderator: Good morning ladies and gentlemen, welcome to the Satin Creditcare Network Limited Q3 FY17 earnings conference call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing ‘*’ then ‘0’ on your touchtone phone. I would now like to hand the conference over to Mr. Aalok Shah from Centrum Broking Limited. Thank you and over to you Sir!

Aalok Shah: Thanks Lizann. Good morning all and thank you for logging on to this con call. We at Centrum Broking are pleased to host Q3 FY17 results conference call for Satin Creditcare. Today on the call we have with us the senior management team of Satin Creditcare represented by Mr. H P Singh – M.D. and CEO, Mr. Jugal Kataria - CFO, Mr. Dev Verma – COO and Ms. Mansi Verma – Capital Markets. I would request MD Sir to give his initial comments followed by comments on the results, post which we can open the floor for Q&A session. Over to you Sir!

H.P. Singh: Thank you Aalok. Good morning everyone. I think to start with the talking point has been the demonetisation effect on probably the results how it panned out to be and if we say that for us if we look at the results for the nine months technically we have reached repayment rate close to about 94% and on a standalone quarter is stood at about 81% at the end of December 2016 or so. Our collection efficiency, which was down to about 20% when the whole collection started post the demonetisation drive it was close to about 20% and it has now reached a level of close to about 90% plus in terms of our collection efficiency.

On a daily basis I think we are reaching now a collection efficiency rate of 90% or so if we go ahead from the time where it all started. To take a cue from things where I think things were because of the poll bound states of UP and Punjab I think UP was probably the hardest hit in terms of demonetisation because of currency lag not being there and at the bank branches over there, so our collection efficiency in UP alone was pretty low at the start of the demonetisation process, it was close to again about 15% to 20% when the whole process of demonetisation had started. By the end of December we had reached close to about 50% of collection efficiency and to probably put it at rest for us that we have covered a long distance from there starting with the 20% collection efficiency, we are now reaching close to about 90% overall UP collection efficiency as of now. So that has been a very, very positive roadmap. And UP goes to poll, I think the polling has already started on the 11 February 2017. So the moment I think the voting starts and the polling goes into effect I think the bounce back is very, very evident how it is going to turn out to be, so I think we probably be reaching over there.

Just a cue, for us now probably the simple pain points are Amravati in Maharashtra, which has still not been able to pickup, but again over there if you take a cue from how the poll bound states over there, the civic elections are probably due around 15 February 2017, so for us the bounce back I think will probably be more evident technically once again the polling starts post 15 February 2017. On a lag basis I think we have covered close to about 89% up to January. Our



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November lag basically has been done up to about 90% by January and if you look at the lag from December I think we are probably reaching close to about 78% by January.

Also to give you the proper perspective as of now technically I think we have got another 4% rise in the November lag, so that 90% is touching close to about 94% now for the November lag and for the December lag it will be close to another 4% higher than what it was. So for us the efficiencies are now increasing on a day to day basis and is getting much more faster than it was evident, which was previously because which was there earlier and this is mainly due to the fact that I think the income levels are reaching back to normalcy, the currency lag also, which was pretty low in these states, I think it is reaching quite to near normal data.

The other factor, which we would like to also enumerate now, is that we have been tracking our zero collection centers, which are probably the mainstay of looking at how collection efficiency pans out to be. To say now that we have zero collection centers down to about 2.5% of our total centers which we actually work on, which is a very, very strong sign including the fact that we have been able to navigate poll bound states of UP, Punjab and even areas of MP where I think there were more political storm happening in a few areas over there also. So where it stands now right now the zero collection centers now stand at close to 2.5% and we are hopeful that we will be able to bring them down to probably the near normalcy levels in another 15 to 20 days as these states go to poll. The major of these zero collection centers still stand in Amravati as compared to what UP which was there earlier. So if you look at the collection efficiency this is where we are probably looking at.

If I shift my focus to disbursement, I think we had relatively kept our disbursements low because our whole focus and our energy as well as our whole process was aligned towards making our collections reach the normalcy levels, so we have deliberately kept our disbursements low because we were all concentrating on getting this. Now since this has now been effected and we are reaching near normalcy in terms of our collection efficiency. We are now going ahead and increasing our disbursements from now on to put the thing and also now probably looking at the levels where we have reached in terms of collection. We are now going ahead with it and we are now also giving a guidance for our next year to reach an AUM of close to about 5,500 Crores in terms of March 2018. So that is what the guidance, which we are trying to present. Based on that we are also now looking at in the next two months opening of close to about 80 more branches across in different areas as such. So that give us that impetus to look at a growth strategy now from moving in from now herein.

The other reference point for which we would like to also give in is that as per our board meeting I think we have got the board's nod for having a wholly owned housing finance subsidiary. This is majorly going to be in the segment of micro housing as well as affordable housing. The reason why we wanted to actually get into housing also was that based on a few things we wanted back, we should also now foray into secured lending in terms of our capabilities of delivering financial services for financial inclusion. We have done JLG to a large extent, but we also wanted to move into secured lending. The other is also to enhance our capabilities of our reach and for the



borrowers whom we already serve over there so that we are able to get into this underserved segment of the population and then deliver the housing finance portfolio to them.

This is also basically one of the reasons why we wanted to do it that we gives us a better rapprochement with our current borrowers also when they look at it that they are also cued in to have a higher size disbursement or a higher size loan amount based on collaterals, which they have, which are not being monetized earlier excepting these monetized in the unorganized sector, so I think we are going to take the advantage of that in our housing finance subsidiary. So this is where we look at how things are panning out to be and I think I will be handing over on the specific numbers to our CFO, Mr. Jugal Kataria, to highlight a few numbers basically on the specific basis for the Q3.

Jugal Kataria:

Thank you Sir. Good morning everyone. So we have already put numbers in public domain in our investor presentation, but just to give some specific performance indicators. The overall results for the nine months are better than our performance for the corresponding nine months in the previous year. Disbursement is at roughly 2,527 Crores an increase of 24%, gross AUM is at 3,344 Crores an increase of 32% Y-o-Y, and nine months profitability PAT is at 67 Crores an increase of 61%. During the quarter we successfully closed our first QIP of Rs. 250 Crores, we have got investment from very good investors all across and they are a mix of long term and other investors. Taraashana's acquisition has also been completed and we are working on our subsidiary to pass on our experience to the subsidiary to make sure that it is more efficient and grows faster and profitability improves, so results will be visible in next few quarters.

For the quarter, the performance of Satin on a standalone basis was impacted because of demonetization. The disbursements during the quarter was at 290 Crores, which used to be our average disbursement for the month. The revenue is flat for the quarter at 208 Crores. The profit of Rs.16.4 Crores is down from the previous quarter because of lower disbursement and the diluted EPS of 4 rupees 3 paise, opex of 7%, ROA of 1.5% and ROE of 11.89% is primarily impacted because of lower disbursement number for the quarter. We increased our number of branches, we increased 129 branches during the nine months, and hence the corresponding manpower has also gone up. We are close to 5,700 people now. But we are confident that as the business is coming back to normal the disbursements are picking up, so these ratios will again fall in line with our past trends. The capital adequacy ratio is at 25.23%, gone up because of QIP. We have raised close to about Rs. 650 Crores post demonetization, so all our lenders have reposed their faith in us and we are getting funding to support the growth of our business.

We have not taken the benefit of RBI's dispensation in the quarter. We have been following our old provisioning policy and write-off policy, which we are following till the previous quarter. The gross NPA is at 0.5% and net NPA of 0.25%, this is broadly in line with our past trends and our team is working on the ground so the portfolio quality will again bounce back to the previous level. So this is broadly on Satin's standalone numbers. So Taraashana was not majorly impacted by demonetisation as it is extended arm of banking, so the collection efficiencies are much better. So November with the lag we have collected over 97% and December we have collected over 92% and the numbers are improving.



The profitability there has been a slight dip because the banks had gone slightly slow in terms of disbursement initially and people were finding it difficult to withdraw money from the banks, but there also we are seeing disbursement coming back to normal. So this is broadly on numbers. We would like to open the floor for any Q&A and will be happy to answer that.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

Kashyap Jhaveri: Sir on slide number 22 in the presentation this cumulative repayment rate of 94% for December 2016 is M9 number; it is not a quarterly number right?

Jugal Kataria: No, this is a nine-month number only.

Kashyap Jhaveri: So what would be that number for the quarter including October, November and December?

H.P. Singh: So for the quarter I think it is about 82%.

Kashyap Jhaveri: In your comments you mentioned that this 88.1% has now gone up to about 92% and 78% has gone up to about 81 odd percent?

H.P. Singh: Exactly, so this is I am talking of the last figures, which arrived just two days back, we are reaching that levels right now.

Kashyap Jhaveri: So in that sense the repayment rates for at least December has not reached up to that 90% number also, so what kind of let say eventual write-off do we expect from this?

H.P. Singh: See I think technically numbers don't probably say what happens on to the ground so that is entirely different from what is happening on to the ground. The lag in collection is basically because of currency crunch, which has not been able to reach in a couple of states. In fact till 31st December 2016 if you look at the ground what we have encountered over there, there were still large queues outside in UP, in Punjab and other specific areas as such. And that is probably the reason why this lag is there. So numbers if you really look at it does not have per se I think when you say that it has still not reached 90%, which means that we will have a large write-offs. What is happening now as the currency crunch eases off this is now coming much more faster in terms of this thing, so somebody who has not paid in November now technically just because the currency supply increases is now coming back to the fore and deploying his November installments to us. So the numbers are going to now reach much faster over there, so the moment we are able to cover that as fast as possible I think our write-offs are going to be fairly minimal till the time when RBI's 90 days classification ends sometime in April end and in May. So the numbers are going to be fairly very, very less in terms of that.

Kashyap Jhaveri: When you say very, very less does it means let say something, which is less than 2%-3% or so?



H.P. Singh: Yes, I cannot hazard a guess, but I think it will be somewhere around that lines only. Our whole job is basically to bring it down to as low as possible, but hazarding a guess right now one thing on current numbers we can only look at the trend how it is panning out to be and as we've entered February I think the trend has been far more positive and far more this thing over there. Just one more point, which I would like to add is that UP and Punjab have gone to polls, so Punjab went to polls on 4 February 2017 and in UP the first phase started on 11 February 2017, which was this Saturday only. The only clear indication, which we have seen in Punjab that the collection efficiency just jumped to about 4% to 5% extra right after the day of the polling, so if you look at that I think the lag is going to be covered up as fast as possible, so that probably gives you an answer to how probably the overall write-offs will pan out to be.

Kashyap Jhaveri: So what I am understanding from you just said is that broadly speaking let say I do not know who could be the responsible authority, but let say EC or RBI or government all three put together unless the polling is over they are not in favour of pushing the hard currencies into those regions because it might have bearing on whatever is happening in terms of polls?

H.P. Singh: Probably I will not be the right person to give you an answer on that, but I will give you the ground reality that by 31st of December 2016 I think the currency position was still very, very low over there.

Kashyap Jhaveri: Sure. Can you give some breakup of this 88% or let say broadly overall number that you mentioned for December in terms of western UP, eastern UP, and rest of the country?

H.P. Singh: I think UP if I look at it, I can give you probably it will take me some more time to look at it, but if you look at West Bengal was close to 100%, Bihar is 100%, if I look at Chhattisgarh 98%, Jharkhand just to give you a cue is close to about 95%-96%. So this is how it has panned out and Amravati, which I mentioned was still low over there, so I think it still probably be somewhere over there.

Kashyap Jhaveri: In terms of your cost, employee cost is now about 50 Crores a quarter kind of a number. Now if I look at let us say all the ratios in terms of loans per employee or let us say employee cost per loan we are more or less now matching our peers in terms of those ratio. So this 5,700 head count that you mentioned has the time now come to sweat that number and cost to asset ratio probably might actually inched down rather than moving up?

H.P. Singh: The moment disbursement increases you should look at that for us the last three months has probably been very less of disbursements, so as that inches up our employee cost definitely will start going down and maybe expansions will probably be able to negate it, but I think it will be there somewhere in that range only.

Kashyap Jhaveri: About 50 Crores is something, which can stabilize that this...?

H.P. Singh: I will not be able to give you those numbers like these basically, but what we are looking at is more growth, which will negate probably the more disbursement, which will happen there.



- Kashyap Jhaveri:** Yes, that is it from my side Sir! Thanks. Just one last question in terms of this zero collection centers what is the strategy now? What is the strategy I mean how do we jump start this zero collection centers?
- H.P. Singh:** That can I keep a trademark for that basically that the strategy we brought it down to such a level I think it will bring it down to zero now. So we have got our strategy on to the field, we have got our motivational teams working, we have got our crisis teams working on it, so we got strategy to bring it down to zero.
- Kashyap Jhaveri:** Sure that is it from my side. Thank you very much Sir!
- Moderator:** Thank you. We will take the next question from the line of Megha Hariramani from Pi Square Investment. Please go ahead.
- M Hariramani:** Thank you for the opportunity. Sir if you could just repeat the number you gave in your opening remarks the guidance of AUM for 2018?
- H.P. Singh:** The guidance was 5,500 Crores for March 2018.
- M Hariramani:** As you mentioned that you would be opening up 80 more branches in next two three months. How many more branches could we expect for the full year and would it have any impact in our cost to income ratio?
- H.P. Singh:** So it would not technically have an impact for the whole year as such. There will be a short impact, which will be there because disbursements will start rising up. What has happened is that the moment we open our branches our disbursements also start picking up in the branches which we already were not doing because of demonetization and other stuff. So for us 80 branches we are looking at close to another 130 to 150 branches in the next year or so.
- M Hariramani:** By March FY18?
- H.P. Singh:** Yes.
- M Hariramani:** Perfect and what would be your cost per branch if you have any gross number on that?
- H.P. Singh:** We do not do it cost per branch basically, but on an average I think if you look at the broader number then probably stay flat technically taking in cue whatever increase in branches which we are doing now.
- M Hariramani:** Where are we planning to open these branches in what region? What region are we planning to open these branches?
- H.P. Singh:** We are opening up in West Bengal primarily, we are opening up in Odisha, and these are newer regions, which we are looking at. We are opening up North East, we have already finalized our



regional office over there, we are doing that. We are getting more penetrated into Rajasthan and Haryana.

M Hariramani: That will bring down the concentration in terms of region as well.

H.P. Singh: Exactly so that is also one of the features, which we want to do.

M Hariramani: Perfect and what would be the guidance for next two years Sir, what are we looking at I mean in terms of the revenue growth and the PAT growth we have had awesome number of 53% for last four quarters so do we plan to replicate that with the new housing segments coming in?

H.P. Singh: We will take it one by one, I think let first try and meet the first guidance of March 2018. We were not able to do it for this year technically because of demonetisation whatever has happened, so our thing is that let us meet the first one first.

M Hariramani: Perfect. Thank you so much. I will join the queue for next.

Moderator: Thank you. We will take the next question from the line of G Vivek from GS Investment. Please go ahead.

G Vivek: Good morning. Sir few questions regarding this latest announcement of farm loan waiver in UP in the poll manifesto by BJP what impact will it have on us any impact and any consolidation happening and which we are benefiting?

H.P. Singh: Boss nothing could have much worse than what we went through. This is now nothing, we are used to it now. Anything also happens I think we have passed that now, so if we could navigate UP based on demonetisation with the currency lag, liquidity crunch, politicians, they had announced loan waiver during that time, which was already announced in fact even not the government announcing it, so I think this now has very least effect now probably happening across over there. Now the people understand I think a lot of people do understand that which was the initial euphoria on the currency liquidity position for them to go for a waiver, but now I think they understand that, this is not a private loan waiver, this is like a public loan waiver from the government. So they differentiate that now, so I do not think that will be any major problem for us.

G Vivek: I think Mr. Fadnavis came out the Chief Minister of Maharashtra came out with a very categorical clear statement stating that the micro finance regulated by RBI no problem with them and the problem lies with unregistered MFIs, so any benefit of consolidation happening over there and second question is about that could you say something more about risk management in collection efficiency of finance company that is the most important part Sir?

H.P. Singh: I will just give you a broad this thing, this was probably one of the extreme events, which had happened. Now for an extreme event I think extreme measures or whatever we have gone through in the last three months speaks volume of technically the strength of the model, if we are



able to bounce back with probably more liquidity across in the system we are able to bounce back and come down to 90% collection, we just have to cover up that last 7%-8%, which is not going to be that difficult now because the major chunk has been cracked. So I think the strength of the business model probably and people have now really understood that micro finance institutions are not technically those money lenders or anything which lot of people had perceptions about. So I think probably this was the biggest positive take away from this has been that it has finally been recognized across everywhere that this is more predominantly for financial inclusion and for that community of borrowers the micro finance institutions works for them.

G Vivek: Yes, it is very clearly mentioned in the presentation also the budgetary books has been given by Mudra allocation being doubled and regulatory clarity also coming in. And I believe the work done by MFIN was exemplary, Rathna Vishwanathan and the team, so keep it up.

H.P. Singh: Exactly two things this budget actually brought in Mudra disbursements to that and the second has been a thrust on affordable housing that is probably one of the major reasons why we want to reach out and reach that status of our borrowers where we are able to give them more collateralized loans and monetize rural assets.

G Vivek: The opportunity size remains intact and it was a short-term major disruption, which happened, but now things are okay and the future looks bright. Thanks a lot.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much Sir! Just the question on your cost income ratio. This quarter we have seen a very high jump in your operating expenses and it might be partly because of your new branches, but what portion of this you could attribute to demonetisation may be increased activities on your front to collect?

Jugal Kataria: So slightly challenging to allocate cost impact on demonetisation, but you know as I mentioned that we have opened 129 branches during the first nine months, we have increased our regional office network so that we can control our expanded branch network and our proposed 80 branches more effectively. So we are adding few senior team members in the team we have taken a Head of Internal Audit and Risk, our HR head joined sometime last year, so we are expanding our team. So it is a combination of all that. No doubt because of demonetisation that the team has spent much more time on the ground and made much more effort, which has some, in fact slightly challenging to allocate any numbers there, but as the business is coming back to normal and the disbursements are picking up those ratios will fall back in line with our past trends.

Deepak Poddar: Because from 57% to around 71% is what the numbers look like right now?

Jugal Kataria: Partially the impact on cost to income ratio is because of slightly higher liquidity. We raised over 650 Crores during post demonetisation phase. We decided that we should have slightly more liquidity to make sure that in case the impact is going down. So we took that call early in



November to borrow slightly more money and then kept that cushion within the system. So that also had impact on cost to income ratio.

Deepak Poddar: But as you mentioned you expected to normalize to the earlier past trend of 57 to 58 kind of level would that be fair?

Jugal Kataria: Yes, we will bounce back to those levels.

Deepak Poddar: Right and is the business as usual like on the business front is it as usual for us or will it take more time to get like in terms of disbursement and kind of things?

H.P. Singh: It is as usual now I think starting from now we just finished off the elections in UP and Punjab and other states where we are opening up it is business as usual now.

Deepak Poddar: That is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.

Gaurav Jani: Thank you for taking my question. Just want to get a sense of how is the strategy on cashless collections panning out and whatever collection efficiency improvement we have witnessed in the last quarter so how much of that would be cashless and if you can just elaborate on that?

Dev Verma: We have been successful in conducting pilots in about 10 branches that is for the cashless disbursements. We have given two tabs to each of our branches and by April all our branches will have laptops, so in terms of technology there is a lot of development including new software launch from April, pilots are already under progress. Once the process stabilizes, today currently we are doing about 15-20 disbursements on an average and we are going to at least expand to another 25 to 30-odd branches in the next one month, that is in terms of the disbursement piece and of course the new branches we plan to have it from the inception we will not wait for it to linger that is the overall strategy. In terms of collections, pre-demonetisation we already had about 20%-25% of our collection though our tie-up, so we had that happening. We had to hold it for a couple of months because of currency issues where we were using that amount for disbursement; however, now again once things are stabilizing we are again moving back to that collection phase and then now we will move back to 20%-25% and over a period of time ultimately we will move to at least about 30%-35% in the short run. However in terms of collection, mechanism and technology in the industry per se there is still lot of development happening so that loop will still take some time. However on the disbursement front there is enough technology available and the entire focus is to ultimately move that.

Gaurav Jani: So 30% to 35% is what we are talking is your targeting cash disbursements by FY18 is it safe to presume that?

Dev Verma: Yes, that comfortably we will be in that range.



- Gaurav Jani:** Sure, also if you could just give a sense of what will be the cost to income ratio by FY18?
- Jugal Kataria:** We will request you to give us some time and when present our next year budget will be in a better position to give those specific answers. But as we mentioned earlier that it will be in line with our past trends and then the technology initiatives will surely help us to bring down the cost to income ratio, etc., over a period of time.
- Gaurav Jani:** Sure thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Parag Zariwala from Religare Capital Markets. Please go ahead.
- Parag Zariwala:** Sir can you give me a disbursement number for third quarter?
- Jugal Kataria:** This was 290 Crores in Q3.
- Parag Zariwala:** And what was it in Q2?
- Jugal Kataria:** Q2 was 1,379 Crores.
- Parag Zariwala:** Any trend you want to I mean what has been so that you may disburse around 50 Crores so is that improved significantly in January or still it is on the relatively low side?
- H.P. Singh:** So I think if you look at it November we probably did not disburse anything because it was all collections, which was going on. December we just started with very few disbursements. January again that is the cue, which we have taken because again we are back into the collection more. From February now onwards we are starting our disbursements completely normalized across every branch over there. So from February onwards I think we will probably be getting back to near normalcy. Our near normalcy is close to about 300 to 400 Crores every month-on-month. This is how it is going to pan out to be.
- Parag Zariwala:** In all probability we may see a flat AUM in Q4 as well?
- H.P. Singh:** Yes, you might say so.
- Parag Zariwala:** Sir in your collection trends, which you have shown in the quarterly presentation so you have given for November and December, any colour you want to show on January collection whatever was due in January what, has been the trend?
- H.P. Singh:** We do not have figures right now, but I think if you look at it based on our PAR 90 numbers or PAR 60 numbers I think that is something which probably makes more sense for us in terms of write-offs or anything. So if you really look at it then I think we are probably on course because our PAR 90 numbers are close to 0.5% even till now, so I think once the lag is taken care off I think this probably has not had that big a significance. So if we are able to complete November-



December this month, technically the lag numbers will show the effect where PAR is really heading on to.

Parag Zariwala: Just for a clarification let us say a customer who has not paid in November, but start paying in December so first you will accrue his repayment to November – December right?

H.P. Singh: That is right.

Parag Zariwala: Okay so that is the primary reason why December collection is slightly lower than the November collection.

H.P. Singh: Exactly.

Parag Zariwala: Okay. Thank you so much.

Moderator: The next question is from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

Kashyap Jhaveri: Thank you very much Sir for another opportunity. In this 2.5% zero collection centers can you give some highlight in terms of what could be sort of related AUMs or related number of borrowers in that 2.5% as a percentage of let say total borrowers or something like that?

H. P. Singh: 2.5% pans out to about 30,000 borrowers technically, 30,000 to 35,000 borrowers.

Kashyap Jhaveri: In terms of total borrowers active client number, which is about 2.2 million-odd of this 2.2 million how much, would be zero collection accounts?

H.P. Singh: See for us we are tracking zero collection centers basically because even if there would be any groups of people who have paid or not paid definitely comes into the buckets of PAR 60 and 90 so what we have done is we are tracking zero collection centers because the moment I think we are able to crack that, once the center comes into back into reckoning as such I think the clients who have not paid technically goes out of the thing, they will pay probably the whole center is paying the JLG model steps in or something. The more efficient way of actually breaking it down is the zero collection centers.

Kashyap Jhaveri: Okay and if I correlate that 30,000 number which I mentioned then this 2.5% centers have only 1.3% for total elective client base?

H.P. Singh: Absolutely.

Kashyap Jhaveri: So that is something which one should look at in terms of risk versus 2.5% zero collection?

H.P. Singh: Absolutely, if you look at the complete center failing definitely JLG not coming and we should probably look at that.

Kashyap Jhaveri: Okay but you would not want to disclose the number of zero collection borrowers?



- H.P. Singh:** We do not have it also handy over there because this is what we have been tracking for the last four months now.
- Kashyap Jhaveri:** Thank you very much Sir.
- Moderator:** Thank you. We will take the next question from the line of Anil Bang from Alpha Global. Please go ahead.
- Anil Bang:** What is the cumulative collection efficiency since November, so like some dues in November could have come in January so what was outstanding in November, December and January like say it was like whatever hundred outstanding what is that you received against that till January end? That is one and second is if you have not received the money for a client, which was due in November when is the earliest you have to write it off after this RBI 90 days is it April, or June?
- H.P. Singh:** So I think this was lag answers the question for November collection efficiencies so our November lag when we are saying this is close to about 92% shows us that only technically about 8% is the lag for November efficiency and in terms of our write offs I think this will be written off, if we are not able to receive November money by April, end as per RBI's dispensation.
- Anil Bang:** Okay, thank you. Any data again on cumulative like what will be the data, the November lag I understand and which is the perhaps the right way to look at it in terms of because the company have given the data on cumulative basis and I just wanted to see the comparison so what would be the cumulative kind of thing?
- H.P. Singh:** I think cumulative I think if you really ask me basically I will give you my 3 day efficiency ratios which is 90% plus.
- Anil Bang:** Thank you. That is it.
- Moderator:** We will take the next question from the line of Vishal Singhania from Samridhi Securities. Please go ahead.
- Vishal Singhania:** Thank you for taking my question. Why have our funding cost increased from 11.5% last quarter to 13% this quarter?
- Jugal Kataria:** This is because of excess liquidity. We calculate this ratio to average AUM so there was excess liquidity within the system because of which the percentage is on a higher side but we are getting fresh funding at lower than what we used to get in the previous two three quarters.
- Vishal Singhania:** Sir what could be our finance cost for financial year 2018 could can be at 10% or 11% something like that?



- Jugal Kataria:** Not 10%-11%, some of the new sanctions are coming in the range of some 11.5% to 12.5% but historically we have raised sub-debt and some fixed cost funding through NCD and NBFCs etc., so the blended cost is still in the range of some 12.75% to 13%.
- H.P. Singh:** But our endeavor is to reach over there by March 2018 so we will definitely try to do that with excess liquidity also with the banking system I think there will be push down on the cost of funds.
- Vishal Singhania:** For financial year 2018 our AUM target is 5500 Crores so do we also have something with ROA and ROE in mind can we have 2.5% and 20% respectively?
- H.P. Singh:** This is the only guidance which we wanted to give technically in terms of because I think for us the whole thrust now works on that and you know for us achieving this would definitely mean a positive impact on all the ROA and ROEs put together. But we do not have a figure to our mind.
- Vishal Singhania:** Thank you.
- Moderator:** Thank you. The next question is from the line of G Vivek from GS Investment. Please go ahead.
- G Vivek:** Just wanted to know what is the current NPA without using the RBI 60 days benefit period and how much of the NPA we expect to be written off?
- Jugal Kataria:** So we have disclosed that our gross NPA as of 31st December was 0.5%. We have been following our old policy of write off, all clients above 180-days we used to write off, which we have done in the Q3 as well and after writing off the gross NPA is about .5%.
- G Vivek:** Okay and how much of the NPA written off is expected?
- Jugal Kataria:** We have written off close to 6.5 Crore in the Q3 and will disclose the number for the next quarter when we get the results.
- G Vivek:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nilesh Lokhande an Individual Investor. Please go ahead.
- Nilesh Lokhande:** Thank you for taking my question. So one of the revenue stream if you source loans for loan against property for Reliance Capital, so just wanted to understand what is the size of that loan portfolio which we have sourced so far?
- H.P. Singh:** Our current outstanding is about 22 Crores over there. We are now bunching towards our affordable housing and loan against property into our wholly owned subsidiary which will be getting live works once we start applying for NHB license over there. The pilot with Reliance



Capital I think we have done that, so I think now is time for us to take over and demerge and bring this into the wholly owned subsidiary. So right now the portfolio is close to about 22 Crores.

Nilesh Lokhande: Sure and the follow up question on that is at least as per the earlier agreement right the credit risk used to shift to Satin in case there is a default right would it continue to be like that under wholly owned subsidiary or will it be just a just a fee based data source?

H.P. Singh: No so in the wholly owned subsidiary we will be sourcing it on our own. The arrangement with Reliance Capital was still there. I think we are not renewing our agreements going further, so we will now be sourcing it for our own self and we will be now doing it on our own now.

Nilesh Lokhande: That is it from my side.

Moderator: Thank you. We will take the next question from the line of Rajiv Mehta from IIFL. Please go ahead.

Rajiv Mehta: Congratulations on a stable performance. Sir I wanted to ask you on you just spoke about that post poll in Punjab you have seen an uplift in the collection efficiency so are we also seeing that post poll that customers are paying more than one installments?

H.P. Singh: Yes, overall we have seen a slight upward trajectory right after poll so if I talk of our branch we actually are looking at our collection efficiency in a couple of branches actually moved on from about 90% to 96% including over due so definitely that is a very positive sign which we are looking at a trend how it comes out to be but still be in a very short time right after as polls were just a week back but we are seeing a very significant uptrend in terms of our collections over there in Punjab and similarly I think we will be hitting our first wave probably now right after our first phase of polling in UP but that has been how I think the trend goes out to be and on the ground even our team technically has been very clear about it, it is the moment the polling starts. I think people who have some agenda to probably do it over there they probably go back into oblivion as such and then basically the business as usual.

Rajiv Mehta: Sir what will be our Amravati exposure since I think overall Maharashtra is quite a lesser amount?

H.P. Singh: Yes, so Amravati all put together is close to about 2% of our portfolio.

Rajiv Mehta: Okay and it is predominantly Amravati you are saying.

H.P. Singh: Amravati and Nagpur.

Rajiv Mehta: Both and in terms of our growth guidance which seems to be at 5,500 Crores of AUM by the end of FY2018 since now that Q4 and probably Q1 also will have something to manage in terms of growing at a decent rate it seems to be largely back-ended so in terms of the overall model since we are also simultaneously running lot of pilots for cashless do you think that even once this



demonetization impact is completely behind us this MFI model will again get reset more into predominantly cash based disbursement in collection model?

H.P. Singh: I think if I take the question, if I break it into two parts so I think it is not Q1 which is probably is affected it is just a Q4 which is going to be technically be effected for disbursements and that is the reason why we are laying our ground basically to open up about 80 branches in this quarter so that the impact does not spillover to Q1 of the next year. The Q1 will be business as normal and business probably on an enhanced capacity in terms of disbursement. In terms of the model's impact, I think one thing which if I look at my history of 25 years of having done all this, a model which bounces back with liquidity completely running out of the system which was an efficiency which was about 20% and that is the reason why we are looking at growth and all the thing, I think that is probably behind us. To touch a level at 90%-95% so many areas, which are more than about, 100% and they are getting into this. I think the strength of the business model stands very well corrected now and I think looking at now the future I think it is time to get this behind us and even if we encounter to a lesser in terms of our going ahead with the disbursement I think this is now probably a very small blip, which is going to affect our life now moving ahead. So for us now technically the reason to move forward is to look at growth in this quarter's perspective and take it from there on the basis of this one.

Rajiv Mehta: So my second part of the question was whether we will largely to remain cash based business?

H.P. Singh: I think it has taught us well after this demonetization so we probably in the disbursement side we are very sure that we will probably be able to achieve complete cashless disbursements by the next one to one and half years. There would be pockets definitely where I think you know cash will still be there but that is going to be probably an insignificant part of our total disbursement cycles where this is going to happen. So that has definitely going to be the first step moving towards over there. We will increase our levels of disbursements also on going forward.

Rajiv Mehta: Okay and just lastly are we disclosing cumulative collection of efficiency by the states of Punjab and UP?

H.P. Singh: We do not have that because what we have been tracking is the zero collection centers all across.

Rajiv Mehta: Yes, no problem that is it from my side.

Moderator: Thank you. The next question is from the line of Darshit Mehta from Darshit Investments. Please go ahead.

Darshit Mehta: I was curious on the securitisation part of the business, so I understand that your largest competitor has already done large securitisation transactions, even that part of the business has normalized?

Jugal Kataria: Sorry your voice was not clear, is that question regarding whether we are doing securitization or not?



- Darshit Mehta:** So what is the pace of securitisation and when will it normalize?
- Jugal Kataria:** I think one that we have enough liquidity for the time being, so we do not need additional funding and the second challenge is the collection efficiencies are not the traditional 99% plus, so we will wait for some time. We have opportunities to do securitization transaction, but since we have the liquidity we are not doing it for the time being, our sense is sometime early next year we will start doing it normally again.
- Darshit Mehta:** Thank you. That answers my question. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Megha Hariramani from Pi Square Investments. Please go ahead.
- Megha Hariramani:** My question is on the digital part, since we are going to start doing the cashless disbursements, so just wanted to know how many clients or may be how many accounts we have been able to link the bank accounts for?
- Dev Verma:** Currently we are just doing a pilot in about 10-odd branches and you know we are taking help with some of our branches, so the thing is that we take 100% Aadhar card, but yes there is a process which the customer needs to do due to the linkages. So we are educating the customers to link the Aadhar card to their accounts. So once that happens then obviously we are in a better position, but as of now in one odd branch out of 10 it was close to 50% and some branch it is about 60% so the linkages are still yet to happen. We are educating our customers to do that.
- Megha Hariramani:** On the housing segment by when do we expect to start the subsidiary to start disbursing the housing loan money?
- H.P. Singh:** I think we will probably be starting right now. We have got the approval now. So I think we will be applying for our licenses and everything. So, probably as soon as possible.
- Megha Hariramani:** So no fixed guideline on that, no deadline?
- H.P. Singh:** No we are starting right now, I think we will do as fast as possible.
- Megha Hariramani:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference to Mr. Aalok Shah for his closing comments.
- Aalok Shah:** On behalf of Centrum Broking we thank you all for being on the call. Thank you Sir and team at Satin Credit for their time and explaining us how Q3 has been. Thank you and now we can close the call.



Moderator: Thank you. Ladies and gentlemen, on behalf of Centrum Broking that concludes today's conference. Thank you for joining us. You may now disconnect your lines.