



**“Satin Creditcare Network Limited
Conference Call”**

November 23, 2016



**ANALYST: MR. RAJIV MEHTA - IIFL WEALTH AND ASSET
MANAGEMENT LIMITED**

**MANAGEMENT: MR. H. P. SINGH - CHAIRMAN & MD - SATIN CREDITCARE
NETWORK LIMITED
MR. JUGAL KATARIA –CHIEF FINANCIAL OFFICER- SATIN
CREDITCARE NETWORK LIMITED**



*IIFL Wealth and Asset Management Limited
November 23, 2016*

Moderator: Ladies and gentlemen good day and welcome to the Satin Creditcare Network Limited Conference Call hosted by IIFL Wealth and Asset Management Limited. As a reminder all participant lines will be in the listen-only mode and there will be an -opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajiv Mehta from IIFL. Thank you and over to you Sir!

Rajiv Mehta: Thank you Rayo. Good afternoon and welcome everyone to this call of Satin organized by IIFL Wealth and Asset Management. We are thankful to the management for allowing us to organize this conference call. From the company, we have got Chairman and Managing Director, Mr. H.P. Singh, the CFO Mr. Jugal Kataria and the entire team to answer all the queries and questions. Without much ado, I would want to pass on the call to them and request them to start of the call with their initial remarks and the situation and then we can open the floor for Q&A.

H.P. Singh: Good afternoon everyone this is H.P. Singh. Just wanted to apprise you of the situation right after demonetization of the position how and where we stand in terms of our collection and our bandwidth in terms of our management bandwidth.

Just to start off, we have a very comfortable liquidity position. We will be able to service our debt at least for the next six months, that is how comfortable our liquidity position right now stands. And in fact, besides the liquidity position, we are also getting more debt coming in into the company. We just closed about 3 debt deals right now in the last two, three days which has materialized and the money has flown in, which also signifies a large part of where the lenders have again shown their trust and their bandwidth with us in this hour of slight stress which is coming onto the field as well.

In terms of our collections, we had not collected right after the demonetization on the 8th but we resumed our collections on the 14th of November, which was Monday. Our initial day was recorded as close to about of a due was about 15% is from where we started from, but on a day-to-day basis it gradually picked on and if we really look at it then last, yesterday we closed at an overall collection percentage of about 55%. That is in terms of our collections. We are also getting some overdue collections where during this period, people were not able to pay because of liquidity crunch or because of their old notes not been exchanged, so we are also in this collection getting some overdue collections also, which is a very positive sign.

Also just to add up on this is that the intent of our borrowers is definitely very much intact, they believe that they know that technically their nonrepayment will affect the credit bureau reports and it is going to actually mar their ability to have more debt in the coming future. So the intent is very clear for them to pay. The only problem and the challenge which they are facing is that they are not able to get sufficient currency enough which is in the newer form to repay the loans over there.

So that is one of the very positive signs, which is probably coming on in this scenario. The other thing, which I would like to put across is I think there was probably somewhere where people had talked about a situation in UP where it was completely given into that UP is probably the far most the worst hit technically in terms of our thing over there. UP does have some problems, but it is only restricted to a few pockets in Western UP. Eastern UP is still doing very fine. Western UP also, a couple of belts, which probably will have some issues where the collection percentages are still low, but we are addressing the problem. Our Chief Operating Officer along with our deputy COOs is camping in the field over there. They are meeting the district authority. They are talking to all the authorities over there. They are talking to the borrowers and making them aware of the situation of where things stand after demonetization and there was a lot of rumour mongering going of loan waivers as well as a lot of other stuffs, I think the district authorities have send a very clear message across to the borrowers that this is not a loan waiver this is only a point where the moment you have liquid currency coming in I think they will be able to repay over there. Which puts in place the fact that what I said was that the intent is very, very clear of all the borrowers to pay. So in terms of collection this is where we stand. It is improving day-by-day. I think going forward as the liquidity crunch eases out I think this is also probably being showing again an upward trend all across from the first day onwards.

In terms of our disbursement, we are running a couple of pilots basically to do cashless disbursement and disbursements into account as such. We just started today our first pilot in Sonipat branch and we see how this is going to pan out but we are apprised of the situation and going forward in the long-term I think we definitely are going to look forward towards doing cashless disbursement where we will probably try and look at that we are able to disburse in the bank accounts of the borrowers. We did an initial survey and the initial survey did point out that about 50% to 60% of our borrowers did have bank account. And this is a very healthy sign for us that at least we can be able to do it the moment this pilots flow successful and we are able to replicate this into all other branches and we will be able to do this.

We have not started disbursement as yet. We are actually strategizing ourselves that how and when and where to start our disbursements. I think we will probably have some sort of a strategy put in place where I think from Monday onwards we will typically look at starting our disbursements also and that is also going to give a positive intent and a message back to our borrowers that things are only down for a short-term but I think in the longer run I think it is going to take place in a better fashion.

Fundamentally I think a lot of things, which are probably in place it is taking its effect. A few other measures which we are taking across in our own team as well as in our own organization is we are also trying to curtail costs wherever it is possible and we are taking cost cutting exercise and measures across. We are working on that and we see that we will be able to at least during this difficult times able to per cut costs at all levels as such.

The other heartening sign for us is that our subsidiary, which is Taraashna, is a BC, over there Taraashna has close to about a 430 Crores portfolio, which overall if you look at it is about a



IIFL Wealth and Asset Management Limited
November 23, 2016

10% complete total portfolio of our complete both the organization put together. There everything is working absolutely normally. The collections are happening. In fact we disbursed yesterday our first batch of disbursement into the account through one of our BC partners and over there the collections are on an even keel and they are working absolutely fine.

In terms of I think we had a few measures with the RBI circular coming in on terms of asset classification. It is a definite positive because it gives the breather space to classify within our borrower community also so that is something, which is somewhat positive. But it actually was interpreted in a fashion where people were thinking that this is the loan holiday which has been clarify across everywhere and the measures taken to address this concern has also been taken on the ground level and I think people are really understanding that to a large extent.

This is the measures which in terms of our bandwidth which we have taken across in the past few days. But if I just summarize it into what these all will lead to I think this is probably going to lead us into. It will lead us into a short-term blips which probably would be there, but overall the fundamentals remain intact in the long-term perspective. As the situation eases out on a day-to-day basis I think we are working on a day-to-day measure and we are trying to see how things get back into even keel on a day-to-day basis. So it is everything which we are monitoring on a day-to-day basis and this is going on.

Long-term impact I think is going to be very, very positive in terms of the demonetization because definitely we feel that the market is going to shrink to a certain level. The way it was mushrooming across, with newer players coming in I think this is now going to be able to be concentrated into players who have the necessary bandwidth, they have the necessary infrastructure, as well as the process and the experience to put into place to embrace the kind of crisis which probably emanates out of a financial services model.

I think that is with it and the other positive fact which we look at it I think the banks are going to be flushed with the liquidity. So definitely gives us the long-term impetus to get more funds into our corpus and able to serve and put forward the agenda of financial inclusion to a larger extent. So this is where we are right now and I think I have probably taken a few and I would like for any question and answers to be taken from all of you guys.

Moderator:

Thank you very much. We will now begin the question and answer session. We have the first question from the line of G. Vivek from GS Investments. Please go ahead.

G. Vivek:

How timely was our QIP and how is it helping us in tiding the crisis and what is the reaction of those FIIs who have invested at such a high price. And number two was, you have answered the question on the consolidation, any consolidation happening. And what about the status of the license on tap for banking as was allowed by the outgoing governor, Mr. Rajan and are we doing something in that regard because and if that a very major handicap for us vis-à-vis with the other MFIs?



H.P. Singh: I think yes QIP definitely did help us have more liquidity into our this things and the capital required for any short-term impact which is going to be there so that probably has been an advantage for us that we closed the QIP. In terms of our pricing, I think I can only say that this was probably not something which anybody could possibly envisage. But my sense is that short-term tweak definitely is going to be there, but in the long-term I think this looks far more positive than what it shows in the short-term presence over there.

In terms of our on tap licenses, I think the on tap licenses are open only for the universal bank as such. I really do not know whether this would be the right time, or maybe the right thought and perspective, to put into an application for a universal bank license because I think whatever whosoever is getting is getting a small finance bank license as such. But if you look at the complete picture as such, I think it is only a dispensation which has been given to banks and only typically banks to accept old currency notes and this thing over there. Reasons why I will not like to get into that but maybe I think the authorities definitely know what is all over there. But my sense is that I think as the supply and the liquidity crunch eases off, I think it is going to be back to normal at such and then we will think about it at probably some point of time whether we want to really go and take a universal bank license or not. I think right now to clear up all this what is happening onto the ground and the immediate impact we will have to really work on that, so that is more important.

G. Vivek: What is the situation on the ground? We are hearing that post offices has started disbursing Rs.500 note any feedback on that and is it getting to easing off situation.

H.P. Singh: See our boys onto the field are still saying there are very long queues the banks still do not have in the rural and smaller towns it still do not have that much of liquidity to disburse so on the ground yes it is a little difficult. Post offices I really do not know to be very honest. But this is what the feedback which has come from the field all across. Few places yes, I think Rajasthan has still seeing a very long queues, UP seeing a very long queues as such, but Bihar and MP we are seeing definitely in the overall percentage their collections picking up because there the currency has reached much more faster than it is there.

G. Vivek: What about the cashless foray you had mentioned at the time of AGM and any development at that regards?

H.P. Singh: Sorry.

G. Vivek: Cashless foray, ItzCash cash and other things would.

H.P. Singh: We have just started our pilot today. In fact we are talking to a couple of banks how we can actually disburse in their bank accounts, in our borrowers' bank accounts. And I think the movement that pilot gets so we are not waiting for a very long-term to for the pilot to finish and in the next three, four days if we are able to achieve that we will start a small process of replicating into other branches. But cashless and all that is a long process basically get replicating



IIFL Wealth and Asset Management Limited
November 23, 2016

into this saying tying-up with bankers getting the bank accounts and everything. So it is a long process, but we want to start disbursement from Monday onwards basically and to our existing customers and see it sends a very positive signal and a message across to all our borrowers.

G. Vivek: Last was about UP election impact.

H.P. Singh: I really do not know how this is because this is like an overall impact so I think elections now technically have gone to a background in terms of their impact. This is like a major impact which has been there, so my sense is only we will have to wait and see how this really pans out but I think technically in terms of an impact I think the overall impact has been pretty rough in the fewer days but I think it is catching on right now across everywhere.

G. Vivek: Thank you.

Moderator: Thank you. We have the next question from the line of Jagveer Singh from Share Capital. Please go ahead.

Jagveer Singh: My question is now all of MFIs are saying they will have a bank account for every customer, they will try to have a bank account of every customer. So now there is a lot of liquidity in public sector banks and public sector banks have a big reach in the rural areas. So do not you see the competition from these public sector banks? If everybody has a bank account in PSBs so they cannot do these kinds of loans and the lower interest rate of compared to MFIs like you and Ujjivan and all?

H.P. Singh: If you look at the ground reality, the ground reality is a little different from what we actually see across over here. Banks still have not reached a lot of places over there. Our borrower still has to go at least two, three miles, four miles before he reaches a bank account somewhere. So that is a very big problem. And the other thing which is there, I think it is not just disbursements which will effect, you have to collect also. Now collection also has a very standardized process. You do center meetings, you actually sit down at the center meetings, talk to the borrowers, get the money from there. And it involves a huge process and a huge human resource, which has to probably work in over there. And that is something which they would have done. I think public sector banks could have done it at any point of time and that is the reason why BCs are come in to being and that is the reason why Taraashna, our subsidiary, is working with other banks to actually work towards delivering microfinance to the end customer as such. So I do not think so it is going to be that easy. And once they have aggregator like us, who are there onto the field with the outreach, it will be easier for them to actually give it to us to do the disbursements as well as collections. It is not that easy as it sounds to be that moment you have a bank account you can just give it and across, you have to collect too, it is not that easy.

Jagveer Singh: Thank you Sir.



*IIFL Wealth and Asset Management Limited
November 23, 2016*

- Moderator:** Thank you. The next question is from the line of Vishal Singhania who is an Individual Investor. Please go ahead.
- Vishal Singhania:** Sir what is our total exposure in UP as and in Western UP and UP total?
- H.P. Singh:** So on percentage wise of our total book of about 4000 Crores is roughly about 33% in total UP and we would have in Western UP maybe where there is a little bit of challenge my senses is it will be about 20% or so.
- Vishal Singhania:** Sir with respect to disbursements can you give me the amount of impact that has been on disbursements for this past two weeks and is it possible for us to make it up over the next two quarters?
- H.P. Singh:** See we have not disbursed after the demonetization. We will be starting our disbursement from Monday onwards. We were actually strategizing how and what to do at I think we putting our strategy in place for disbursements. In terms of coping up with this thing over there I think it will be a slow process, definitely this quarter is going to be a little challenging. But next quarter, after December 31, once it starts working on I think everything would have settle down, the liquidity would have settled down. We would try and see that we are able to catch up in the last quarter as such. But then definitely it will be an upswing that is for sure, that is from Monday onwards it is going to be upswing.
- Vishal Singhania:** Let us say we try to catch up in rest of the quarters, what if we end up over leveraging our borrowers. Let us say, if we try to give more disbursements, what if we end up in over leveraging our borrowers and what if it turns out to be more of an NPL issue afterwards?
- H.P. Singh:** No I think we will be going by the credit bureau checks so we will be doing all that credit bureau checks over indebtedness, everything will be looked into before we make a disbursement to them. So it will be only for people who require that, and who will probably be able to utilize that. So it does not affect into any kind of a NPA maybe from a year onwards or maybe year and a half, and if they would have to be very small amount of disbursements that is for sure.
- Vishal Singhania:** Sir our guidance for financial year it remains to same or would you like to give any statements on that?
- H.P. Singh:** I cannot give you exact guidance as you know we are still working on it, because the situation is not very clear how this is going to pain out to be, but I think the guidance what we had earlier given, I do not think that will hold true, but we will be able to revise it as soon as we have very concrete figure coming in. Because if you look at everyday there is something which is adding on, which is coming up, in terms of our thing, so it is really positive, positive, positive but we do not have a complete picture of where actually the numbers are going to really work out. So give us some time because we are able to really give you a hold on to the guidance also.



- Vishal Singhania:** Sir, are we in touch with other MFIs? What is the status of other MFIs in other geographies?
- H.P. Singh:** I think everybody seems to be doing reasonably okay. I think we could ask for everyone I think is typically rising across. I think we do have knowledge of other people working on our but what we are trying to do is we are trying to do our best for wherever we want to do it so I think we are looking at more of our pictures and how to navigate this short-term crisis than probably look at this. So I think we are in touch with them, but I think we are not aware of what figures and what everybody is talking about.
- Vishal Singhania:** I was looking at an SKS interview and they said their collections are being normal so SKS is more of a diversified player. So what do you think of like what is the impact on collections for other players and how do we stand vis-à-vis them?
- H.P. Singh:** I do not know SKS normal would mean what. But in this I think if I really ask you in terms of this crises with the liquidity crunch, what we are doing 55% overall collections, for me that also seems normal. But if you look at in and compare it from a 100% this over there, and I think Ujjivan we just looked at their thing over there they said about 66% and what their overall figure is. So I think your guess is as good as mine. So in terms of crises what you call as normal is what the number would probably work out to be. It won't be 100% for anyone otherwise this probably would not we would not have been giving answers on this. So I think that is where we stand.
- Vishal Singhania:** Thank you that is it from my side.
- Moderator:** Thank you. The next question is from the line of Andrey and Sangeeta Purushottam from Cogito Advisors. Please go ahead.
- Andrey P:** I wanted to get your reaction to some of the risks that are emerging as a result of demonetization and the imminent GST that is going to come so I first want to comment on the generic risk which were faced that all MFIs and some specific risks which are peculiar to Satin. Now the first generic is that we are anticipating is that the unorganized sector in general is going to suffer and dwindle at the cost at the benefit of the organized sector that means with the SMEs there will be a lot upheaval in the SMEs and while your customers may or may not have an SME of their own some of them may have husbands who have SMEs etc., and if they were to lose their business of their job as it may be there, could be a problem in ability to pay. First I wanted you to comment on this risk before I go into the specific risk that Satin may be facing.
- H.P. Singh:** So give you an answer on this thing I think we are not talking of SMEs for our borrowers. Our borrowers are microfinance so this is way below the SME sector. SME for us, the definition probably emanates from where somebody takes the loan of my own guess is loan of about 2 lakhs to about 10 lakhs. That is what I maybe consider as somewhere of an SME. Our borrowers are about 25000, 30000. Over there unorganized, if you call it unorganized, I think this probably will remain I think probably for I do not know I cannot put the number of years which it can be there, but this will remain largely on that it is going to be not unorganized this is going to be

always be a cash intensive business for all these borrowers over there. Now somebody was actually if you really ask me that somebody who is milking a cow and sending it to a dairy farm as a product somebody who is vegetable vending as such they will always be doing it in cash. So this is not SME this is technically self employed microfinance level. So I think over there this is not a risk, which probably will be there.

Andrey P: But these ladies who we lend to they may have husbands who are either proprietors or employees in SME so there is going to be some kick out there which is possible and therefore the overall ability to pay could get impacted.

H.P. Singh: Yes, but see please understand from our point of view our loan installments are so small it ranges between Rs.800 to about Rs. 1400. Now if we talk about any impact in terms of an economic meltdown to a large extent, a lot of these have always been insulated in terms of financial meltdown, which has happened in 2008 or maybe afterwards also. These are very, very small numbers which they will not like to default in any case in terms of their credibility on the credit bureaus. I have seen these cycles earlier also, but the amounts are so small in terms of their EMIs that it actually does not make much of a difference to a household.

Andrey P: Now in terms of a specific risk that by potentially associated with Satin that the UP elections we were talking about and the other peculiarity is that a very large proportion of your borrowers are Muslims. So there is always the possibility of the Muslim votes are being hit in UP and demand for loan waivers and so on and so forth happening there and I believe there was one such incident with the ministers and cabinet last year which we got ultimately resolved I know. So what we are really only concerned about is that Sir what is the possibility and likelihood of UP going the Andhra way and there being a clamor for loan waivers of purely political reasons and which serves the customer who is normally has every intent to pay into making her intent a little shaky?

H.P. Singh: I can give you our last five days of coverage of the UP. So this was probably over there across in those fewer districts in western UP which we are talking about where a particular community was being asked by whatever little Netas and all to ask for loan waivers we have gone to the DMs office we have met several DMs all across Moradabad, Aligarh, Bulandshahr, Hapur and Bareilly and everywhere. The message is absolutely clear. When they go out and reach the district authorities or the district magistrates, the clearcut answer which all these district authorities have been giving them is that there is no loan waiver. That is a clear cut message which is across everywhere. So that probably is going to die down in a short while from now because this was what something which we were also a little bit worried about, but all the DMs and all this thing have very clear cut messages and they have addressed it to all the borrowers whosoever are reaching their places over there and they are telling that there is going to be no loan waiver on this and you taken money you will have to repay. The only thing is that if asked that please do not pressurize them to repay, but they will have to repay. That is where the message is very, very clear cut across over there.

Sangeeta P: How much is the impact likely to be you, said that 20% of the portfolio is in Western UP and I am assuming that it is only part of it which is facing problems of this kind. So is that likely to be what about 4%, 5% of the total portfolio where you are facing these kind of issues?

H.P. Singh: Ballpark figure, yes about 5% to 7%, that would be there. But I would just also like to add here UP yes is also there but we have heard about Maharashtra to a certain extent, we have heard a little bit about the MP also coming into over there. So I think there are pockets which are there where I think local people are trying to take advantage of this. But I think if you look at it overall dispensation, also of the classifications, it is only a while, it happened also last year as rightly said by one of the cabinet ministers over, there was a shorter blip but the situation got eased off, we talked to people, it takes a while before they get back into the system. It is like it happens initially what people do is they it is like a wave where everybody is talking about loan waiver than everything they will talk about that, yes some kind of a largess for them in this hour of crisis. Then suddenly once that start getting died down through authorities and everything they will have to come back again to that. And the other thing which is very important and I think all these borrowers, even in the place where it happened last year, they have a very clear cut answer to that that is the moment they are considered as defaulters there will not be anyone who would be paying them ever. So that credit history is completely gone and they are aware of that. So I think it is only a short-term play where I think these things are panning out to be but definitely yes, I think now we are on top of it we are talking to all the borrowers. Our field staff is managing the field completely in consonance with them, telling them that this is going to be a long-term implication and we have got. Before they were said okay fine we would like to pay as soon as the liquidity crunch eases of we will definitely will be able to pay it.

Sangeeta P: So in these cases basically you focus on getting the EMI, or you focus on getting the installments? So is there in a sense an element of interest writes off which happens on the delayed period?

H.P. Singh: We have not taken a call on that, to be very honest. We were just going by the flow that we will be them into the buckets of the age wise outstanding. I think we are going to take a call as things emerge out to be in the near future. But we will not be charging any penalty or anything because I think if that goes against the longer interest of the long-term borrowers. But my own sense to that the message is very clear that which we are putting out across. If we have 23 lakh borrowers of ours across India, we would like to stay with them for the next years to come, and we would like to be intact with them in terms of their need for credit, as well as for their any other capability of doing business with them. So I think the message is very clear to them and I think that message will have a positive impact in the long-term, and maybe in the short-term it definitely gets a little bit impacted, but yes I think in the long-term they will be there with us.

Sangeeta P: So basically would it be fair to sum up and say that the impact you see is some delays in collection but you do not expect default?



IIFL Wealth and Asset Management Limited
November 23, 2016

H.P. Singh: You are very right. This is exactly what is going to happen. There would be delays but I can probably give you maybe an assurance from our side that we will do our level best that it does not get into NPAs, that is for sure and we will try that.

Sangeeta P: The other question that I had is that we are seeing disruption in businesses across sectors as a result of the demonetization because of cash crunch. Now what is the feedback which you are getting on the ground but are your customers seeing any impact on their earning capacity or income in this period, and is that something which worries you that that may affect their ability to pay and could lead to further delays?

H.P. Singh: See as I answered earlier also, I think the economic impact definitely in terms of incomes and everything is bound to come in. There would be yes definitely impacts on income terms I think and it is going to affect everyone be it salaried employed, be it small time businesses everything and I think the cycle works in all direction, so it is going to impact everybody. But the only hope for us is that even with this impact the dispensation of the EMI and the repaying capacity it is so, so small - I can just give you an example if I really turnaround a 20,000 loan which you have given which has an EMI of let us say about Rs.800 every fortnight, so if I just extend it and do a three year loan, the amount of installment will dropdown by about 40%. This installment will come down for Rs.400 and I do not think so that Rs.2000 note which is coming out in the open will have probably a value of Rs.400. I think it will carry that currency behind it that Rs.400 will technically be Rs.400. Our sense is very clear that the amount of installment is so small that definitely it is not going to have a larger impact as for people who have larger installments. So if we compare this with maybe a truck may be a commercial vehicle operator or maybe a SME which has taken a 10, 15 lakh, 20 lakh loan, problem over there is far more bigger than ours. Ours is a very small problem.

Moderator: Thank you. We have the next question from the line of Nishanth Shah from Axis Capital. Please go ahead.

Nishanth Shah: Sir just one small question what proportion of our borrowers would be day laborers or small traders whose ability to repay will be dependent on their daily trade/ So what proportion is that and have they seen any wage losses or hampering in the ability to pay rather than just shortage in currency?

H.P. Singh: I do not think we will have daily wage laborers; we won't have that as our borrowers, so that would not be there. There could be very small traders also over there, but their impact is not going to be as hard it as what probably our wage laborers would be there. But we do not have any daily wage laborers as our borrowers.

Nishanth Shah: It would not be a material number?

H.P. Singh: No.



IIFL Wealth and Asset Management Limited
November 23, 2016

- Nishanth Shah:** Sir just one small follow up question so we have even heard from Ujjivan and like a couple of other managements that we have spoken to that the northern markets have appeared to be a little weaker in terms of collections. So any color that you can give us in terms of why that is, is it just that there is a currency crunch which is getting accentuated over there or is it some economic reason behind that, which gets affected a little bit more by the slowdown any color that you would have garnered so far?
- H.P. Singh:** I think for us I think if the currency which is not probably reaching over there. The moment that is there, I think things will be taken into perspective. But if you look at northern we have got Bihar, Bihar has got a very good amount of collection, Punjab has a good amount of collection for us, Rajasthan definitely yes, Roorkee, it stands out we have got a 70% collection as of yesterday as our figures over there, east is fairly good over there so it's got Dhanbad and Durgapur and Khatiar probably on an average giving us and about 80% collection range over there. Northern side weaker yes, definitely yes, slightly weaker, but I think in overall I do not think so it will be there.
- Nishanth Shah:** Sir in terms of states, what would be the collection rate in your highest percentage of AUM states like UP? Would it be like 50% or above or little below that?
- H.P. Singh:** UP will be our average is close to about 30%, 35% or more, only Western UP I am talking about.
- Nishanth Shah:** Thank you Sir. That is, it from me.
- Moderator:** Thank you. The next question is from the line of Ankit Choudhary from Equirus Securities. Please go ahead.
- Ankit Choudhary:** I have some couple of questions. First is I just wanted to know what percentage of your customers are in rural areas?
- H.P. Singh:** Pure rural if you talk about by the definition I think we will have about 50% would be rural and 50% would stand at about semi-urban or urban.
- Ankit Choudhary:** Second, wanted to know what percentage of your customers will be self-employed.
- H.P. Singh:** I think all of them are they have some business or economic activity being done in their household and just to clear up, we are only do not look at the borrowers' income flow, we look at the complete household income which emerges out of when we give a loan to a borrower. So it could be the women's own business which she is doing, it could be the son who is doing some other activity, it could be the husband who is doing some other activity. So we look at the complete household also before we finalize and give it to a women borrower of ours. So we take a look at multiple aspects of income generating activities, which are going out there in the household activity.



- Ankit Choudhary:** So you would take into consideration each and every members earning member's income?
- H.P. Singh:** It is there.
- Ankit Choudhary:** The next thing is normally before this demonetization thing happened what were your normally monthly collections?
- H.P. Singh:** Our guess is about close to about Rs.250 Crores per month as such.
- Ankit Choudhary:** Talking about a disbursements, so what were the monthly disbursements before this?
- H.P. Singh:** That is the range I think which will be there I think an average is about Rs.300, Rs.350 Crores.
- Ankit Choudhary:** So as you have stopped giving all the disbursement from 8th and probably you might be starting from probably 20th so that would be like end of this month. So between this from 1st of November to 7th of November how much has been disbursed by you people?
- H.P. Singh:** I think we just started I think I would not have exact figure but I think maybe about 10, 15 Crores we would have disbursed. But we resume our disbursement from Monday onwards but thought on that space because we are looking at the situation completely over there and we just do not want to go whole hog on disbursement. In fact, we will be strategizing how to use our disbursals to a place where it actually sends out a very positive impact into the market. So that is what we are working on.
- Ankit Choudhary:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of M B Mahesh from Kotak Securities. Please go ahead.
- M B Mahesh:** Good afternoon. Just two questions here, could you just briefly tell us what could be the amount of unutilized sanctions visible with you and also have you started having any discussions with the bankers on this specific aspect?
- H.P. Singh:** Very positive things on this since you are a banker yourself. We have got three disbursements coming in the last three days. I probably will not be able to give you the names, but there are three disbursements worth about 80 Crores which came in the last three days. And for us I think the unutilized sanction there are a lot sanctions which are there in place in fact we are trying to do an NCD by today which is included in this which is going to be there. Unutilized sanctions would be there to a larger extent. We still are seeing no signs of any kind of this thing with our lenders, so I think that will probably come in.
- M B Mahesh:** Sir just one question on this unutilized sanctions are there any specific clauses, which allows them to not disburse money once their sanctions have been approved?



IIFL Wealth and Asset Management Limited
November 23, 2016

- Jugal Kataria:** This is Jugal. As you know in all the sanctions till the time they have disburse lenders have the right to stop it at any stage but in normal circumstances they do not stop that and we have already closed three transactions after demonetization. We are closed an NCD today. And there are few other disbursements, which are in the pipeline. We are going to get another sanctions and disbursements hopefully in the next couple of days from one of the large private sector banks. We are getting some funding is not there has stopped all together.
- M B Mahesh:** Sure the second question is on the customer side?
- H.P. Singh:** Just to interject in between I think the reason why at Satin we have always had a large basket of lenders with us, we actually service at least about 70, 75 lenders all across the world. So we got a very big basket basically. So I think that will not be a point of concern for us at least.
- M B Mahesh:** The second question is at the customer level when you are going back and asking when you kind of having a discussion on disbursement are there kind of asking for the loans to kind of move back to the initial level or are they are asking for a much higher loan because it is quite possible that they have been kind of they would have taken probably loans from the informal markets where there is pressure coming in again from the other side for repayment? Second if you could also give us some colour as to how the attendance levels is in some of the key markets where you have seen a fair bit of stress? Third is there a difference in repayment pattern that you are seeing between a first cycle borrower and the second cycle borrower because I understand those two contribute to nearly 80% of your overall loans? Thanks.
- H.P. Singh:** Just to give you a flavour over there, probably the borrower have not even ask for disbursement from us. So that they are so confident about it that they have not even asked that we should resume the disbursement or that they are asking for disbursements. We are starting it on our own, so that is again if you look at it in the terms of our metrics it is a very positive sign. They are not distressed to an extent that they have to repay anyone else or they have to do anything else so they are very, very clear about it we have not had request from the field or from the borrowers to start disbursement so that is point number one the second is I think I forget what is your second...
- M.B. Mahesh:** The attendance levels that you are seeing?
- H.P. Singh:** Attendance level are fairly good enough we are going our center meeting even the borrowers not being they still doing the center meeting over there and addressing whatever concerns they have. Attendance level I do not have exact figures also but attendance levels are also ranging between 60% to 70% which has probably been a little bit below our average of about 80% but the attendance levels are fair enough so that is there.
- M B Mahesh:** First cycle and the second cycle borrowers?



- H.P. Singh:** I think our first cycle borrowers have been close to about 50%, 55% that is where we are I think it is not been 80% so 50%, 55% is what our first cycle borrower and about 45% would be second and subsequent cycles.
- M B Mahesh:** No the question was being there a difference in repayment patterns between a first cycle, second cycle borrowers that you are seeing out there even within a specific region?
- H.P. Singh:** We have not done an analysis up till now to be very honest. We have not done an analysis on that so I will not be able really answer that question.
- M B Mahesh:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Deepak Agarwal from Impetus Advisors. Please go ahead.
- Deepak Agarwal:** My question is on what exactly are the challenges in Western UP though this question has been asked earlier probably I missed to understand it properly?
- H.P. Singh:** UP has taking the maximum number of our time and weightage but anyway I think what has happened in certain pockets of UP is yes there are local politicians and small time commission agents and people out in the fray who are actually going ahead and trying to throw a different kind of a color maybe because of the elections coming in or because of their proximity to Delhi is what they probably understand more of these things over there. So that is the only thing, which we are facing across. I think they are talking to the borrowers, trying to instigate them and may be make some money onto that also. So maybe that could also be one of the reasons. But our sense is that we are sensitizing all of our borrowers. As I told you our district authorities are very clear and their message across to all the borrowers that you have taken, you will have to repay. So I think the message is going across. It is slowly sinking into all these people so I think within a few days this all will die down completely over there.
- Deepak Agarwal:** One more question was on the MSME segment though it is just a very tiny segment for you as of now any different experience in collection in this segment compared to your other segments?
- H.P. Singh:** Too early there is a very small we have got a 12, 13, 14 Crores portfolio over there. So too early days as such but I think they are going through their collection mechanism. We have not seen any kind of this thing over there but early days.
- Deepak Agarwal:** That is, it from me Sir. Thanks.
- Moderator:** Thank you. We have the next question from the line of Clyton Fernandes of Systematix Shares. Please go ahead.



IIFL Wealth and Asset Management Limited
November 23, 2016

Clyton Fernandes: My question was regarding cashless disbursements. Do you think, given the fact that most of the banks actually still have the currency crunch issue, will cashless disbursements actually help your business pickup in the next month or so?

H.P. Singh: Next month, I think it is too challenging a figure that we can probably do that. So that is the reason why we started our pilot. It will take some while before it gets replicated into across all our branches. We have got about 550 of our branches to replicate it all across in and down to their bank accounts and then disbursal to happen. It's logistically a challenge, yes but we are honest so we really do not know how much time will take. But my rough estimate is that we will probably be able to do it in the next five to eight months. That is a time which we are giving ourselves to completely have cashless disbursement all across. But logistically I think you will have to give us time to probably put that into complete perspective and all our branches over there. So we will do a smaller bit definitely we will start with that, and put it into place as soon as this is complete as a process.

Clyton Fernandes: Also do you think that exactly for your rural customers do you think they would require fair bit of kind of trading to accept cash disbursement into effective date?

H.P. Singh: Yes, we will have to do a little bit of handholding but I do not think so that will be a challenge. I think the movement this starts over there and everybody feel the impact of currency demonetization so I think nobody wants to re-live the pain again. I think this will probably happen we will have to do a little bit of handholding but I think it will happen we will take care of it.

Clyton Fernandes: Finally, Sir do you think that the RBI will be able to manage the currency crunch in the next two three weeks or you think they need more time would you like to comment on that?

H.P. Singh: You will have ask the RBI guys. I am as clueless as what you are, but it is improving. I will tell you that is the only thing.

Clyton Fernandes: Thank you.

Moderator: Thank you. The next question is from the line of Franklin Moraes from IIFL Wealth. Please go ahead.

Franklin Moraes: I wanted to ask you this problem, are we looking to re-orient our business model in any particular way on the longer-term?

H.P. Singh: I really do not know. This is a one-off incident which probably I think happened in the 30 years of my financial services experience, so this is one-off an event. How do we really tweak our business model based only on this, I think no empirical evidence or maybe in think this will probably teach us into how to also probably factor this into our business model in our risk analysis. But my sense is I think the tweaking is happening with cashless disbursements, cashless



IIFL Wealth and Asset Management Limited
November 23, 2016

collection which will probably be over there, seeing how probably the concentration of particular stage do not go beyond a certain extent. So I think that is some form of tweaking which can do. But on a complete business model or maybe on a complete model asset I think this is fairly a very robust and a very strong model which has stood the test of time last so many years with NPAs below the best possible percentages across in financial services. I think this too shall pass, so I think slight tweaking but I think overall the business model still remains very strong and effective.

Franklin Moraes: So do we have any particular targets in place over the medium term for moving towards cashless disbursements?

H.P. Singh: My endeavor would be to bring it in the next six to eight months completely across all our branches and I will try and do that as soon as possible.

Franklin Moraes: What is our collection efficiency in Eastern UP?

H.P. Singh: Eastern UP would be close to about I think about 60% plus.

Franklin Moraes: Do we see it possible or any sort of problems in achieving 40% to 50% AUM for FY2018?

H.P. Singh: 40% to 50% growth?

Franklin Moraes: Yes, AUM growth.

H.P. Singh: 2018 you are talking, or about 2017?

Franklin Moraes: Yes, FY2018.

H.P. Singh: FY2018 yes definitely.

Franklin Moraes: So we do not foresee any challenges per se in achieving that?

H.P. Singh: It is a short-term thing, it is a short-term blip. I have been saying that long-term is going to be more beneficial.

Franklin Moraes: Can I have a district level exposure in terms of your major districts?

H.P. Singh: I do not have figures because we cover at least about what we do about 200 districts even so I will not have that right now. We will probably will be able to collate and try and send it across to you.

Franklin Moraes: That is, it from me.



IIFL Wealth and Asset Management Limited
November 23, 2016

- Moderator:** Thank you. The next question is from the line of Kashyap Zaveri from Capital 72 Advisors. Please go ahead.
- Kashyap Zaveri:** Hi Jugal, very good evening to you. I do not know whether you have covered this in your previous questions and remarks or not. But could you throw some light on the central level if you could throw some light on meetings are going at center level attendance or probably kind of conversations that the center managers are having over there?
- Jugal Kataria:** The discussion with our operations team is that the center meetings are going as per normal schedule. People genuinely have this challenge of valid currency otherwise we are not seeing any willful defaults happening, people have all the good intentions to repay. They genuinely have this problem of not having valid currency notes, so we are keeping our channel of communication open, we are conducting the center meetings as per our previous schedule, so not seeing any kind of a stress from that front.
- Kashyap Zaveri:** How has been the attendance is over there?
- Jugal Kataria:** So attendance on an average we are getting about 65% or so which is slightly lower than our averages in the range of 80%. But I think that is not a problem right now means we are in touch with our customers on a regular basis.
- Kashyap Zaveri:** That is, it from my side.
- Moderator:** Thank you. The next question is from the line of Dhesinghu Alagarsamy from IBM. Please go ahead.
- Dhesinghu A:** Thank you very much for your efforts to answer all the questions. I have just one question. Can you please throw some lights on recent pledging of share by some promoters?
- H.P. Singh:** We had some past obligations which we had to fulfill. So we have taken a very small amount in terms of our pledgement of shares. So we are fulfilling that past obligation as such. That is the only reason I can think of.
- Dhesinghu A:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Amit Jeswani from Stallion Asset Management. Please go ahead.
- Amit Jeswani:** My questions regarding of cash removal, right now you have started disbursing so you can only disburse the amount of cash you are carrying in the branch right?
- H.P. Singh:** Right.
- Amit Jeswani:** The banks are not giving you more money.



IIFL Wealth and Asset Management Limited
November 23, 2016

- H.P. Singh:** No banks are not giving us more money so we will be recirculating the cash which we take it as collections, we will be doing that.
- Amit Jeswani:** Sir my second question is regarding going forward after December 30. Let us say as you said in the call you get 250 Crores every month and you disburse about 350 Crores. So we require about 100 Crores of cash. Do you believe going forward after January the banks will give you so much currency?
- H.P. Singh:** If not that much I think if we put together our collection as well as whatever limits they actually adhere to, we will be able to fulfill if we want to do that amount of disbursements. So we would be collecting at least about 100, 150 Crores in terms of our collection even if we stay at assume at 50%, 60% or 70% whatever it is and probably I think the limits will be relaxed after that. So for us that will be a major issue. And even if we look at it we are able to cycle even 70% of our collection back into the system as such I think it is fairly good enough in terms of it would have just us about a couple of months maybe one and a half months since the whole demonetization effect started. So I do not think so that is going to be a bigger challenge from January onwards. But I think it is going to be pick on from there so we can do both.
- Amit Jeswani:** Sir my last question the small borrowers getting 25000 how they are going to withdraw? Are they going to write cheque like if you disburse electronically to their bank accounts, how they are going to withdraw it?
- H.P. Singh:** They can then withdraw it from the ATMs and from their bank accounts, that will not be stopped. I do not think so that will not be stopped. In any case right now also I think the provision say that you can withdraw about Rs.24000 from your bank account every week. So I think that would not be challenge, I do not think so.
- Amit Jeswani:** Thank you so much Sir.
- Moderator:** Thank you very much. Due to time constraint that was the last question ladies and gentlemen. I would now like to hand the conference back to Mr. Rajiv Mehta for closing comments.
- Rajiv Mehta:** Thank you Mr. Singh and everybody for joining on this conference call. Have a nice evening.
- Moderator:** Thank you. On behalf of IIFL Wealth and Asset Management Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.