

# SATIN CREDITCARE NETWORK LIMITED



## INVESTOR PRESENTATION – Q4FY16

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**MAY 2016**

BSE: 539404 | NSE: SATIN | CSE: 30024  
Corporate Identity No. L65991DL1990PLC041796



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# Business Performance Summary

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# Satin Creditcare - Impressive growth trajectory

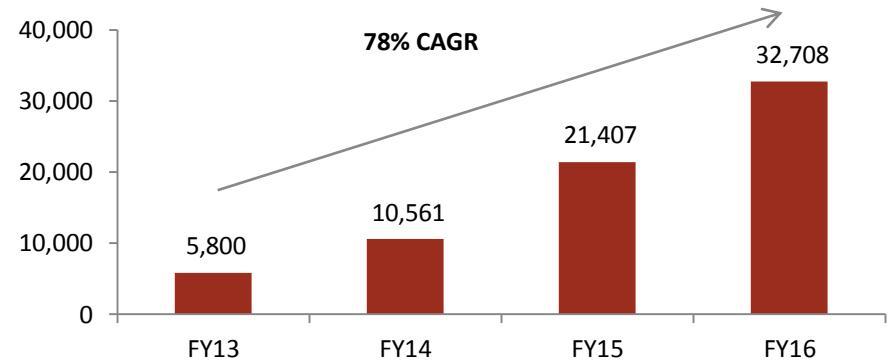
## Summary of FY 2016

- Satin Creditcare Network Limited (SCNL) is North India's largest and India's 5th largest MFI
- Presence across 16 states, 431 branches (Mar'16)
- Serving 1.85 mn members vs. 1.19 mn in FY15
- GLP increased to INR 32.7 Bn from INR 21.4 Bn in FY15, growth of 53% YoY
- PAT of INR 573.4 Mn for FY16 vs. 308.2 Mn for FY15

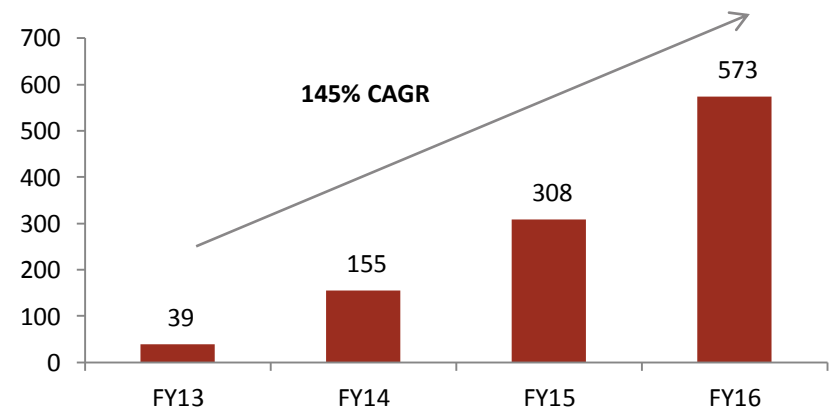
## Further Improvement in all Operating Metrics during FY16

- ROE at 22.1% vs. 18.6% in FY15
- ROA at 2.2% vs. 2.0% in FY15
- Cost to income ratio at 61.0% as against 61.6% in FY15 due to operational efficiencies
- CAR of 16.82% as of Mar'16 vs. 15.67% in Mar'15

## AUM incl. Managed Portfolio (INR Mn)



## PAT post Pref. Dividend (INR Mn)





# Satin Creditcare - Financial Snapshot

All figures in INR Mn

Q4FY16	Q4FY15	% Growth		FY16	FY15	% Growth
32,708	21,407	53%	<b>AUM (Incl. Managed)</b>	32,708	21,407	53%
1,731	1,005	72%	<b>Revenue</b>	5,585	3,242	72%
850	435	95%	<b>NIM</b>	2,686	1,467	83%
595	274	117%	<b>Operating Expenses</b>	1,807	1,000	81%
260	159	64%	<b>PBT</b>	875	465	88%
163	104	57%	<b>PAT</b>	579	317	83%
163	95	73%	<b>PAT (post Pref. Div.)</b>	573	308	86%

## Corporate Overview

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# Company Snapshot

Satin Creditcare Network Ltd. (SCNL) is North India's largest and India's 5th largest MFI with presence across 16 states with 431 branches, as of Mar'16

SCNL is listed on BSE (Oct'15), NSE (Aug'15) and CSE\* (May'15). Earlier was listed on Delhi, Jaipur and Ludhiana regional exchanges since 1996.

SCNL is led by Mr. H P Singh, who has experience of >25 years in Retail Finance; and is supported by an experienced Management team

Offers a comprehensive bouquet of financial products to Bottom-of-Pyramid Population – MFI Loans, Individual Micro Loan (IML), MSME Loans, Low ticket LAP, Product Financing (Solar Lamps) and Business Correspondent Services (through Taraashna Services Pvt. Ltd.)

Has 3,918 employees, 431 branches and 1.85 Million active clients as on Mar 2016

Among the first mover, Satin has leadership position in its key markets and uses robust MIS and internal control processes

Financial alliance with largest number of lenders, amongst best in terms of operating expense and return ratios

Promoter stake in Satin is the highest among MFIs having invested at regular intervals at par with incoming PE investors

6 rounds of PE fund infusion and offered profitable exit to 1st investor in spite of intervening industry crisis

Probably the only MFI player in the country to have not seen a dip in portfolio during the industry crisis, in fact the portfolio grew by a robust 36% in FY11

Credit rating of BBB+ (CARE); MFI grading of MFI 1 (CARE) and Social rating of  $\beta+$  (among the best in MFI industry)

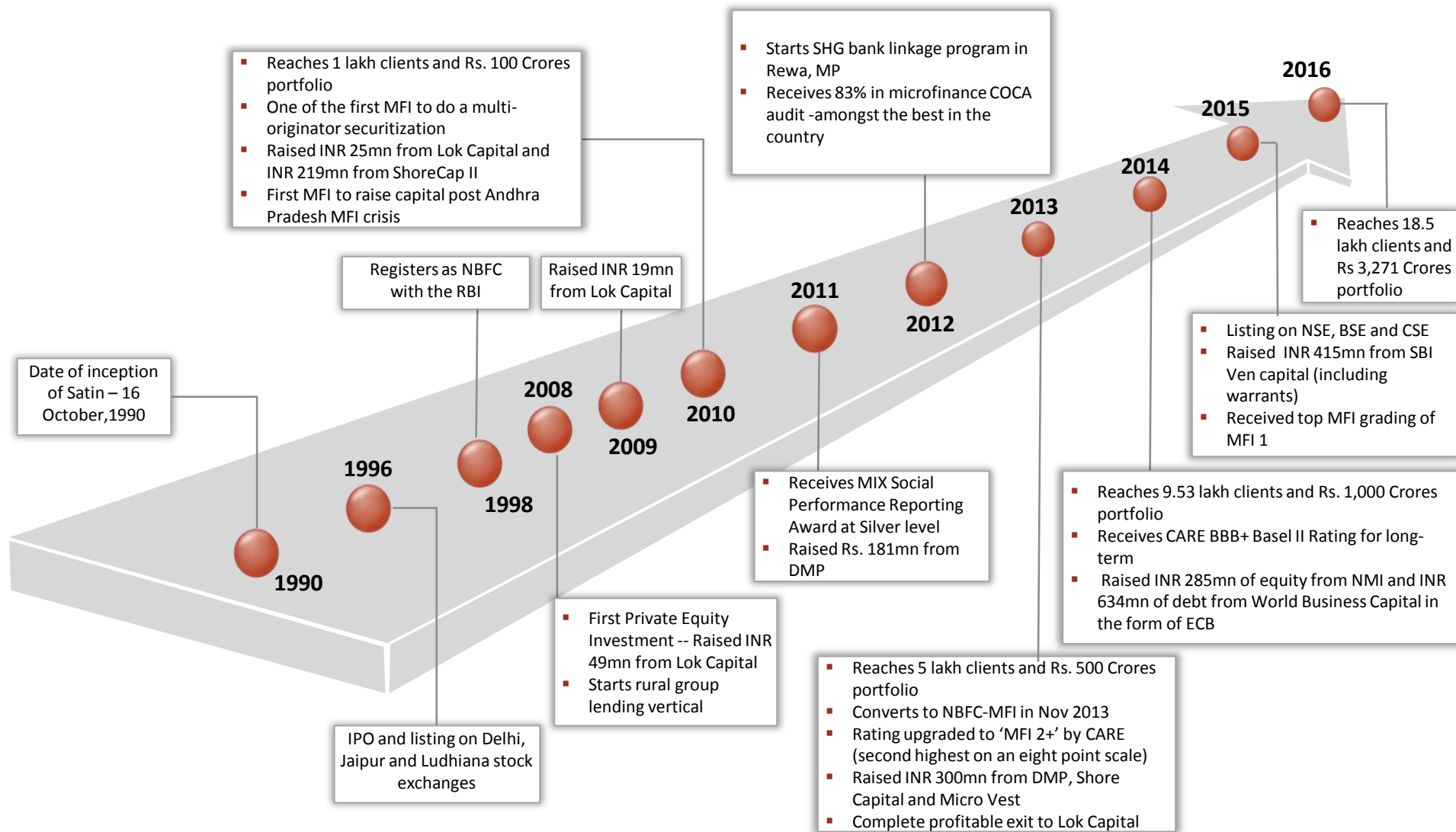
Being a listed entity since 1996, Satin has one of the longest track record in the MFI industry for being in compliance with all Corporate Governance norms

*\*Calcutta Stock Exchange*

**Company with a unique vision of providing 360° services to BoP population in geographies with high potential**

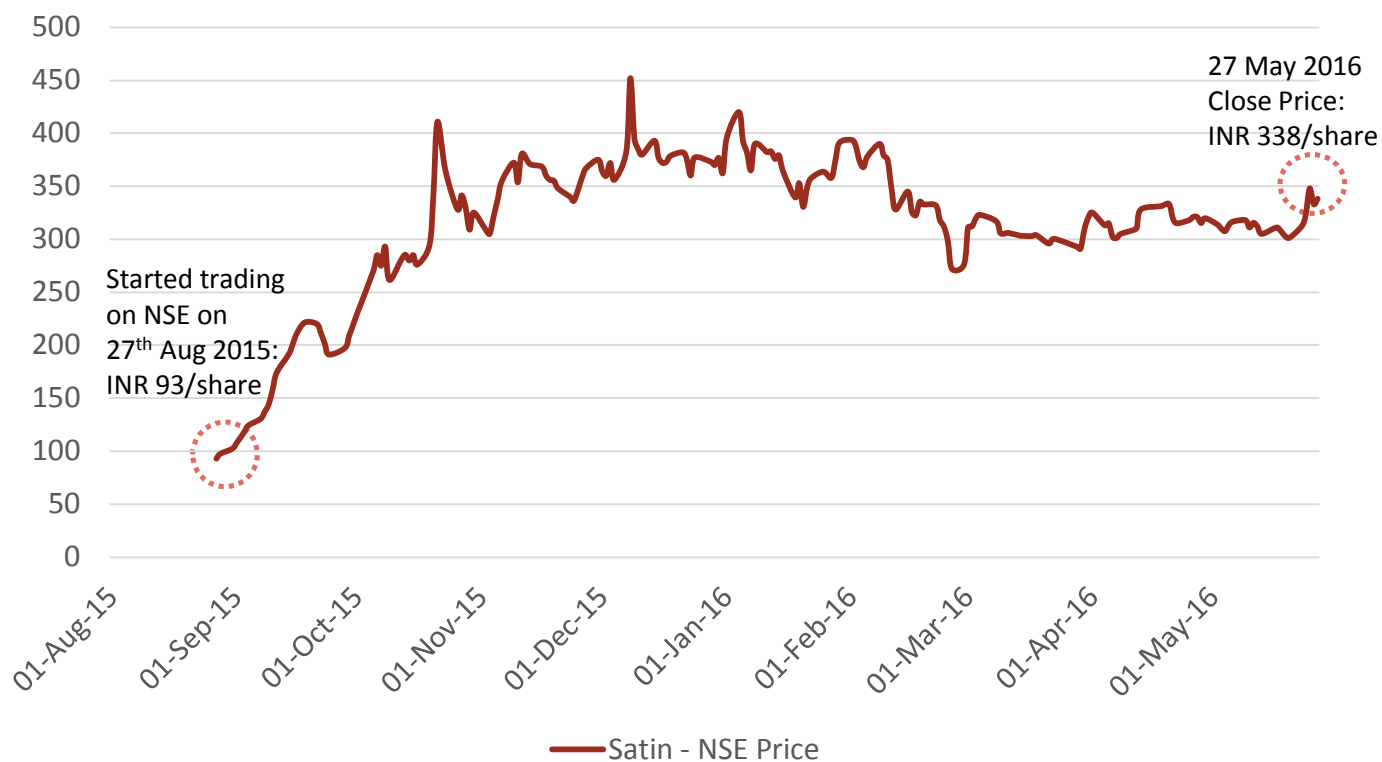


# Key Milestones



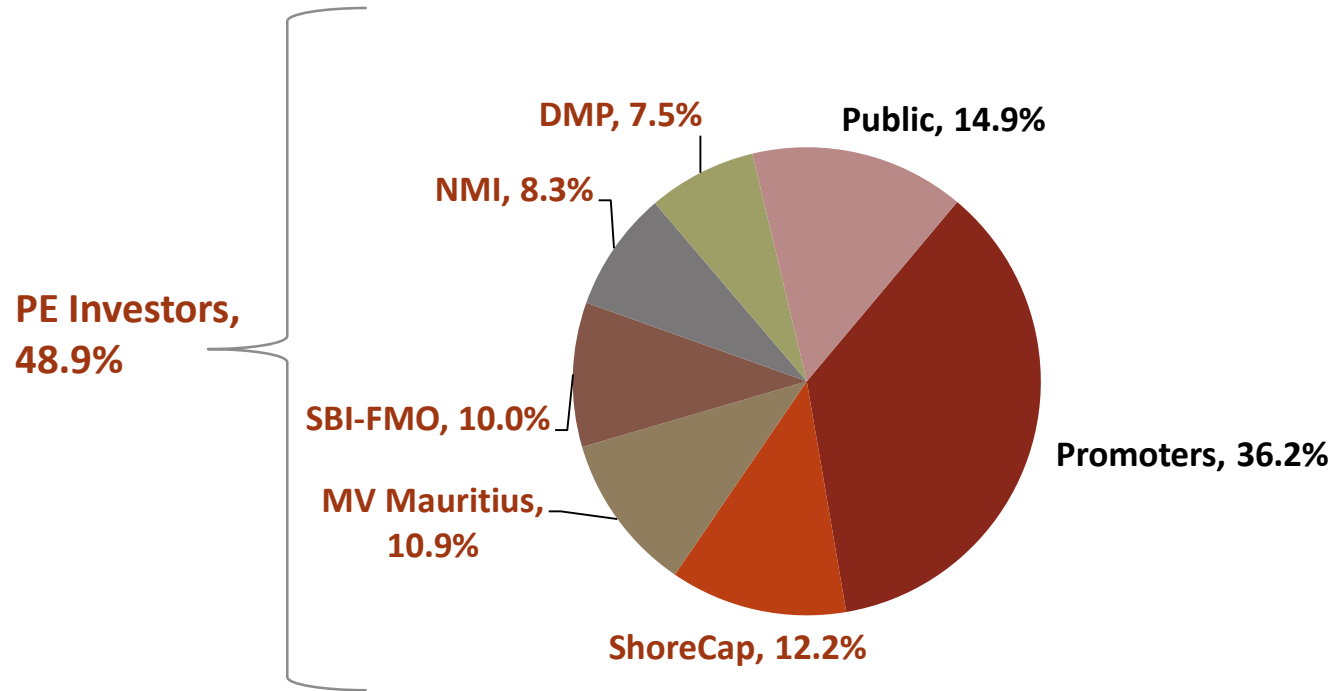
## Company's Listing on NSE

- In 2015, SEBI derecognized regional exchanges where Satin had been listed since 1996
- Satin applied for listing on the National Stock Exchanges, and same was approved in Aug 2015



# Shareholding Pattern

Shareholding Pattern – 31 Mar, 2016



*Promoter stake in Satin is the highest among MFIs*

*Shows very strong & long term commitment of promoters towards the company*

# Product Portfolio - Diversification Underway

## MFI operations

- Started operations in 1990 with Individual Lending and Small Business Loans
- Started the JLG model in May 2008 to diversify its portfolio, expand across geographies and broad base its outreach
- Presently JLG portfolio accounts for >98% of total loan portfolio as of Mar 2016
- Presence across 16 states – Leadership position in its areas of operation
- Total GLP has grown ~6x over last 4 years to INR 32,708mn (Mar 2016) while maintaining high asset quality
- Current Customer base at 1.85mn, has grown about 4x over FY13-FY16

## Business Correspondent Services

- Operates through a group company – Taraashna Services Private Limited, which shares 10% of its gross receipts with Satin
- Has partnered with two private sector banks (RBL Bank Ltd., and Yes Bank Ltd.) and two NBFCs (Reliance Capital Limited and IFMR Capital Finance Private Limited)
- Offers both Microfinance and Small Business Loans
- Presently has operations in 6 states - MP, Rajasthan, Gujarat, Maharashtra, Bihar and Chhatisgarh with 115 branches as of Mar 2016

## New Initiative – Product Financing for Solar Lamps

- Product financing for Solar Lamps was started in Oct 2015, in the states of UP, Bihar and Haryana
  - Existing clients of Satin can avail this loan from the nearby branches with an avg. tenor of 7months
  - The business has ~190,044 borrowers and Rs. 11.3 Cr. of loan book as on Mar 2016

# Accolades & Key Highlights

-  **First MFI to raise Equity after AP crisis**
-  **First company to do a Multi-Originator securitization transaction**
-  **First NBFC-MFI to raise funds from a domestic bank against guarantee by Asian Development Bank and IFMR Capital**
-  **Raised funds from a Foreign bank based on the guarantee provided by an overseas fund**
-  **Raised multiple rounds of sub debt from reputed financial institutions (domestic and international) and ECB from World Business Capital**
-  **First MFI to raise floating rate long term, unsecured Tier II debt**
-  **First MFI to receive funding from Mudra Bank**
-  **Special Jury Award 2015 for serving MSME's from CIMSME**
-  **Received "India Iconic name in microfinance" Award- 2015 from IIBA**

## Award by MF Transparency Organization



## Award by Microfinance Information Exchange



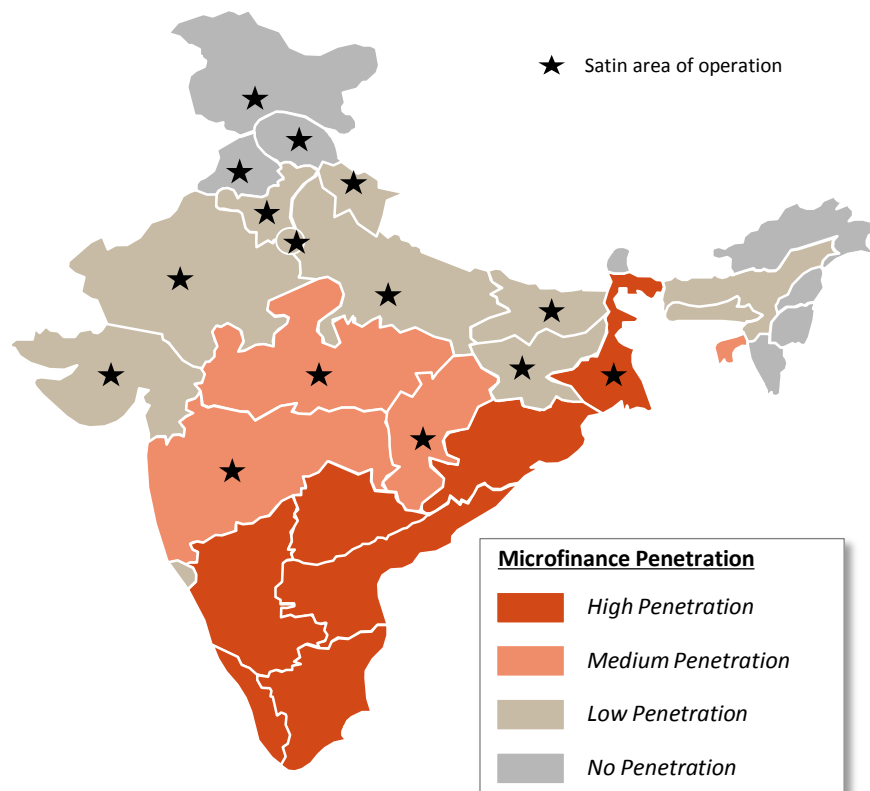
## Operational Overview

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# Strong Presence in States with Low Penetration & High Potential

## Satin is Present Mostly in States of Low MFI Penetration

Presence in 16 states – 5 states of Chhatisgarh, Jharkhand, Himachal Pradesh, West Bengal and Gujarat have been recently added during FY16. Slowly building a PAN India operations.



## Top States with Highest MFI Client Concentration (Mar 2016)

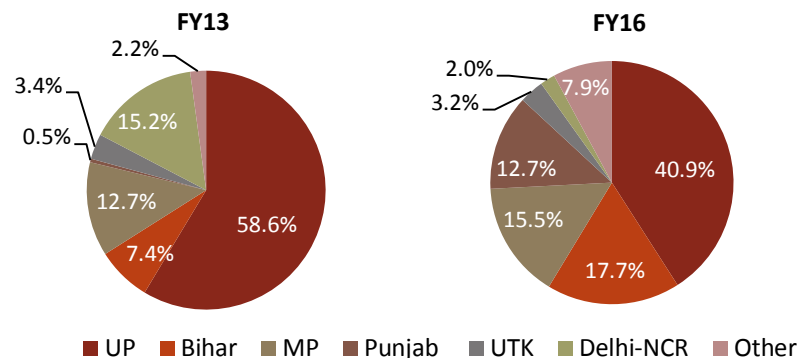
Region	MFI Clients (Lakh)	Population (Crore)	Households (Crore)	Penetration %
Tamil Nadu	56.5	7.8	1.56	36.3%
Karnataka	38.2	6.6	1.32	28.9%
Odisha	21.4	4.4	0.89	24.1%
Kerala	12.2	3.4	0.68	18.0%
Madhya Pradesh	28.1	8.0	1.60	17.5%
Maharashtra	37.1	12.1	2.43	15.3%
West Bengal	21.9	9.5	1.90	11.5%
Punjab	5.6	3.0	0.59	9.5%
Gujarat	12.3	6.6	1.33	9.3%
Haryana	4.9	2.8	0.56	8.8%
Bihar	19.3	11.7	2.33	8.3%
Uttar Pradesh	31.3	21.6	4.31	7.3%
Rajasthan	7.5	7.5	1.50	5.0%

## Satin's States of Operation

Source: MFI Clients - Micrometer, MFIN; Population - <http://www.indiaonlinepages.com/>

# Geographic Diversification Strategy working as envisaged

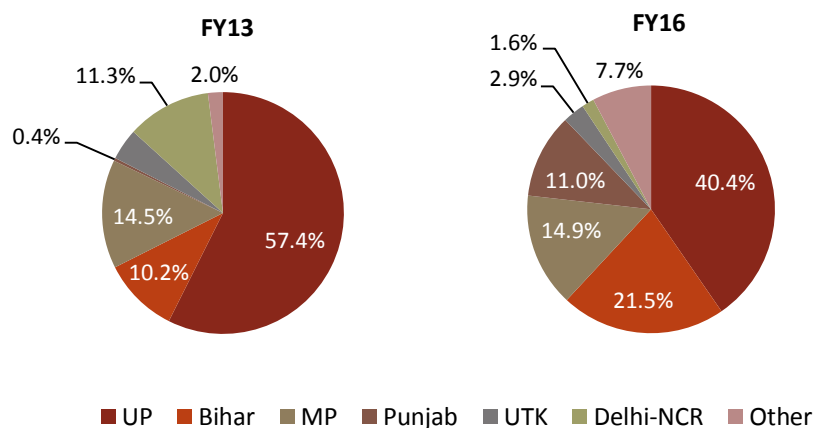
## Gross Loan Portfolio – Reducing Geographic concentration



## Areas of operations – Reducing Geographic concentration

State	GLP - FY16 (INR mn)	FY16 % mix	FY13 % mix	Change	FY13 - FY16 CAGR %
Uttar Pradesh	13,385	41%	59%	↓	58%
Bihar	5,803	18%	7%	↑	138%
Madhya Pradesh	5,077	16%	13%	↑	90%
Punjab	4,151	13%	0%	↑	431%
Uttrakhand	1,062	3%	3%	↔	75%
Rajasthan	768	2%	2%	↑	103%
Delhi & NCR	651	2%	15%	↓	-10%
Haryana	614	2%	0%	↑	193%
Maharashtra	517	2%	-		NM
Jharkhand	235	1%	-		NM
Chhattisgarh	180	1%	-		NM
Gujarat	168	1%	-		NM
West Bengal	40	0%	-		NM
Jammu	36	0%	0%	↔	291%
Himachal Pradesh	16	0%	-		NM
Chandigarh	5	0%	0%	↔	3%
<b>Total</b>	<b>32,708</b>	<b>100%</b>			<b>78%</b>

## Number of loans (#) – Reducing Geographic concentration



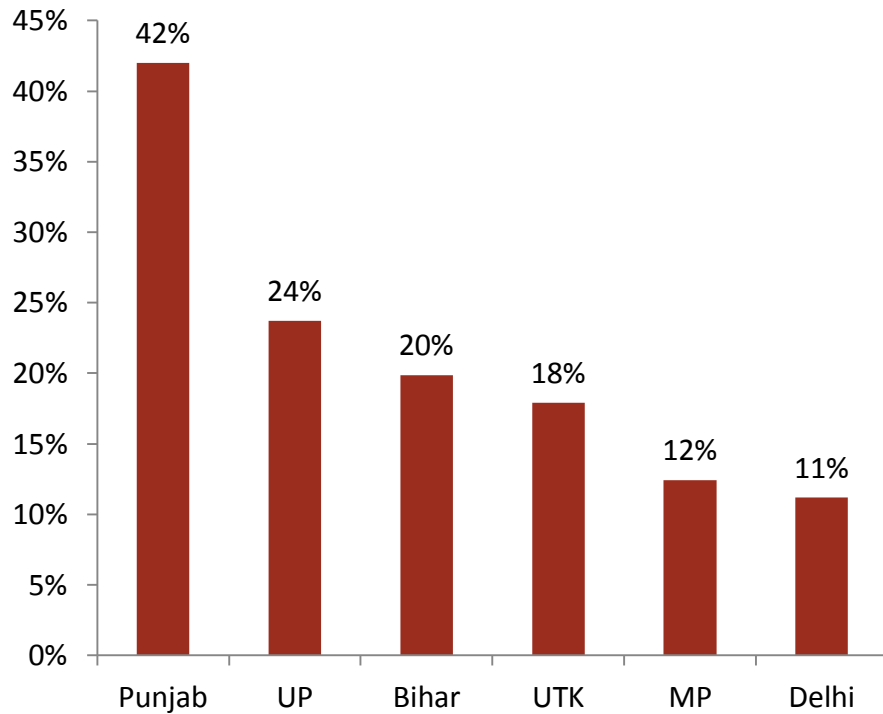


# Leadership Position in some States of Presence

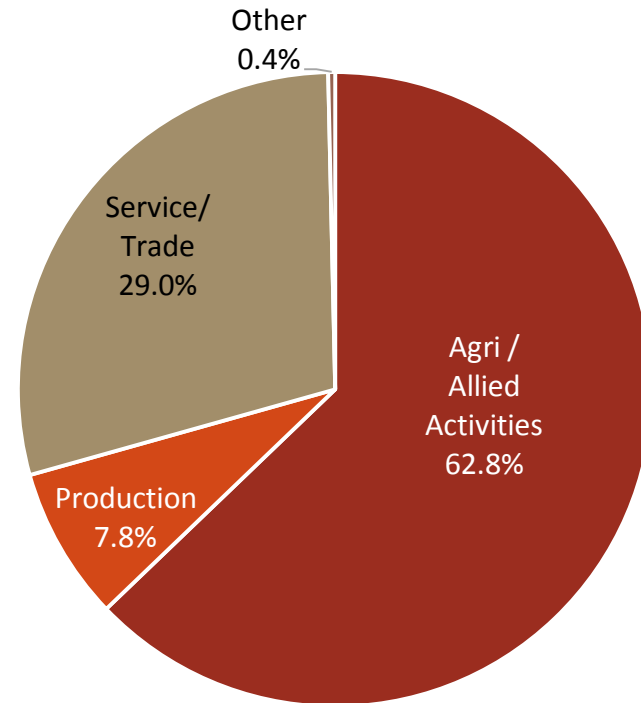
Dominance in some states of presence – Satin’s Market Share\*

Portfolio Outstanding by Economic Activity\*

As of March 2016



As of March 2016



Source: MFIN and Satin company data (\* In terms of GLP)

Source: Satin company data (\* In terms of GLP)

# Product Portfolio - Details

	Satin Creditcare Network Limited (SCNL)		
	MFI	Product Financing – Solar Lamp	MSME <sup>(1)</sup>
Start Date	May 2008	Oct 2015	Apr 2016
Ticket Size	₹15,000 – ₹50,000	Less than ₹4,000	₹1.0 – ₹10.0 Lakh
Avg. Ticket Size (Mar'16)	~ ₹24,000	Less than ₹4,000	~ ₹7.0 Lakh
Tenure	12 - 24 months	Up to 12 months	24 – 60 months
Frequency of Collection	Bi-Weekly / Monthly	Bi-Weekly / Monthly	Monthly
No. of States	16		
No. of Clients	1.85		
Interest Rate range %	~ 22 - 26%	~ 22 - 23%	~ 23%

(1) MSME: Micro, Small & Medium Enterprises



# Diversified Loan Book and Strong Client Relationship

## Trend in Loan Cycle

First & second time borrowers form ~80% of GLP and volume, indicating high growth in borrower addition over the years

### Gross Loan Portfolio (INR mn)

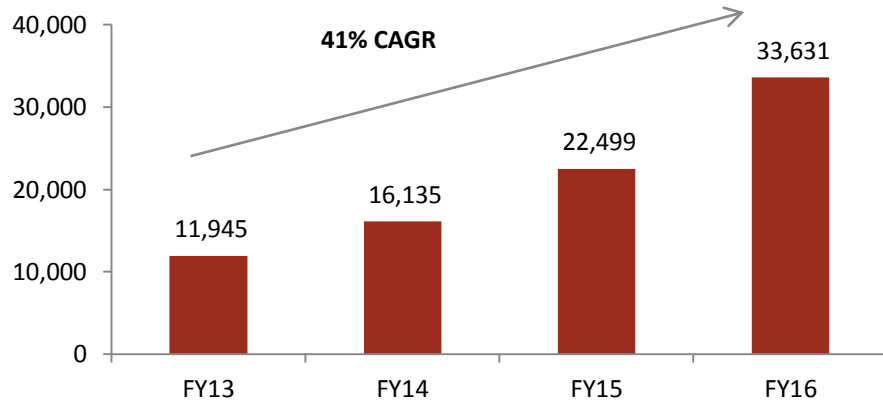
Cycles	FY13	FY14	FY15	FY16
1	3,455	5,307	9,891	17,121
2	1,272	3,108	7,116	8,175
3	765	1,141	2,619	4,712
4	281	756	1,094	1,511
5	27	243	565	835
6	-	5	117	320
7	-	-	4	32
8	-	-	-	1
	<b>5,800</b>	<b>10,561</b>	<b>21,407</b>	<b>32,708</b>

### Clients Outreach

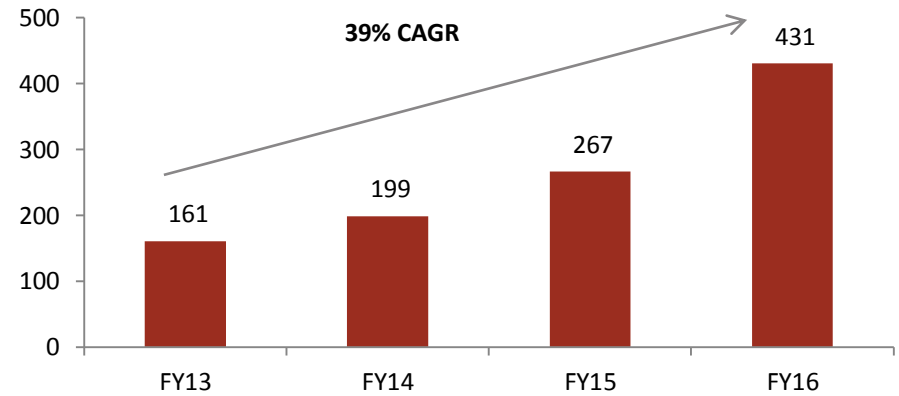
Cycles	FY13	FY14	FY15	FY16
1	3,20,636	5,02,060	6,42,056	13,35,026
2	93,120	1,89,609	3,67,903	4,48,727
3	54,899	65,405	1,10,687	1,99,888
4	17,728	34,350	48,312	62,238
5	1,256	8,442	20,024	32,961
6	-	162	3,127	10,847
7	-	-	93	919
8	-	-	-	24
	<b>4,87,639</b>	<b>8,00,028</b>	<b>11,92,202</b>	<b>20,90,630</b>

# Strong Operational Performance..

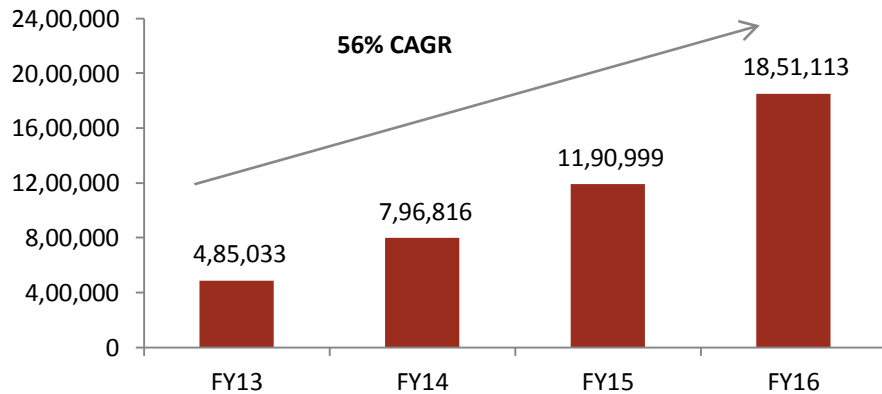
### No. of Villages



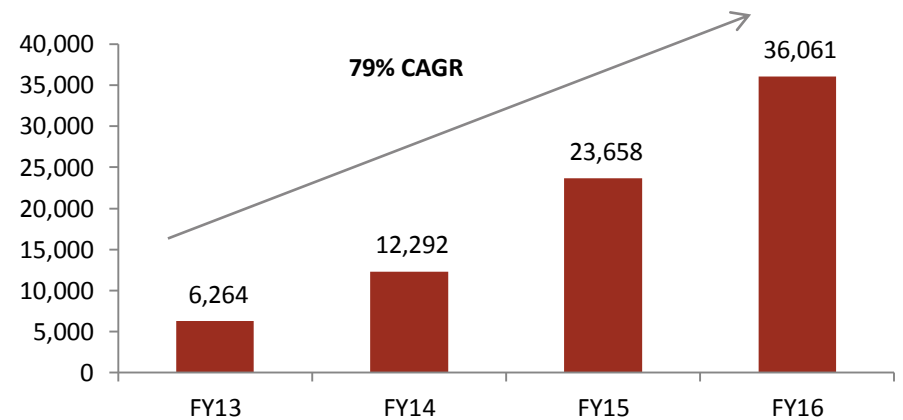
### Branch Network



### No. of Borrowers

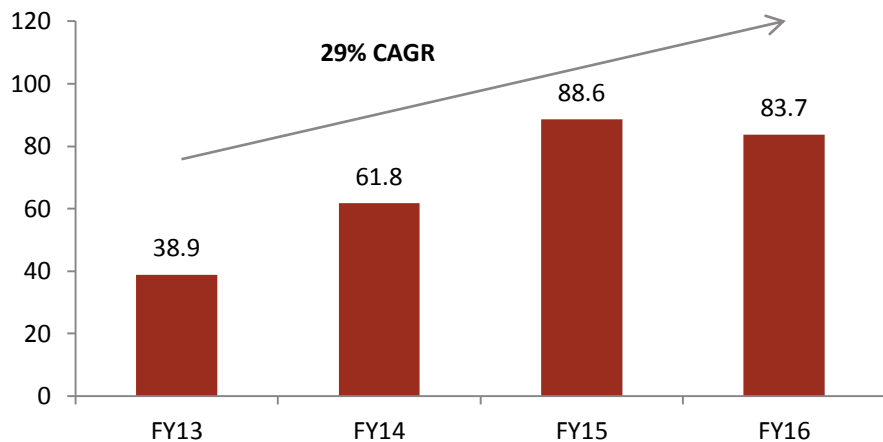


### Disbursements Trend (INR mn)

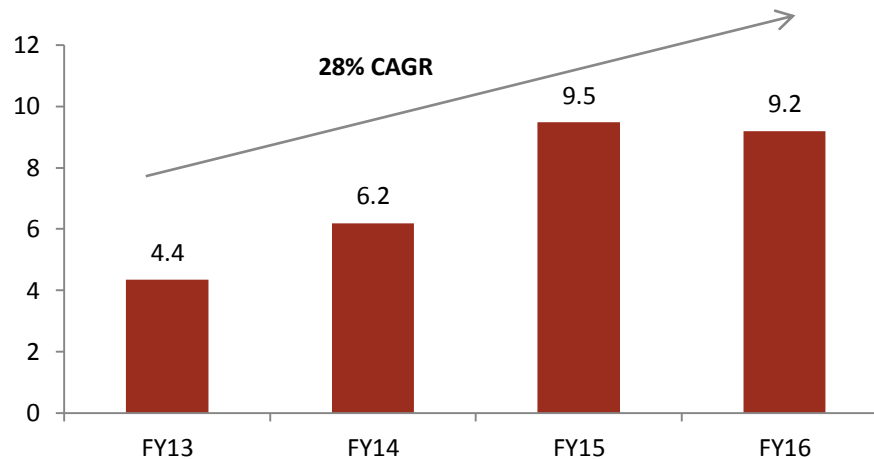


# ..Improving Productivity..

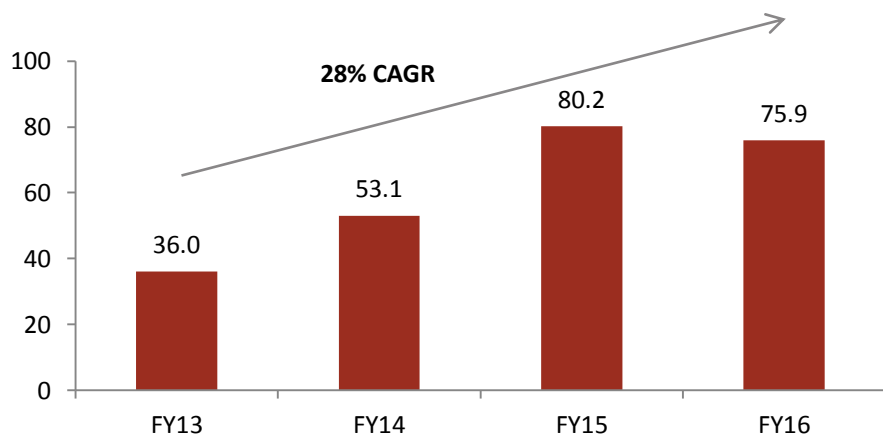
Disbursement/ Branch (INR mn)



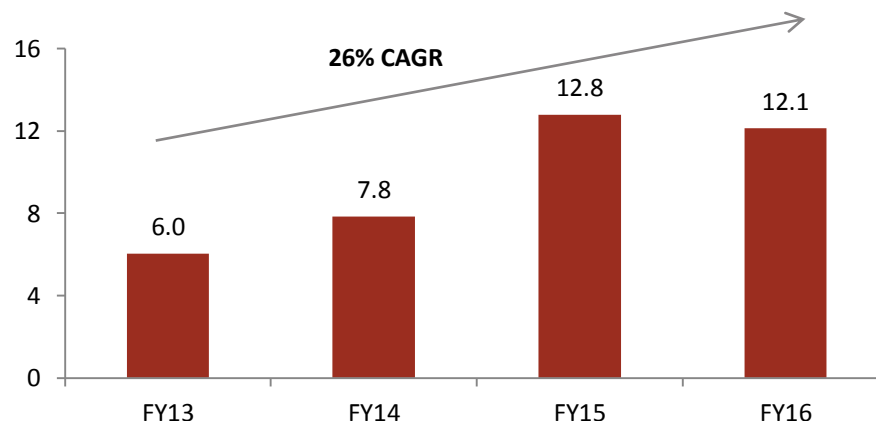
Disbursement/ Employee (INR mn)



GLP/Branch (INR mn)



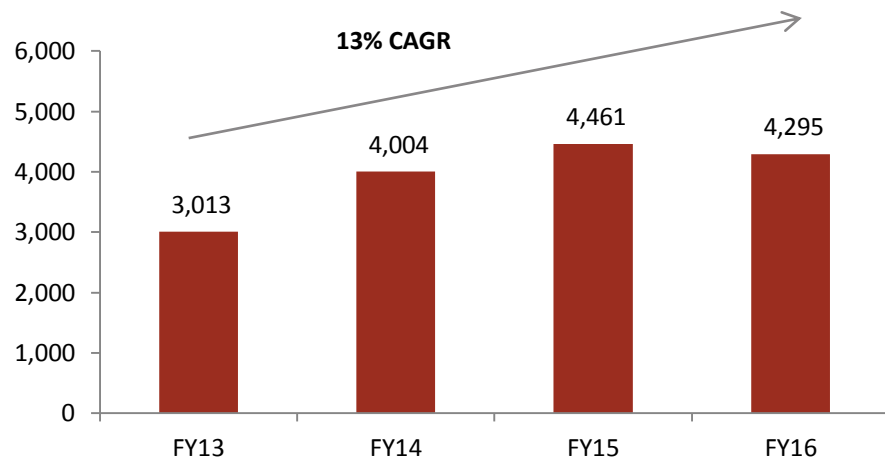
GLP/ Loan Officer (INR mn)



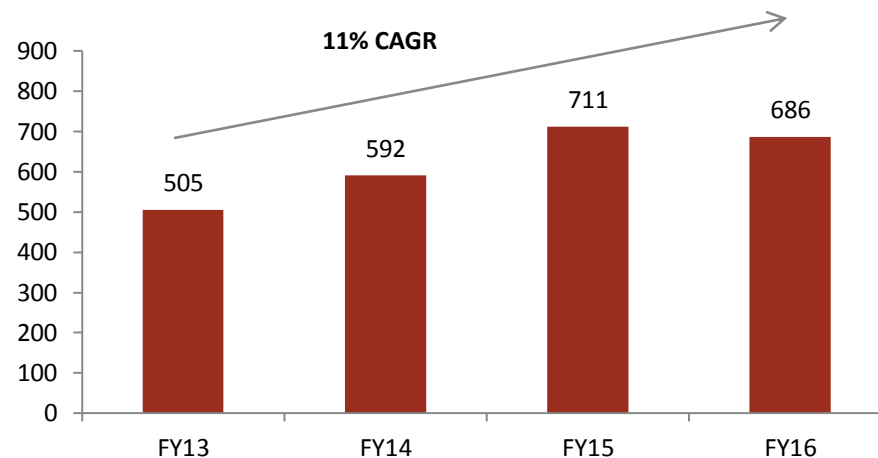
Note: GLP includes managed portfolio

# ..and High Quality Portfolio

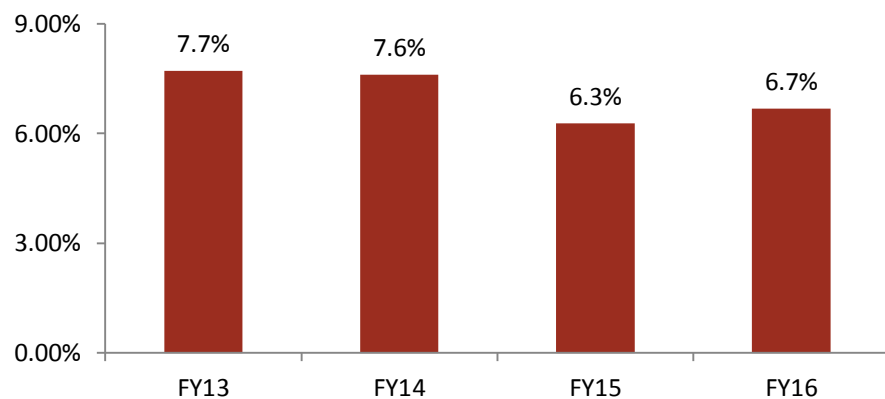
### No. of Clients/ Branch



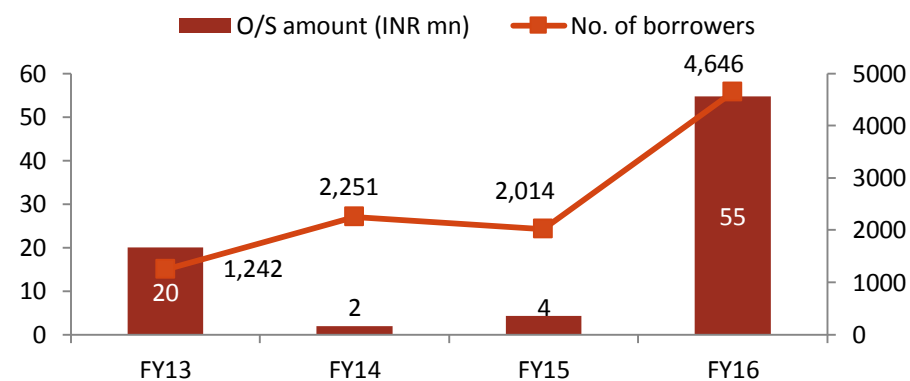
### No. of Clients/ Loan Officer



### Opex/ Avg. AUM



### PAR 90



Note: Operating expenses include Personnel expenses, Admin & Other expenses, and Depreciation.  
Avg. AUM includes managed portfolio.

## Other Businesses – Business Correspondent Services

*Under this business, Satin capitalizes on its existing geographical reach while furthering financial inclusion in remote areas*

- Taraashna Services Pvt. Limited (TSPL), is a group company of Satin provides BC services
- Satin gets 10% of TSPL's gross receipts for technical know-how
- TSPL is engaged in sourcing MFI loans for various banks to provide banking services (initially credit and insurance) in remote areas
- In addition to MFI, TSPL is also offering Small Business Loans
- TSPL has partnered with two private sector banks (Ratnakar Bank and Yes Bank) and two NBFCs (Reliance Capital Limited and IFMR Capital Finance Private Limited); Being approached by other banks also
- Loan Portfolio stood at Rs. 3,458 mn as of Mar 2016 vs. Rs. 2,603 mn as of Mar 2015
- TSPL's borrowers have increased from 192,223 in FY2015 to 277,354 borrowers in FY2016
- The number of branches have increased from 73 in FY2015 to 115 in FY2016
- Provides services in MP, Rajasthan, Gujarat, Maharashtra, Bihar and Chhatisgarh
- Experienced management team led by Mr. Sanjeev Vij (CEO) , who has vast experience in the BFSI industry

## Financial Overview

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# Key Financial Indicators

INR mn	FY13A	FY14A	FY15A	FY16A
Net Worth*	1,237	1,384	1,935	3,240
AUM**	5,800	10,561	21,407	32,708
<i>Managed AUM</i>	1,259	2,712	6,762	9,960
Total Debt	5,898	9,087	16,301	27,483
Net Interest Income ***	155	406	599	906
PAT (post Pref. dividend)	39	155	308	573
Cost to Income (%)#	81.2%	62.0%	61.5%	61.0%
CAR (%)	23.4%	15.3%	15.7%	16.8%
Gross NPA (%)	0.16%	0.02%	0.02%	0.19%
Net NPA (%)	0.14%	0.02%	0.01%	0.09%
Book Value Per share (INR)	54.6	59.7	74.9	101.4

\*Excl preference share capital and including share warrants

\*\* Including managed assets

\*\*\* Includes Interest on Portfolio only;

# (Opex other than bad debts & provisions)/ (Total Income less Interest expense)

# Robust Financial Performance

RoE Tree	FY13	FY14	FY15	FY16
Total Income <sup>1</sup>	21.0%	23.4%	20.3%	20.6%
Interest expense	12.1%	13.0%	11.1%	10.7%
<b>Net Interest Margin</b>	<b>8.9%</b>	<b>10.5%</b>	<b>9.2%</b>	<b>9.9%</b>
Opex	7.7%	7.6%	6.3%	6.7%
Provision for Tax	0.3%	1.0%	0.9%	1.1%
RoA <sup>2</sup>	0.7%	1.7%	2.0%	2.2%
Leverage (Avg. Liabilities/ Avg. Net Worth)	4.2x	6.1x	8.4x	9.3x
RoE	3.8%	11.8%	18.6%	22.1%

<sup>1</sup>Total Income includes Interest income from on-book portfolio, Income from managed portfolio, Processing fees and Interest income from Fixed Deposits.

<sup>2</sup>RoA has been calculated based on average of Total Assets (excluding managed portfolio) and rest of line items have been calculated based on average AUM (On book + Off book portfolio).

# Financial Summary – Balance Sheet

Figures in INR mn

Particulars	FY13	FY14	FY15	FY16
Net Worth (Including Share warrants)*	1,237	1,384	1,935	3,240
Preference shares	-	60	60	-
Total Borrowings & Other Liabilities	6,215	9,773	18,112	29,794
<b>Total Liabilities</b>	<b>7,452</b>	<b>11,217</b>	<b>20,107</b>	<b>33,034</b>
Fixed Assets	83	120	145	213
Investments	7	1	1	1
Cash and bank balance	2,053	2,152	3,487	7,098
Advances	4,541	7,849	14,645	22,748
Other Assets	768	1,095	1,831	2,975
<b>Total Assets</b>	<b>7,452</b>	<b>11,217</b>	<b>20,107</b>	<b>33,034</b>

# Financial Summary – P&L Statement

Figures in INR mn

Particulars	FY13	FY14	FY15	FY16	YoY Growth	CAGR
<b>Total Revenue</b>						
Interest income on Portfolio Loans	698	1467	2374	3,805	60%	76%
Income from securitization	88	116	330	892		
Processing Fee income	55	112	225	352		
Interest on FD	98	208	288	470		
Other Income	4	13	25	66		
<b>Total Revenue</b>	<b>943</b>	<b>1,916</b>	<b>3,242</b>	<b>5,585</b>	<b>72%</b>	<b>81%</b>
Interest Expense	543	1,061	1,775	2,899		
Personnel Expenses	159	235	392	884		
Administration & Other Expenses	182	379	588	894		
Depreciation	6	7	20	29		
<b>Profit before tax</b>	<b>53</b>	<b>234</b>	<b>467</b>	<b>880</b>	<b>88%</b>	<b>155%</b>
Extraordinary Items	-	-	2	5		
<b>Profit before tax (after Extraordinary items)</b>	<b>53</b>	<b>234</b>	<b>465</b>	<b>875</b>	<b>88%</b>	<b>155%</b>
Provision for tax	14	78	148	296		
<b>PAT</b>	<b>39</b>	<b>156</b>	<b>317</b>	<b>579</b>	<b>83%</b>	<b>146%</b>
Less: Preference dividend	-	1	9	6		
<b>PAT (post Preference Dividend)</b>	<b>39</b>	<b>155</b>	<b>308</b>	<b>573</b>	<b>81%</b>	<b>145%</b>

## Borrowing Profile

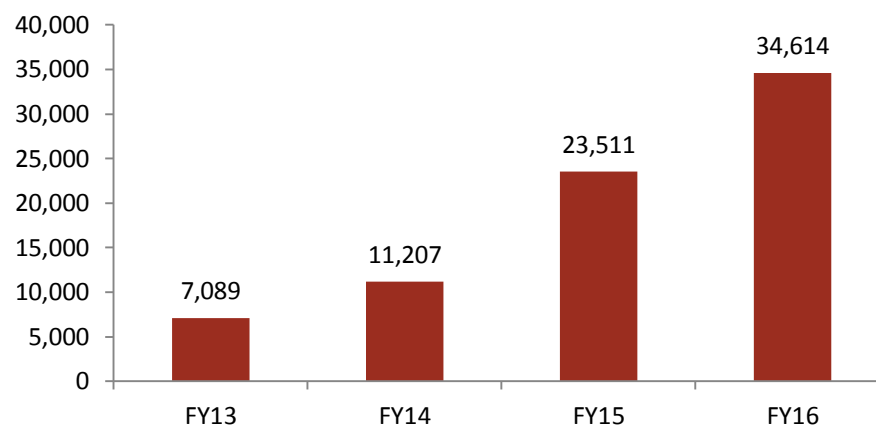
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# Strong and Diversified Lending Relationships

## Diversified Lending Portfolio

- Active relationship with 73 banks and financial institutions
- Spread across Public Sector Banks, Private Banks, Foreign Banks, Domestic Financial Institutions (DFI) and Foreign Institutions
- The rating of the company is CARE BBB+
- Raised money through instruments like Term Loans, Sub-debt (Tier 2 Capital), NCD, Preference shares, ECB, Commercial Paper, and Securitization/assignment, etc.

## Funds Raised (INR mn)



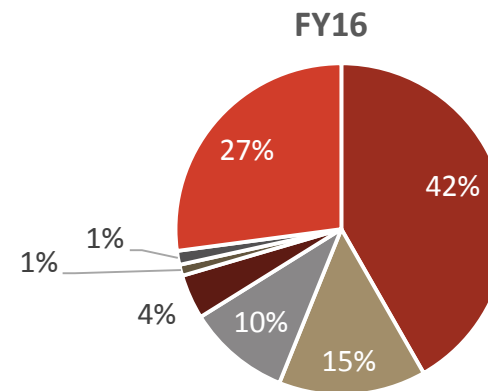
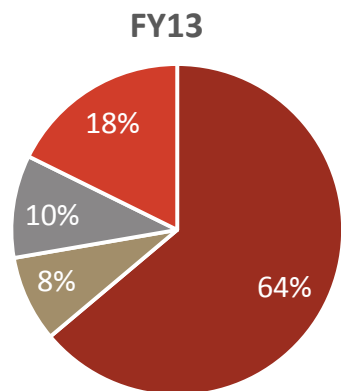
## Lending Relationship



## Top 5 Lenders – Mix %

On Balance Sheet	FY13	On Balance Sheet	FY16
IFMR Capital	17%	IDBI Bank	8%
Ratnakar Bank	9%	Ratnakar Bank	6%
Dena Bank	7%	IndusInd	5%
IDBI Bank	6%	NABARD	4%
MAS Financial Services	4%	ICICI Bank	4%
<b>TOTAL</b>	<b>43%</b>	<b>TOTAL</b>	<b>27%</b>

# Resource Profile - Movement of Borrowing away from Banks



■ Term loan (Bank) 
 ■ Term loan (Others) 
 ■ NCD 
 ■ Sub debt 
 ■ ECB 
 ■ Commercial Paper 
 ■ Securitized & Assignment portfolio

Particulars (INR Bn)	FY13	% of total	FY16	% of total
Term loan (Bank)	4.5	64%	15.4	42%
Term loan (Others)	0.6	8%	5.3	14%
NCD	0.7	10%	3.7	10%
Sub debt	-	-	1.6	4%
ECB	-	-	0.4	1%
Commercial Paper	-	-	0.5	1%
<b>Total</b>	<b>5.9</b>	<b>82%</b>	<b>26.9</b>	<b>73%</b>
Add: Securitized & Assignment portfolio	1.3	18%	10.0	27%
<b>Grand Total</b>	<b>7.1</b>	<b>100%</b>	<b>36.9</b>	<b>100%</b>

# Credit Rating

## Trend in Credit Rating

Instrument	Date	Rating Agency	Amount (INR Cr.)	Rating	Status
Long term Bank Facilities	Nov 2015	CARE Ratings	1,600	BBB+	Reaffirmed
	Jun 2015	CARE Ratings	1,300	BBB+	Reaffirmed
	Dec 2014	CARE Ratings	1,300	BBB+	Reaffirmed
	Sep 2014	CARE Ratings	1,000	BBB+	Upgraded
	Feb 2014	CARE Ratings	800	BBB	Reaffirmed
	Jun 2013	CARE Ratings	600	BBB	Upgraded
	Jun 2012	CARE Ratings	400	BBB-	Reaffirmed

## MFI Grading

Date	Rating Agency	Rating
Oct 2015	CARE Ratings	MFI 1
Jul 2013	CARE Ratings	MFI 2+
Jul 2011	CARE Ratings	MFI 2

## Social Rating

Date	Rating Agency	Rating
Apr 2014	M-CRIL*	β+

\*Micro-Credit Ratings International Ltd. (M-CRIL)

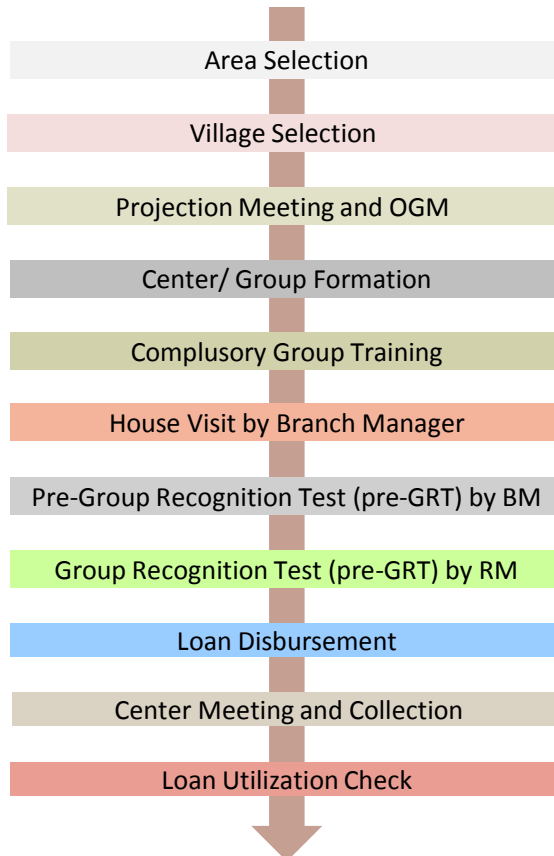


## Operational Process Overview

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# Operation's Methodology (1/3)

## Trend in Loan Cycle



CSO – Community Service Officer (Loan Officer)  
 BM – Branch Manager  
 TM – Territory Manager  
 RM – Regional Manger  
 OGM – Open General Meeting  
 CDS – Collection & Demand Sheet

### Area Selection

- SCNL's Business Development team conducts thorough area surveys for identification of suitable locations for launch of microfinance business.
- The team assimilates, analyzes several variables including population, household incomes, employment, crime rate, and competitive intensity in the area.
- A detailed Area Survey report is provided to the CFO for review & approval of the identified area.

### Village Selection

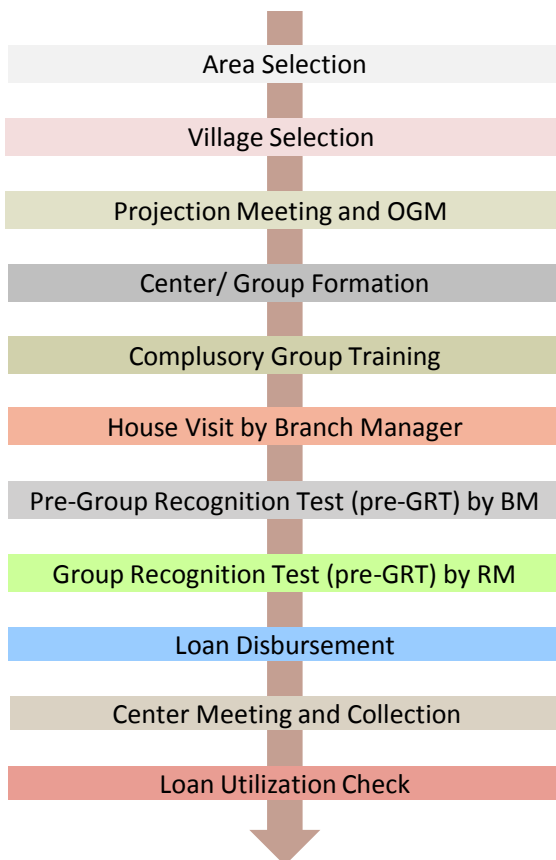
- CSO surveys villages by collecting information on number of households, literacy rate, sources of incomes, primary economic activities, financial dependency, irrigation facility, etc.
- Based on the Village Mapping Exercise, the TM decides whether to start operations in a particular village.

### Client Selection Criteria

- Clients must be low income women between 18-59 years.
- Client's household must be engaged in some income generating activity that generates regular income.
- Each client must have her own house (or of family's) and must be residing at the same place for at least three years.
- Clients must have a valid proof of Identity such as Aadhar Card, Ration Card, Voter ID card, Driving license or a certificate from Gram Pradhan / Government Official.
- Clients should be from similar social and economic strata.

# Operation's Methodology (2/3)

## Trend in Loan Cycle



CSO – Community Service Officer (Loan Officer)  
 BM – Branch Manager  
 TM – Territory Manager  
 RM – Regional Manger  
 OGM – Open General Meeting  
 CDS – Collection & Demand Sheet

### Center / Group Formation

- Upon approval of a village by TM, the CSO conducts an Open General Meeting in the village.
- CSO educates the women about SCNL and its credit programs.
- CSO asks the women to form groups and reconvene at a specified time and place.
- Each group, formed voluntarily, consists of 4 to 6 members.
- 3 to 5 such groups combine to form a Center.

### Compulsory Group Training (CGT)

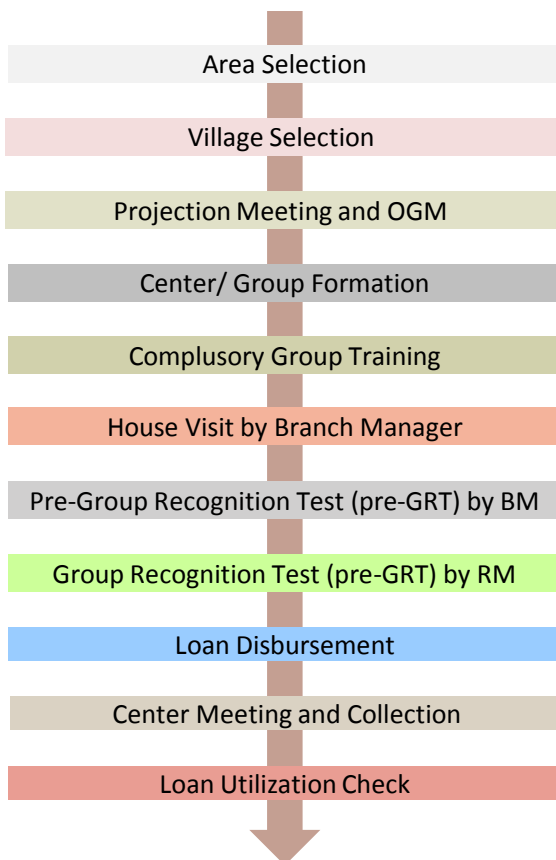
- CGT aims to develop an environment of credit discipline and to provide all members with at least basic level of financial literacy, understanding of SCNL's group lending microfinance program's rules and regulations and the clients' rights and responsibilities.
- During the CGT, a Group leader must be nominated after consulting group members and a Center Leader must be appointed from among the Group Leaders.
- A critical part of the CGT process is ensuring that Group members are willing to take joint liability of each other.
- The CSO ensure that the clients understand the discipline required for the program.
- After all center members have clearly understood the rules and regulations and Center Leaders have clearly understood their duties and responsibilities, CSOs submit Know Your Customer (KYC) forms (basic data forms) along with the blank Group Recognition Test (GRT) forms to the BM.

### Pre-GRT and GRT

- SCNL conducts Pre-GRT and GRT to ensure that all clients have understood SCNL's rules and regulations and to confirm clients' identity.
- BMs conduct Pre-GRT to verify information in the KYC Form and to ensure that all members have understood SCNL's rules and regulations. BMs must visit each client's house during pre-GRT.
- Thereafter, TMs conduct GRT to verify information in the KYC Form and to ensure that members have understood SCNL's rules and regulations. TMs visit 33% of households in each group.

# Operation's Methodology (3/3)

## Trend in Loan Cycle



CSO – Community Service Officer (Loan Officer)  
 BM – Branch Manager  
 TM – Territory Manager  
 RM – Regional Manger  
 OGM – Open General Meeting  
 CDS – Collection & Demand Sheet

### Disbursement (and approval/ rejection of loan)

- Loan proposal (application) qualifies for disbursement after necessary checks done by BM during Pre-GRT and by the TM during GRT.
- All the proposals must undergo through a credit check done by a recognized Credit Bureau (Equifax and CRIF High Mark).
- Clients are intimated about the amount sanctioned and the date of disbursement through a loan sanction letter.
- Disbursement always happens at the Branch, and in presence of at least 2 officers from the same branch.
- The Branch Manager re-iterates the entire process and discipline expected from the clients.

### Center Meeting & Collection

- Center meeting, between the JLG members, happens at a pre-decided time and venue.
- Center meeting is held at a place other than the residence of the Center Leader.
- Members are encouraged to come to the center meeting and actively participate in the conduct of the center meeting.
- Collection of installment takes place in a predefined manner, i.e., members deposit the money with the Group Leader, who in turn deposit the same with the Center Leader.
- Center Leader passes on the collection to the CSO.
- SCNL is actively engaged in migrating to a cashless environment in the days to come to mitigate the risk of cash handing.

### Loan Utilization Check

- This check is conducted within 2 installments from the date of disbursement.
- The CSO/BM/TM visits the client's place and checks the asset.
- After ensuring satisfactory utilization the concerned officer updates the same in the CDS.
- SCNL's MIS is equipped to capture the loan utilization data and produce analytical reports.

## Risk Management

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# Robust Internal Audit and Risk Management Mechanisms

## Strong Internal Audit Processes and Systems ensure high Portfolio quality

## Team Structure

### Full fledged in-house Internal Audit department

#### Team Strength

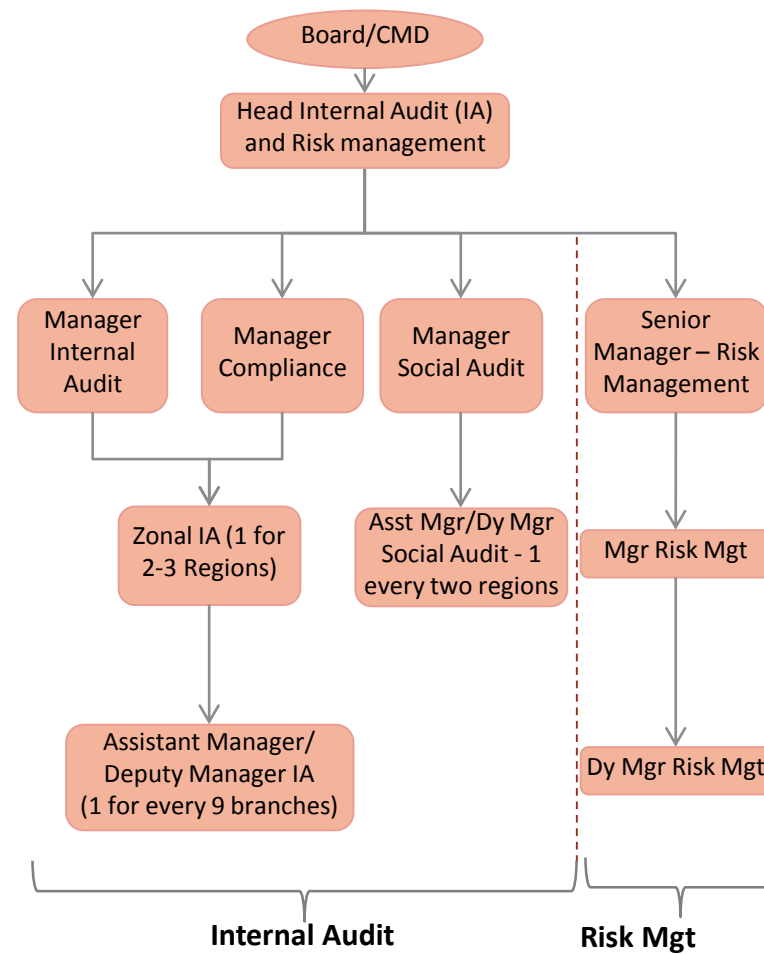
- 4 member supervisory/support team at HO and 50 member strong field team
- 1 members in Risk Management Team
- All branches are audited quarterly

#### Scope

- Branches – 431
- Branches per Internal Audit staff – 8 to 9
- Regional offices – 18

Various Audits conducted	Frequency	Process time
Branch Audit	Quarterly	7 days
Regional Office Audit	Quarterly	7 days
Social Audit	Quarterly	Along with Branch Audit
Compliance Audit	Varies depending on feedback from other audits	1 day

- Internal Audit team focuses on processes, transactions, internal controls and compliance to ensure high quality monitoring, feedback and compliance.
  - Clearly defined structures and scope for each audit team
  - Surprise checks conducted to ensure accurate ground-level monitoring
  - Regular reporting to top management and operation team
  - Strict compliance of gaps identified by audit department
- Internal audit of Small business operations outsourced to independent firm of Chartered Accountants



## Information Technology Overview

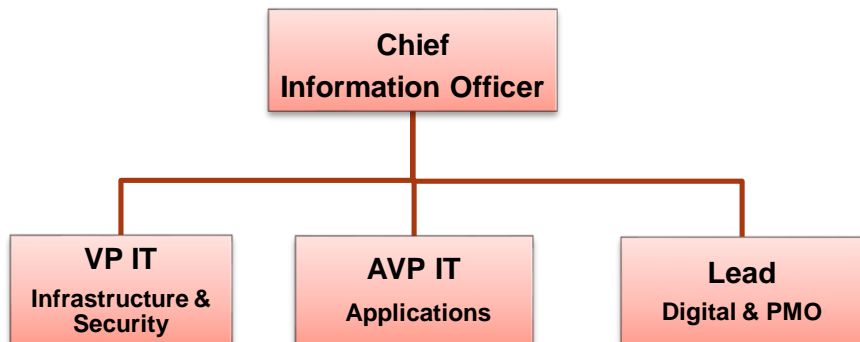
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# Scalable Business Model supported by a strong IT Infrastructure

## Information Technology Vision Statement

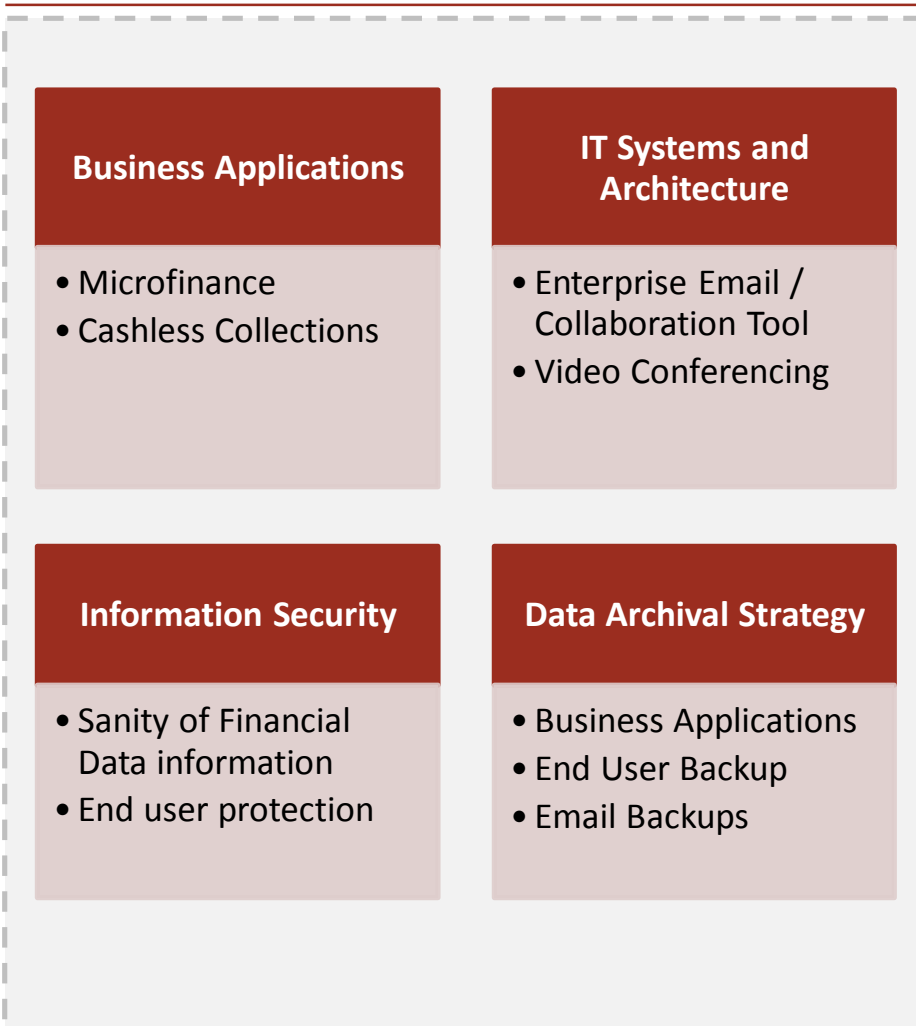
- Information Technology at SATIN is where business, innovation and technology come together to create competitive advantage. Our strategy is to deliver Robust Technology Solutions that support our organization intent to maximize their reach to financially excluded population at the bottom of the pyramid & help them enhance their livelihood.
- We have a strong team of IT business leaders with a breadth of experience across multiple business(s) & depth of expertise in areas like Application, Infrastructure, Digital / Mobility, Analytics & Information security.

## IT Leadership Structure



- We currently operate from 18 regional offices & 400+ branches across India.
- To support these business operations, our IT organization is defined as follows:
  - 1 Asst. Manager (IT) at each Region
  - 1 MIS Officer mapped for 3 branches

## Our Current Technology Footprint





# Business Applications – Custom built for SCNL’s technology needs



## Microfinance

- Core Microfinance Application for Group Lending vertical - Built by Force Ten Technologies (Kolkata) and customized for SCNL’s needs
- The software is based on SQL technology in the backend and Visual Basic (VB) in the front end.
- It is highly capable of handling SCNL’s accounting, reporting, and monitoring demands
- There are 2 primary modules, one for Branch operations and another for Territory/Region/Head Office consolidation.
- Front-end data entry takes place in Regional Offices while the majority of report generation occurs in the Region and Head Office.
- SCNL’s accounting system is embedded within the MIS.
- The software has the capacity to track every client, group, center, branch, territory, region, zone and the Company in its entirety.

## Cashless Collections

- In partnership with ITz Cash, SCNL is moving towards cashless transactions for both disbursement and collections from centres through closed loop prepaid cards.
- This project brings in improved efficiency, mitigates operational risk, and helps strengthen the partnership with Banks;
- It also generates financial literacy amongst Satin’s client base.

## Business Outlook

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# Guidance for FY17

*Satin's mission is to provide easy, doorstep services to India's urban and rural poor, specifically those who lack access to funds from any other financial institution at affordable rates in order to support productive activities.*

<i>All figures in INR Mn</i>	<b>FY16 Actual</b>	<b>FY17 Guidance</b>
Fund Requirement	35,307	50,000
Disbursement	36,061	55,000
Gross Loan Portfolio	32,708	50,000
Profit After Tax	579	1,000

## Future Growth Plans:

- **SME:** Started SME Loan product in April 2016 with ticket size in the range of ₹1.0 to 10.0 Lakh
- **IML:** Higher ticket size loans, in the range of ₹50,000 to ₹100,000 to our JLG borrowers with good repayment track record
- **Product Financing:** Looking at additional products which will enhance the lives of our borrowers

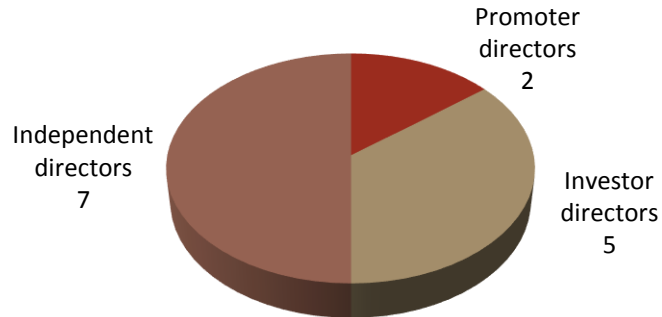
## **Corporate Governance & Management Team**

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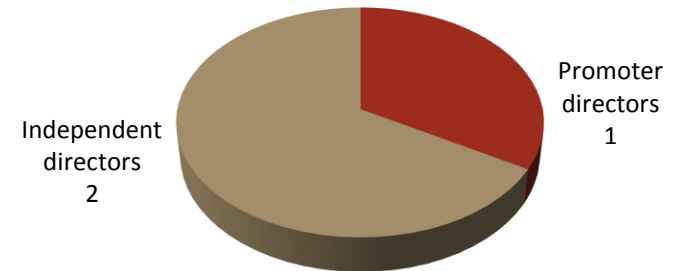
# Strong Corporate Governance and Internal Audit Mechanisms in Place

## Adequate Safeguards for protecting interests of minority shareholders

### Board of Directors

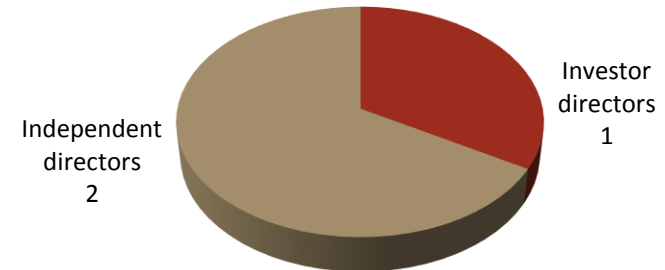


### Audit Committee



- Representatives of Investors and Independent directors form 85.71% of the board
- Audit committee and the Compensation committee (which looks at ESOPs/ Stock options etc payable to employees) has majority of independent directors
- Nomination and Remuneration Committee has majority of its members which are independent directors

### Compensation Committee



# Experienced Management Team

## H P Singh, Chairman, MD & Promoter



- >25 years of experience in microfinance; Pioneered the unique concept of daily collection of repayments of loans
- Experience in the field of auditing, accounts, project financing, microfinance, advisory services and company law matters
- A fellow of The Institute of Chartered Accountants of India since 1984; Participated in Harvard Business School's Accion program and a leadership program at Wharton Business School

## Jugal Kataria, Chief Financial Officer



- CFO of Satin since 2000
- 25 years of experience as CA and Company secretary
- Graduate from Shree Ram College of Commerce, a Cost Accountant, Chartered Accountant and Company Secretary

apollo



## Sandeep Lohani, Chief Strategy Officer



- Over 15 years in financial inclusion, retail financial services, impact investing, business strategy and general management
- MBA from Jamnalal Bajaj Institute of Management Studies, Mumbai and Executive Leadership Program in microfinance from Harvard Business School.



## Vivek Tiwari, Chief Operating Officer



- 13 years of experience in Microfinance and Development Sector
- Postgraduate degree in Rural Development and Management from the Institute of Engineering and Rural Technology, Allahabad



## Sanjay Mahajan, Chief Information Officer



- Over 25 years of versatile experience in Information Technology across globe.
- Master in Computer Application and a post-graduate in Mathematics from Punjab University, Chandigarh

Bata



Gillette

## Subir Roy Chowdhury, Head - Human Resource &

### Organizational Development



- 17 years of experience in Human Resource Management
- Postgraduate degree in Human Resource Management from IISWBM- Kolkata and B.Com from Calcutta University



# Highly Diversified and Experienced Board



## **Satvinder Singh, Director**

- Has extensive consumer marketing and finance experience and has developed new methods of credit appraisal and marketing
- Is a management graduate



## **Davis Golding, Investor Director, ShoreCap II Limited**

- Over 30 years experience in international finance, banking, and mergers and acquisitions
- Holds a B.A. in Business Administration from Duke University, Durham, North Carolina



## **Kasper Svarrer, Investor Director, Danish Microfinance Partners K/S**

- Over 15 years of experience – Has worked with Maj Invest Equity, The Investment Fund for Developing Countries (IFU) and The World Bank
- Holds an MSc in Forestry and an Executive MBA from Henley Business School, Reading University, UK



## **Richard B. Butler, Investor Director, MV Mauritius Limited**

- Served for 30 years at various international financial service entities
- A graduate in Development Economics & Middle Eastern History from Georgetown University & a post graduate studies in Agriculture Economics at the University of Minnesota



## **Arthur Sletteberg, Investor Director, M/S NMI FUND III KS**

- MD at Norwegian Microfinance Initiative (NMI) AS
- Earlier worked as Executive Vice President Ferd AS-Norway's largest family office.



## **Suramya Gupta, Investor Director, SBI FMO Fund**

- Director in the Asian Private Equity Investments business and heads the India business for SBI Holdings
- Has previously worked with Merrill Lynch, Stern Stewart and ICICI Ltd
- Mechanical Engineering Graduate from Delhi College of Engineering and holds an MBA in Finance and Strategy from IIM Lucknow.



## **Rakesh Sachdeva, Independent Director**

- Actively involved in evaluating the company's macro issues
- Is a Fellow of the Institute of Chartered Accountants of India



## **Sundeep Kumar Mehta, Independent Director**

- Over 14 years of experience
- Served at RKJ group, Escorts Ltd, Panacea Biotech, Bata India Ltd, and Eicher Good Earth
- PGDM and a Science graduate



## **Sangeeta Khorana, Independent Director**

- Over 15 years of experience in civil services with Indian Government
- Doctorate from University of St. Gallen in Switzerland, Masters' degrees from University of Berne, Switzerland
- Published several international journals and books



## **Sanjay Bhatia, Independent Director**

- Over 28 years of experience; a Fellow Chartered Accountant
- Head – Sales at Antara Senior Living Limited
- Has provided consultancy on Income Tax, Corporate Tax and corporate law matters to various leading organizations



## **Colin Goh, Independent Director**

- MBA in International Management from University of Technology and training in Economics & Finance from Curtin University of Technology
- Strategic Business Advisor to M/S Project Innovations Pte Ltd



## **S. S. Chawla, Independent Director**

- Served in the Lok Sabha Secretariat for 32 years most recently as Deputy Secretary
- Has been associated with Satin since March 2003



## **Anil Kumar Kalra, Independent Director**

- Over 30 years of experience in Banking & Financial Services.
- Holds an MBA in Finance from Delhi University

## **CSR & Social Performance Management (SPM)**

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# Recent CSR & SPM Initiatives

## Social Performance Management Initiatives

- Organized various campaigns to increase the “Financial Literacy” with focus on MFIs & their working, usage of borrowed funds, avoidance of over-indebtedness, etc. – Apr 2015 to Mar 2016
- Undertook an Anti-Drug and Alcohol Abuse Campaign (Ludhiana ) – Jan 2015
- Celebrated the “Save the Girl Child Day” by creating awareness (Punjab, Haryana And J&K) – Dec 2014
- Organized Eye Camps for the benefit of clients at Burari (Hapur Region) – May 2014, Jul 2014, Oct 2014
- Organized an open Eye Camp for clients & their families at Burari on “World Sight Day” – Oct 2014
- Organized a “J&K Relief Camp” to help the Flood Victims (550 beneficiaries) – Sep 2014
- Organized a “Hand Wash Drive” in 1623 villages – July/Aug 2014
- Celebrated “World Environment day” by encouraging Kitchen Garden – Jun 2014
- Organized an awareness camp on “World No Tobacco Day” – May 2014
- Organized health awareness campaign on “World Health Day” – April 2014



## Contribution to various CSR projects undertaken by independent implementing agencies

Year	CSR project	Name Of implementing Agency
FY15	“Improving Dhokara craft Artisan Livelihood opportunity”	World Act NGO
FY15	Primary Health care on wheels and comprehensive free medical health camps in Uttarakhand, MP & Raasthan	Daya Memorial Charitable Trust
FY16	“Because we care” - To provide free of cost Medical consultancy and Medicines to economically weaker section patients	Maharaja Agrasen Charitable Trust

## Microfinance Industry & Regulatory Scenario

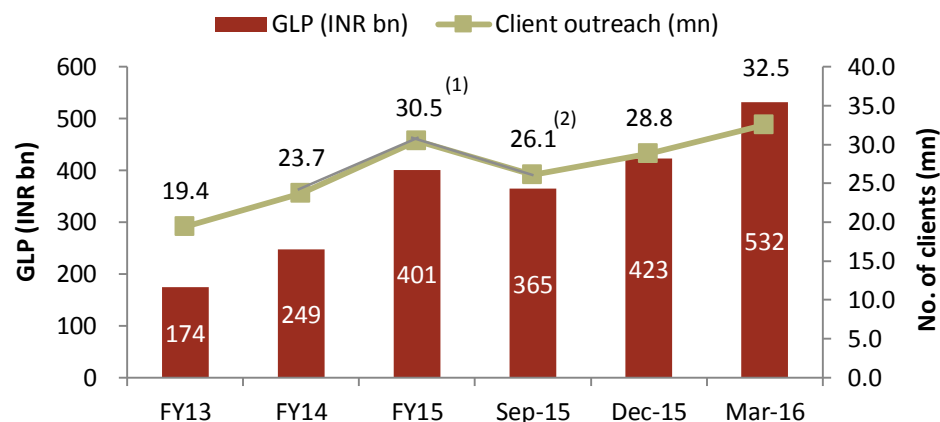
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# Microfinance – The Largest BoP Financial Services Sub-Sector

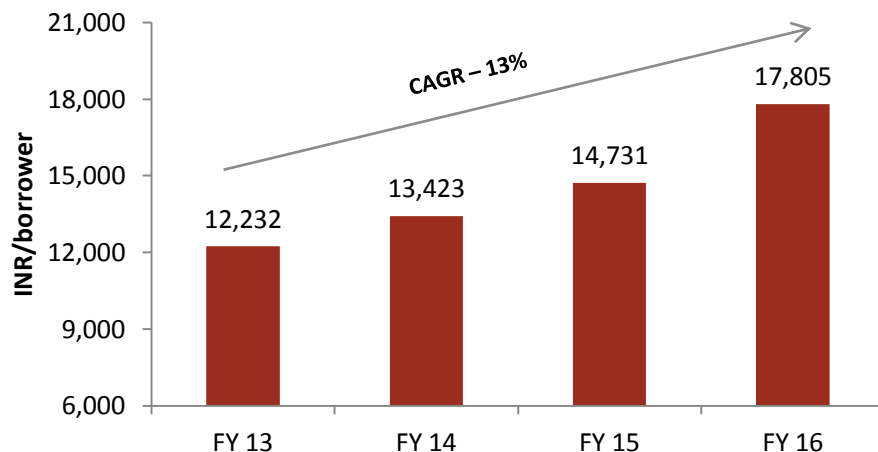
## Industry Snapshot

- India is one of the most active MFI markets in the world
- The Indian MFI industry has 32.5mn borrowers and an Outstanding Gross Loan Portfolio of INR 532bn
- Presence across 30 states/union territories with a total of 9,669 branches and employed 87,402 people (Mar 16)
- Yet, it is highly underpenetrated with a potential of over INR 2.5 trillion

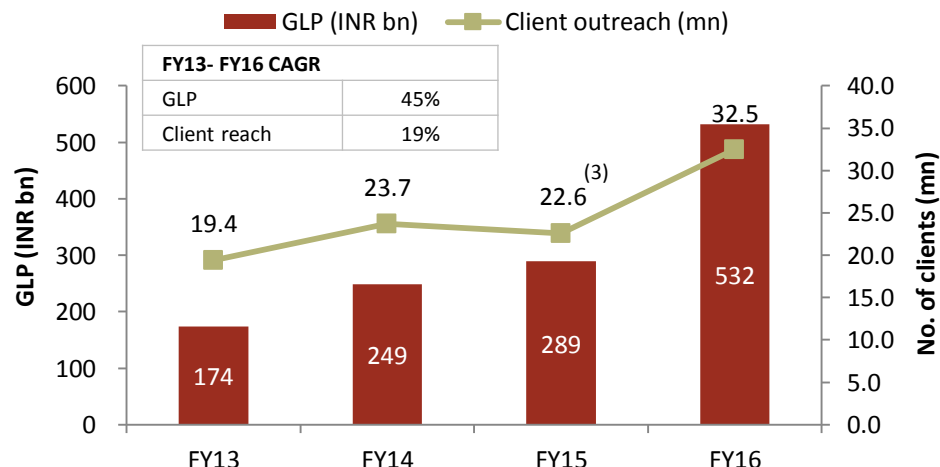
## On a strong growth trajectory even as some MFIs convert to banks



## Increasing Average Ticket Size (INR/borrower)



## Sector has seen high growth in loan portfolio and client reach



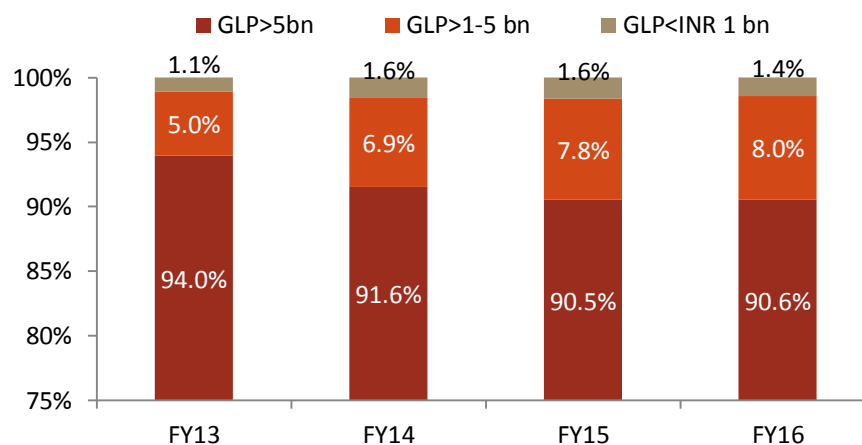
1) Includes Bandhan; From Q3 CY15 onwards, Bandhan has become a bank.; 2) Industry size further expected to decline with 8 MFIs in process of becoming Small Finance Banks; 3) Comparable statistics for FY15 excluding Bandhan; Source: MFIN

# Consolidation around Top Players

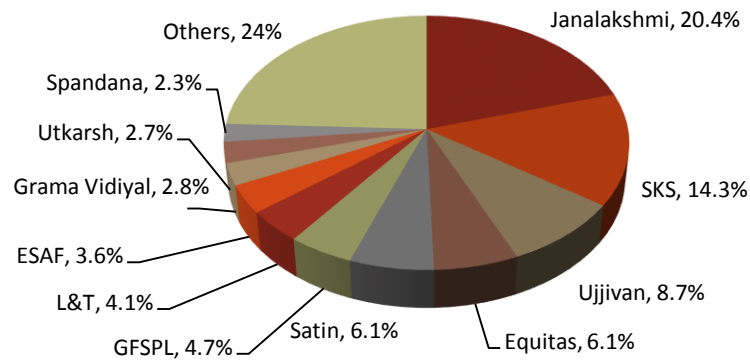
## RBI Regulations Indirectly Favor Stronger MFIs

- RBI prescribed that one borrower can borrow from a maximum of two MFIs, which acts as a high entry barrier
  - Large portion of the easy-to-reach borrowers already tapped
  - Incremental acquisitions require significant investments
- Interest margin capped
  - MFIs have to restrict their operating expenses to make reasonable returns thereby restricting their ability to acquire new customers
- Incumbent players have gained market share at expense of weaker players
- Top 10 MFIs have contributed to ~70% of the incremental disbursement during FY16

## Large MFIs make up bulk of the industry\*



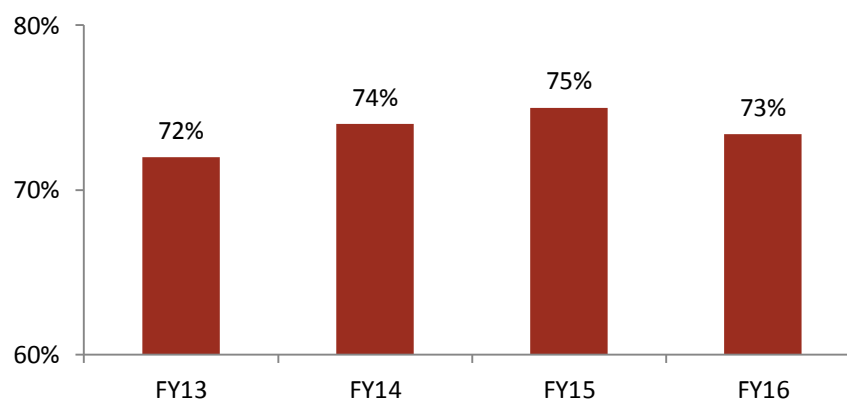
## Market share of Major Players – In terms of GLP (Mar 16)



Source: MFN, Company.

Note – From Q3 CY15 onwards, Bandhan has become a bank

## Market Share of Top 10 players\*



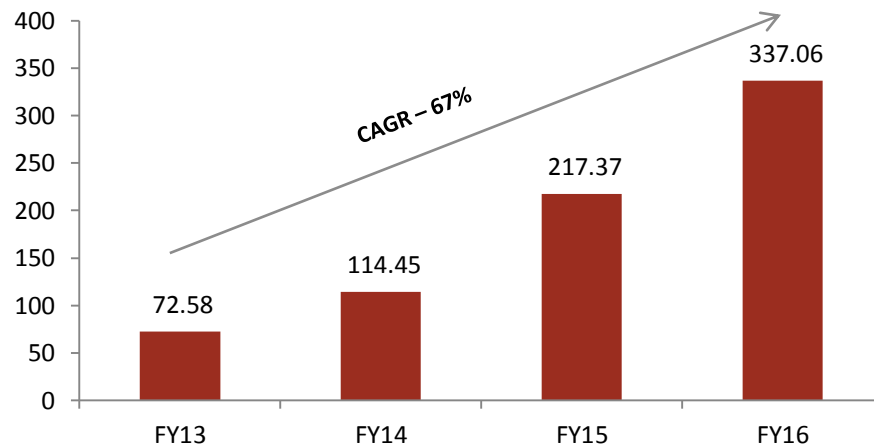
\*On the basis of GLP

# Lenders Have Turned Optimistic

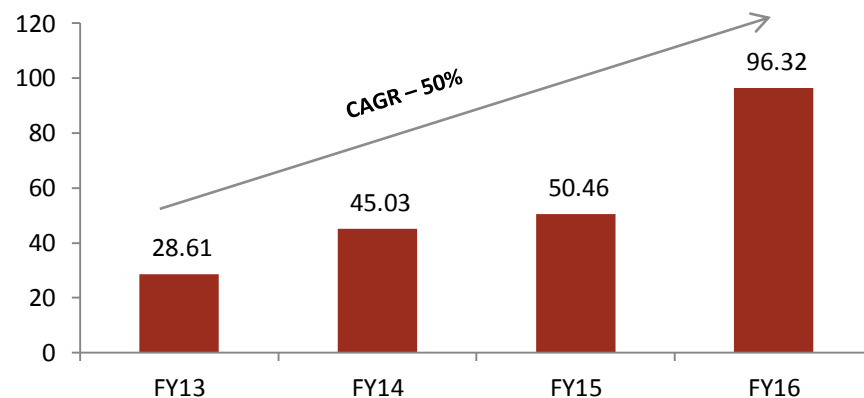
## Higher debt funding

- Banks have shown greater confidence in the sector and have increased their funding to MFIs
  - MFI continues to enjoy Priority Sector status
  - Greater monitoring and regulations from RBI
  - Greater transparency, standardized processes and streamlining of operations have resulted in greater comfort to banks
- Securitization also on a rise
  - Securitization also has Priority Sector benefits
  - Institutional investors investing through securitization transactions
  - Structured lending – ADB guaranteed lending by Ratnakar Bank
- Industry diversifying its liability profile by raising funds through NCD, Preference shares, ECB, Securitization/assignment, CBO. New category of investors looking at the sector including Mezzanine Funds

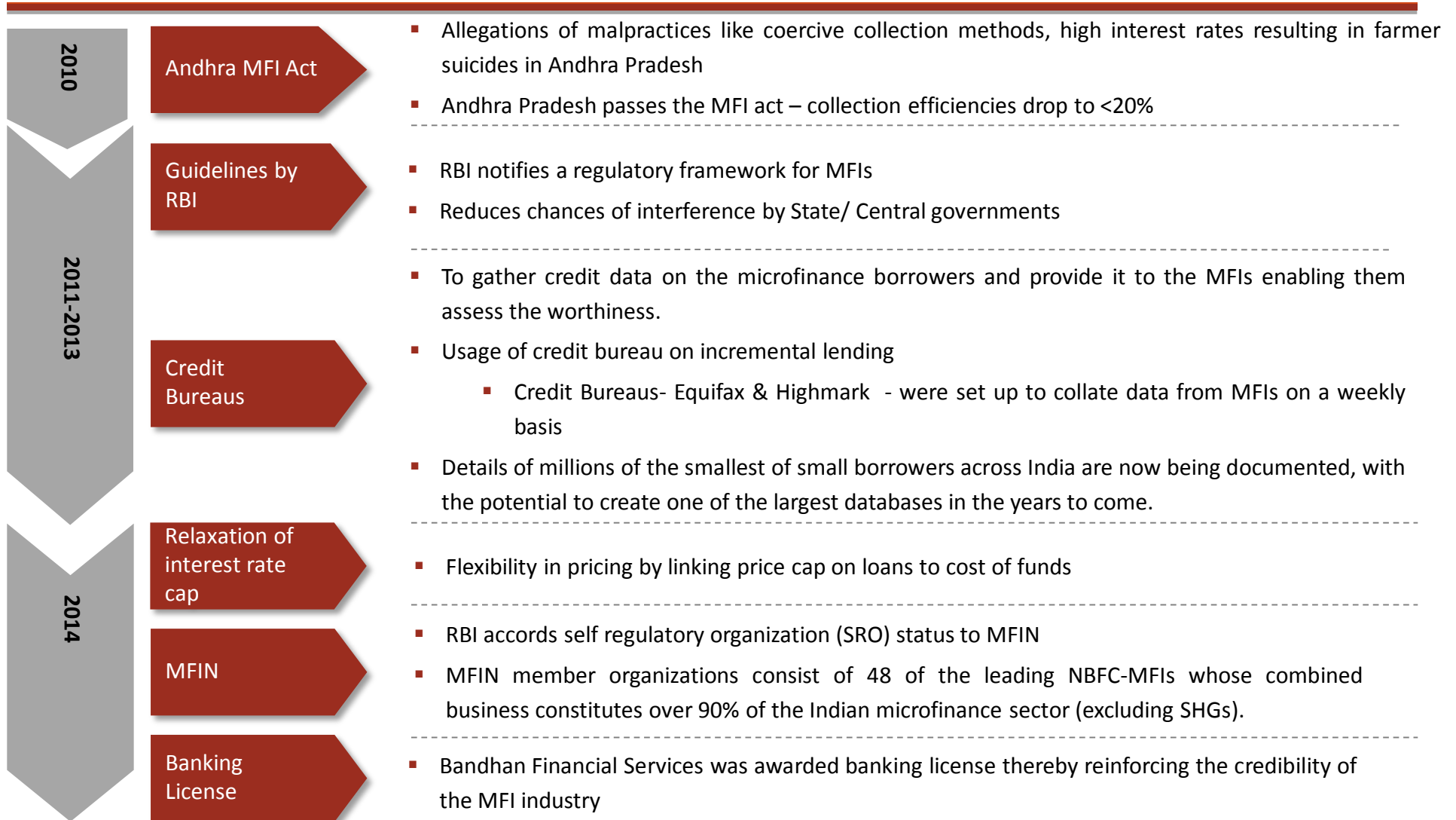
## Debt funding during the period (INR bn)



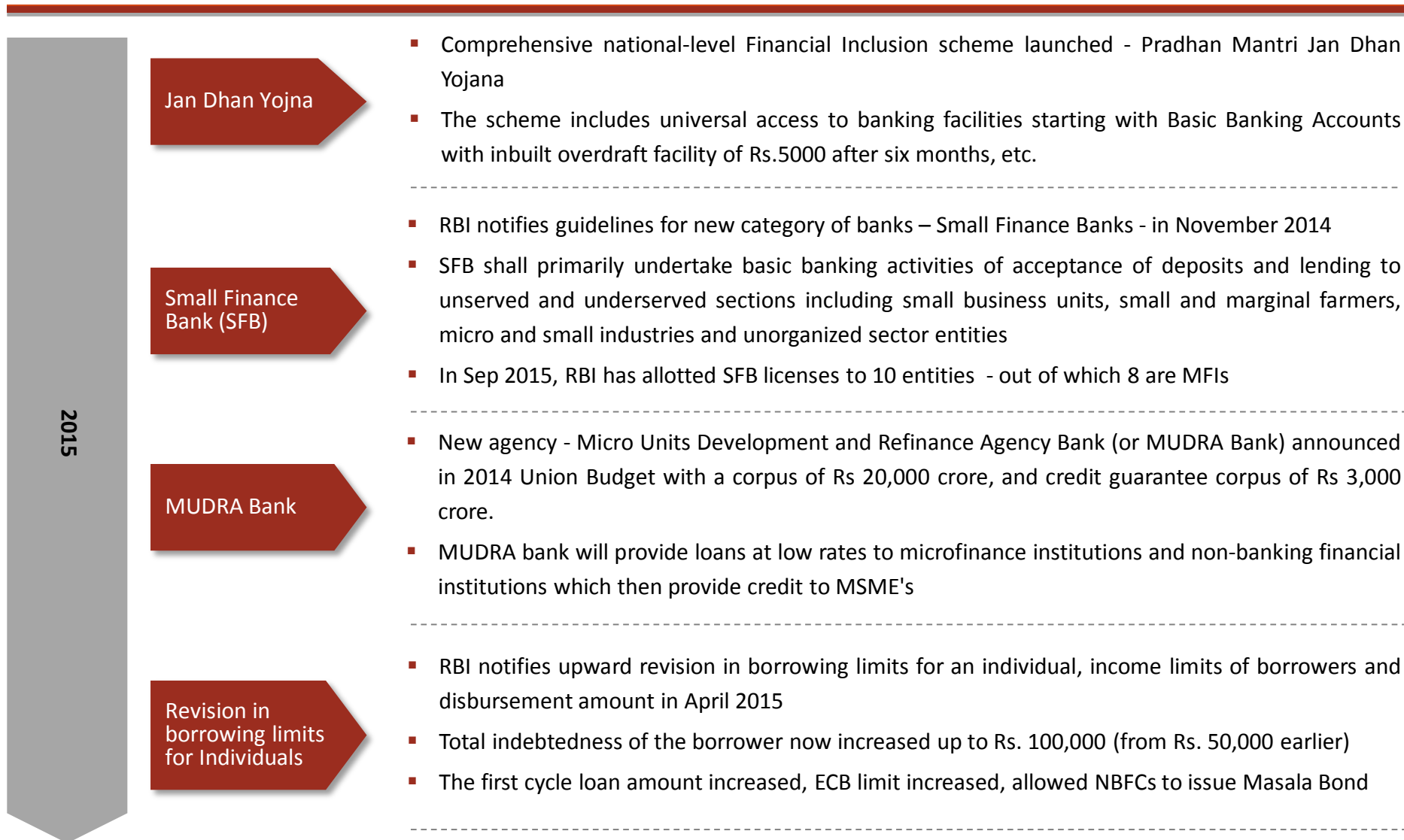
## Securitization during the period (INR bn)



# Regulatory Tailwind Driving Industry Forward



# Regulatory Tailwind Driving Industry Forward



# Grant of Small Finance Bank Licenses Has Received Mixed Reactions in the Industry



- ☺ Access to lower cost of funds by mobilizing deposits from customers (No limit on amount of deposits)
- ☺ No restriction on size of loan to a single borrower. However, SFB needs to ensure that 50% of loan portfolio constitutes of advances of up to Rs. 25 lakhs
- ☺ Expansion in scope of services with higher gamut of financial services (e.g., distribution of mutual funds, insurance products, pension products, etc.)
- ☺ Lower political interference in a banking framework (as compared to MFI's)
- ☺ Can eventually apply to RBI to transit into Universal Banks once there is established a satisfactory track record

- ☹ Stringent regulatory requirement and prudential norms, including
  - Requirement to extend 75% of Adjusted Net Bank Credit to PSL (much higher % than that for Scheduled Commercial Banks)
  - Cash Reserve Ratio and Statutory Liquidity Reserve requirements
- ☹ Stress on availability of easy funding from banks as loans extended to SFBs would not be eligible for classification as 'priority sector', leading to higher cost of funds till the time customer deposit base increases
- ☹ Higher regulatory compliance costs
- ☹ Listing requirement within 3 years of commencement of operations
- ☹ Uncertainty over feasibility and profitability due to lack of precedence



# Contact Information

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*For any queries, please contact:*

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**Thank You**