

# SATIN CREDITCARE NETWORK LIMITED



## INVESTOR PRESENTATION

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**SEP 2016**

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



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## Corporate Overview

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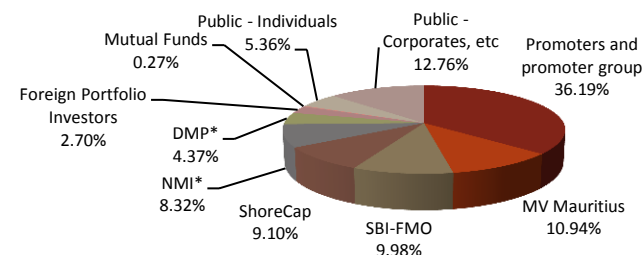
# Company Overview



- Satin Creditcare Network Ltd. ('Satin' or 'SCNL') was India's fifth largest Microfinance Institution (MFI) in terms of Gross Loan Portfolio (Mar'16)<sup>#</sup> with a strong presence in North India
- Satin had 458 branches spread across 16 states, as of Jun'16
- Listed on CSE\* (May'15), NSE (Aug'15) and BSE (Oct'15)
- Led by Mr. H P Singh, who has experience of over 25 years in retail finance industry; and supported by an experienced management team
- Offers a comprehensive bouquet of financial products focused on financial inclusion - **MFI Segment** (consisting of lending under Joint Liability Group model, loans to individual businesses, Individual Micro Loan, product financing, loans for water and sanitation) and **Non-MFI Segment** (consisting of loans to MSMEs, services including sourcing clients for low ticket loan-against-property, and business correspondent services and similar services to other financial institutions - through its recently acquired subsidiary - Taraashna Services Pvt. Ltd.)
- Has 4,591 employees, 458 branches and ~2.02 million active clients\*\* as on Jun'16
- Satin has strong presence in under-penetrated regions of Uttar Pradesh, Bihar, MP, Punjab and Uttarakhand
- Relationship with a large number of lenders including banks, domestic and foreign Financial Institutions (FIs) and Development Financial Institutions (DFIs)
- Multiple rounds of fund infusion from six PE investors and complete exit to three investors
- Promoter and promoter group continues to be the largest shareholder in the company, having invested at regular intervals
- Track record of robust financial performance with high loan book growth, impressive RoE and lowest operating expense ratio among top MFIs<sup>#</sup>
- Credit rating of BBB+ (CARE); MFI grading of MFI 1 (CARE). In Jul'16, received "Client Protection Certificate" under the Smart Campaign – 2016 from M-CRIL
- High focus on strengthening IT and risk management systems through enhanced technological initiatives, including moving towards cashless collections; During Jun'16, cashless collections accounted for 10.90% of total collections made by Satin

\*Calcutta Stock Exchange; \*\*Active clients refer to unique number of Satin's clients and not to number of loan accounts as on a date, since in some cases, a single client has availed more than one offering from Satin

## Shareholding Pattern – June 30, 2016



\*DMP – Danish Microfinance Partner; NMI – Norwegian Microfinance Initiative

## Share Price Performance

Particulars	Sep 7, 2016
Share price movement since listing <sup>(1)</sup>	6.48x
CMP (Rs.) <sup>(1)</sup>	602.00
No. of shares o/s (mn)	31.95
M.Cap <sup>(1)</sup>	19,234.72
ADTV (3 months) – Rs. Mn	261.56
ADTV (3 months) - No. of shares	483,437

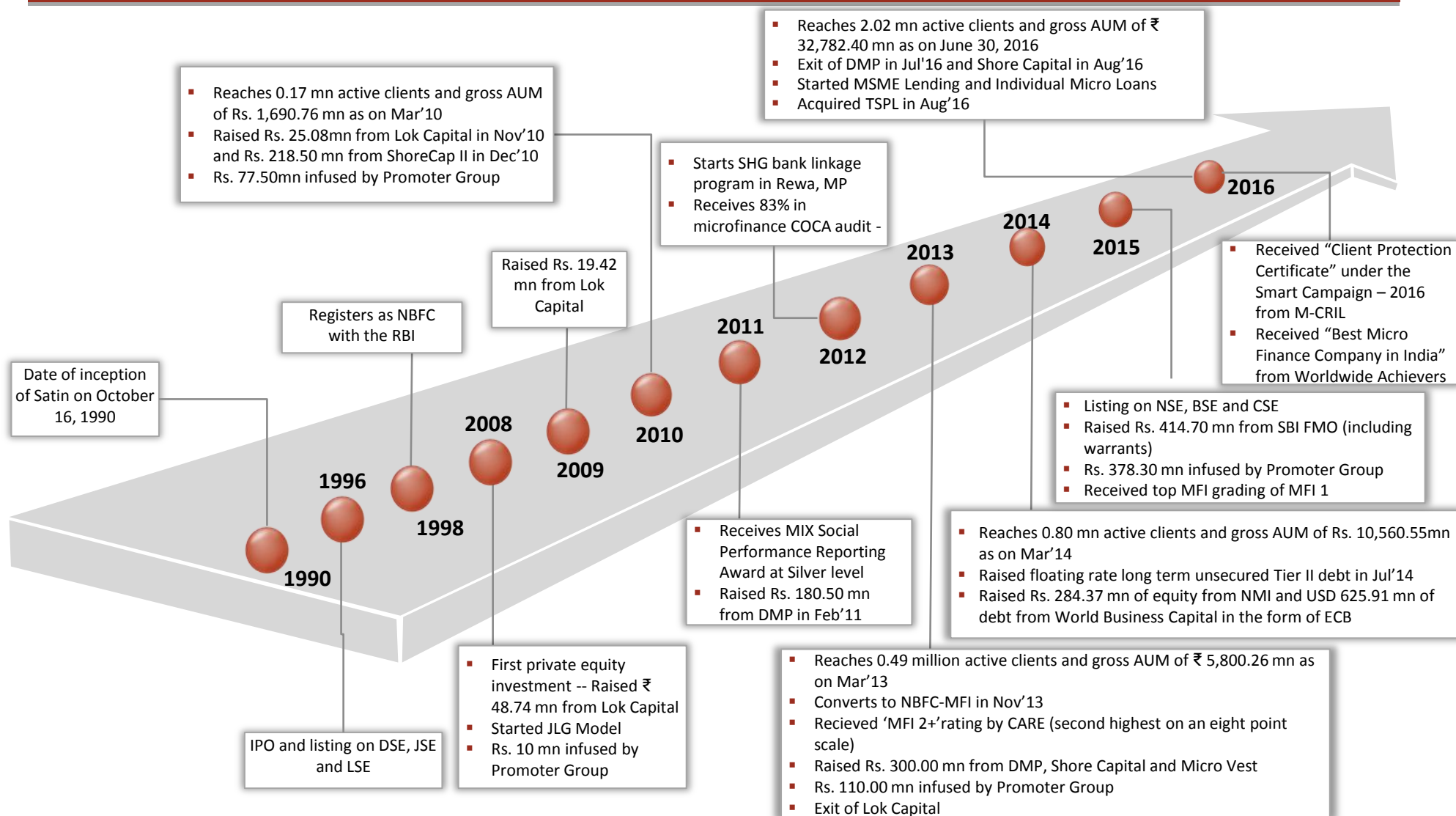
(1) Source – NSE; (2) Source – NSE, BSE

## Financials

Rs. mn	FY14A	FY15A	FY16A	Q1 FY17A
Equity <sup>(1)</sup>	1,384.40	1,934.85	3,240.06	3,441.23
Gross AUM/ Gross Loan Portfolio <sup>(2)</sup>	10,560.55	21,406.50	32,707.60	32,782.40
On-book AUM	7,848.30	14,644.77	22,747.24	24,087.09
Off-book AUM	2,712.25	6,761.73	9,960.36	8,695.31
Total Debt	9,086.43	16,300.66	27,483.17	29,221.27
Net Interest Income <sup>(3)</sup>	855.78	1,466.66	2,686.63	992.85
PAT	155.58	317.16	579.41	245.89
PAT (post Pref Dividend)	154.82	308.25	573.52	245.89
Return on Avg. Assets (RoA) <sup>(4)</sup>	1.67%	2.03%	2.18%	NM
Return on Avg. Equity (RoE) <sup>(5)</sup>	11.81%	18.57%	22.17%	NM
Cost to Income (%) <sup>(6)</sup>	62.01%	61.57%	59.49%	57.98%
CAR (%)	15.31%	15.67%	16.82%	17.87%

(1) Includes equity share capital, share warrants and reserves and surplus; (2) Including off-book AUM; (3) Represents total income less interest expense; (4) RoA represents ratio of PAT to the Average Total Assets; (5) RoE represents PAT (post Preference Dividend) to the Average Equity (i.e., networth excluding preference share capital); (6) All expenses including depreciation and excluding credit cost and int. exp / (Total Income less Int exp).

# Key Milestones

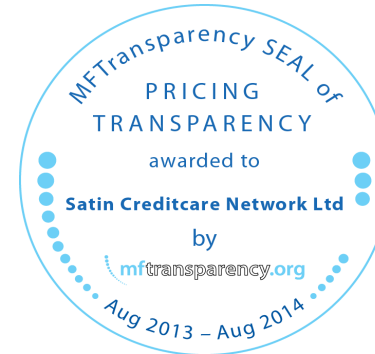


# Select Accolades & Key Highlights



- Received “Client Protection Certificate” under the Smart Campaign – 2016 from M-CRIL
- Received certificate for being the ‘Best Micro Finance Company in India’ from Worldwide Achievers at the Business Leaders’ Summit and Awards, 2016
- Received “India Iconic Name in Microfinance” Award-2015 from IIBA
- Special Jury Award 2015 for serving MSME’s from CIMSME
- First MFI to receive funding from Mudra Bank
- Raised multiple rounds of sub debt from reputed financial institutions (domestic and international) and ECB from World Business Capital
- First NBFC-MFI to raise funds from a domestic bank against guarantee by Asian Development Bank and IFMR Capital

Award by  
MF Transparency Organization



Client Protection Certificate  
Smart Campaign - 2016



Award by Microfinance Information Exchange



# Product Portfolio

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# Product Portfolio - Diversification Underway



## MFI Lending

- Started operations in 1990 with an objective to provide 'doorstep' credit and savings services to individual businesses engaged in productive, trading and services activities in urban areas; gradually forayed into semi-urban and rural areas also
- Started the Joint Lending Group (JLG) model in May'08 which is based on the 'Grameen Model' for providing collateral free, micro credit facilities to economically active women in both rural and semi-urban areas
- JLG portfolio accounted for more than 98% of total loan portfolio as of Jun'16
- Presence across 16 states and Union Territories – Strong position in states like UP, Bihar, MP, Punjab and Uttarakhand
- Total Gross Loan Portfolio (GLP) under MFI Lending has grown at a CAGR of 75.68% p.a. during FY14 – FY16 and has reached Rs. 32,669.54 mn (Jun'16) while maintaining high asset quality
- Active client base as on Jun'16 was ~2.02mn has grown at a CAGR of 52.42% over FY14-FY16
- Also, in FY16, Satin piloted a new offering - loans for development of water connection and sanitation facilities in certain states to Satin's existing clients

## New Initiatives – Product Financing; Individual Micro Loans; MSME Financing

- **Product Financing (Part of Satin's MFI Segment)**
  - Loan product for financing Solar Lamps was started in Oct'15, in semi-urban and rural areas of UP, Bihar and Haryana
  - Existing clients of Satin can avail this loan with a tenor of 9 to 12 months
  - The business has 205,300 loan accounts and gross loan portfolio of Rs. 70.46 mn as on Jun'16
- **Individual Micro Loans (IML), started piloting in fiscal 2016 (Part of Satin's MFI Segment)**
  - Loan product for clients who have a credit track record with Satin and in particular such clients who have successfully completed atleast one loan cycle under the JLG model
  - Loans for business expansion and revenue generating activities
  - The ticket size of IMLs will range between Rs. 50,000 to Rs. 100,000 with a tenure ranging from 24 to 48 months depending upon the loan amount, and the interest rates charged will be up to 24.00%.
- **MSME financing (Part of Non – MFI Segment), started in fiscal 2017**
  - Loan product for traders, small manufacturers and service providers for expansion of business activity and for working capital requirements
  - The business has been launched in Delhi NCR as of Apr'16, with plans to start operations in other cities
  - Portfolio stood at Rs. 42.40 mn as of Jun'16.

# Product Portfolio – Details



	MFI Segment <sup>(1)</sup>		Non-MFI Segment <sup>(2)</sup>
<i>Product features as on Jun'16</i>	MFI Lending	Product Financing (Loan for Solar lamps)	Loans to MSME <sup>(3)</sup>
<b>Start Date</b>	May'08 (JLG)	Oct'15	Apr '16
<b>Ticket Size Range</b>	Rs. 5,000 – Rs. 50,000	Rs. 695	Rs. 100,000 – Rs. 1,000,000
<b>Tenure</b>	12 - 24 months	9 - 12 months	24 – 60 months
<b>Frequency of Collection</b>	Bi-Weekly / 2 Bi-Weekly	Bi-Weekly / 2 Bi-Weekly	Monthly
<b>No. of States/UTs</b>	16	3	1
<b>Gross Loan Portfolio (Rs. Mn)</b>	32,669.54	70.46	42.40
<b>No. of loan accounts</b>	2,066,512	205,300	60
<b>Avg. Ticket Size during Q1 FY17</b>	Rs. 25,000 (JLG)	Rs. 695	Rs. 0.72 mn
<b>Interest Rate range % p.a. (during Q1 FY17)</b>	22.00% -25.70%*	22.00% – 23.50%	21.00% -24.00%

**Notes** - (1) As on Jun'16, MFI Segment included MFI Lending (loans under JLG model, water & sanitation loans and loans to individual businesses) and Product Financing (Loans for solar lamps). Going forward, MFI Segment will also include individual micro loans (please see slide 8 for details) disbursement for which was started after Jun'16; (2) Other service offerings have been discussed in subsequent slide; (3) MSME: Micro, Small & Medium Enterprises

\* This is the maximum interest rate subject to change

# Product Portfolio – Other Service Offerings



## Loan Against Property (LAP)

- Have entered into an agreement with Reliance Capital Limited (“RCL”) in Dec’13 to provide certain services to RCL for providing loans against property (“LAP”) with a view to leverage on our rural reach
- Under the arrangement, Satin sources clients for RCL in Delhi NCR region, who need financing against residential/commercial property for productive purposes
- Other services include carrying out KYC procedures, address verification, credit appraisal, assistance in security creation and follow-up for recovery.
- The loan is directly booked to RCL and Satin earns a fee equivalent to the interest over and above 15% per annum and 50% of the processing fee charged from the client by RCL.
- The credit risk shifts from RCL to Satin in case there is a delay in loan repayment by the client and loan becomes overdue for more than 90 days.

## Business Correspondent services and other similar services

- Satin has recently acquired majority stake in TSPL which acts as a business correspondent for various banks and provides similar services to other financial institutions in rural and semi-urban areas which have limited access to banking network
- TSPL has partnered with four private sector banks and two NBFCs, including RBL, DCB, IFMR and IndusInd
- Offers both microfinance and small business loans in rural and semi-urban areas
- Have been providing loans both under JLG as well as Self Help Group (SHG) models; Recently from Apr’16 onwards, TSPL has discontinued operations under SHG model
- TSPL had 112 branches across MP, Gujarat, Bihar, Rajasthan, Chhattisgarh and Maharashtra and provided services in respect of gross loans aggregating to Rs. 3,457.59 million as on Mar’16
- TSPL has also commenced providing BC services for secured loans to small businesses

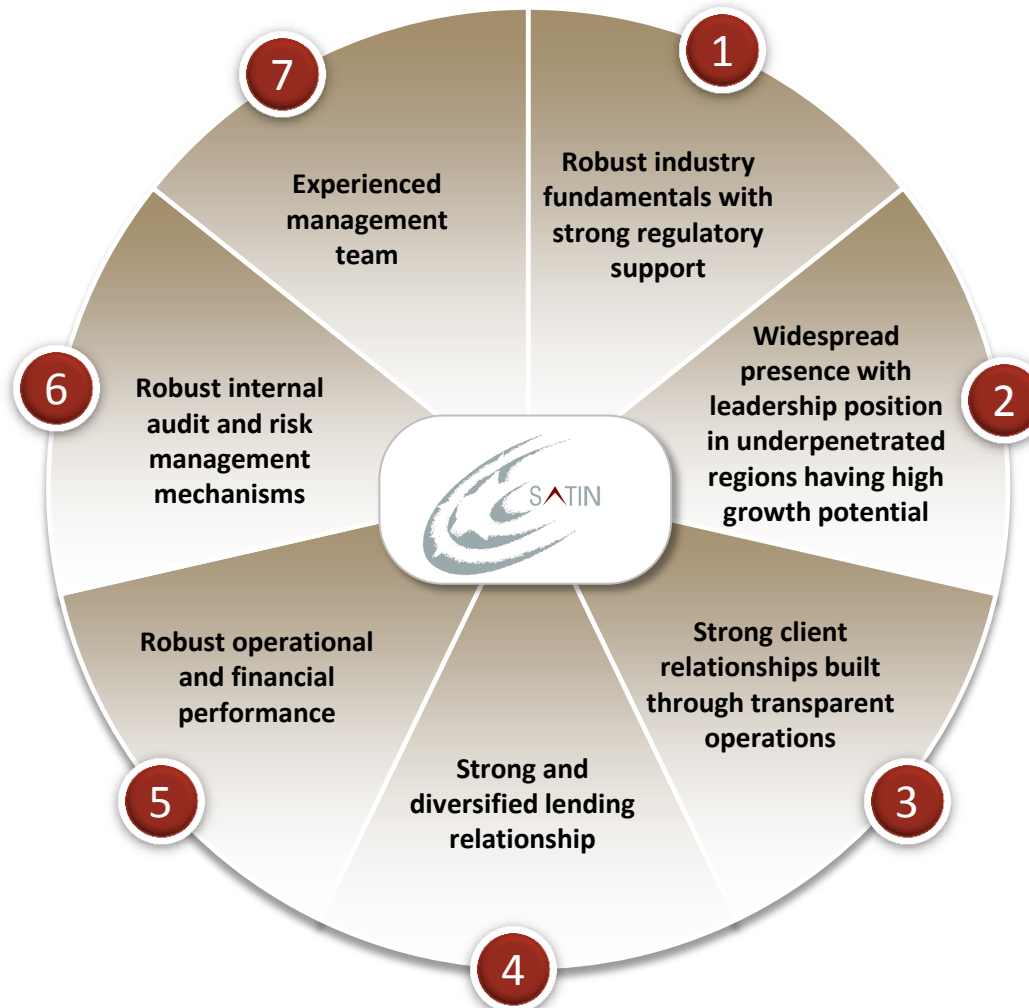
TSPL - Key details	FY14	FY15	FY16
Networth (Rs. Mn)	70.02	122.15	177.13
Total borrowings (Rs. Mn)	-	11.31	23.09
Total assets (Rs. Mn)	200.15	259.45	380.08
Total income (Rs. Mn)	51.88	215.60	322.65
Profit/(loss) after tax (Rs. Mn)	6.54	24.36	5.25
Amount of loans sourced (Rs. Mn)	1,271.12	2,880.26	3,723.34
No. of loans disbursed	66,072	147,492	185,792
Managed loan portfolio (Rs. Mn)	1,157.92	2,602.93	3,457.59
No. of borrowers sourced	77,817	194,227	277,355
No. of branches	42	69	112
No. of states of operation	3	4	6

Note –TSPL used to share 10% of its gross receipts with Satin till Jul’16 as per an agreement.

## Key Investment Thesis

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# Key Investment Thesis

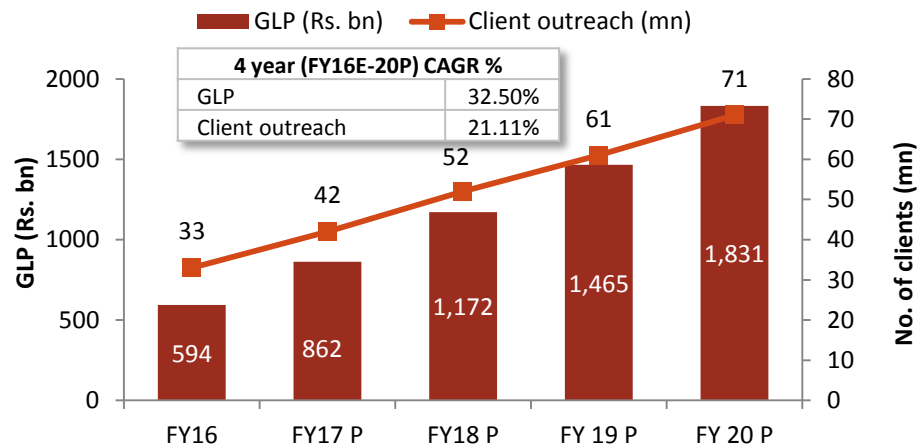


# Microfinance – Supportive Industry Dynamics and Robust Fundamentals; Strong Growth to Continue

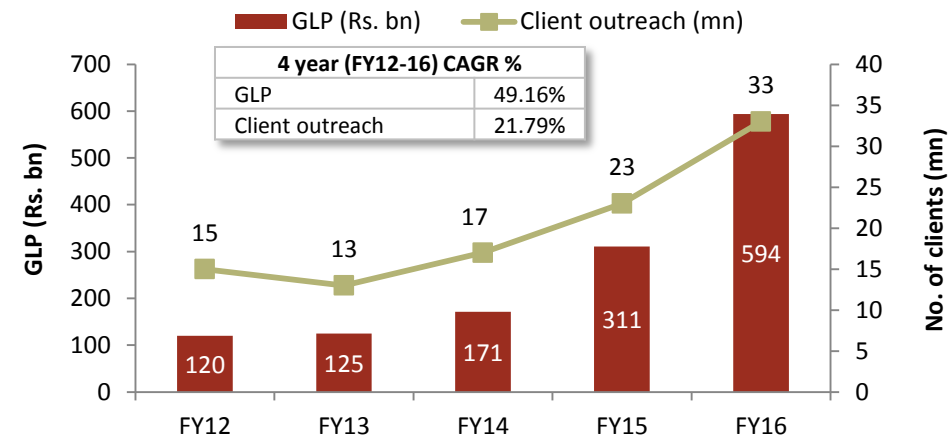
## Industry Snapshot

- High level of credit under-penetration in rural areas
  - Rural areas accounted for only 10% of overall o/s bank-credit while comprising of 2/3<sup>rd</sup> households and contributing ~47% of GDP in India in fiscal 2015
- Massive government thrust to boost financial inclusion – as of Jul'16, 225 mn+ new bank accounts opened with a deposit base of over Rs. 400 bn since Aug'14
- Microfinance sector – NBFC-MFIs with 35.8mn borrowers and outstanding Gross Loan Portfolio of Rs. 601.65 bn (Jun'16\*) – is poised to play a key role in furthering this
- Presence across 30 states/union territories with a total of 10,458 branches employing 98,287 people (Jun'16\*)
- Yet, it is highly underpenetrated with a pan India average MFI penetration of 14%
- CRISIL estimates total domestic microfinance market potential of Rs. 2.5 tn of which Rs. 1 tn is being served by banks and MFIs – high degree of unorganised play
- With client base expected to grow at 21.11% CAGR and average ticket size at 8.10% CAGR over FY16-20, MFI market is expected to grow at 32.50% CAGR over the same period to reach Rs. 1.8 tn by FY20

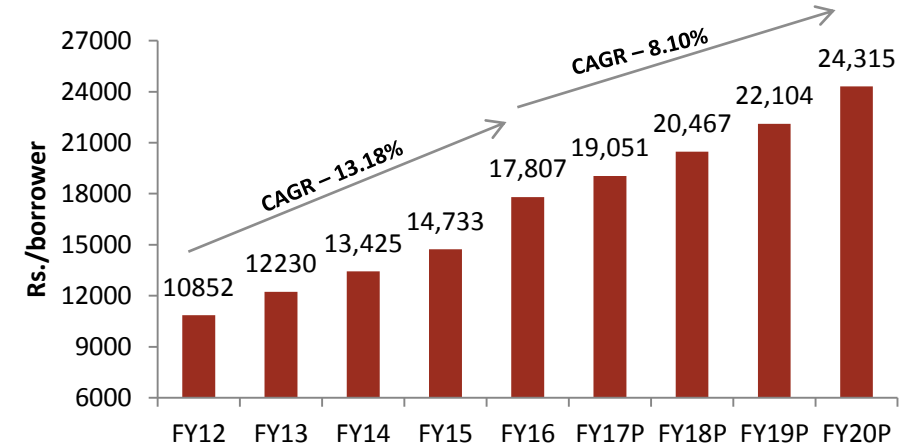
**Rising penetration driving phenomenal growth ; GLP to cross 1 Tn and client base to cross 50 Mn in the next 2 years\*\***



## Sector has seen high growth in GLP and client reach\*\*



## Increasing average ticket size (Rs./borrower)

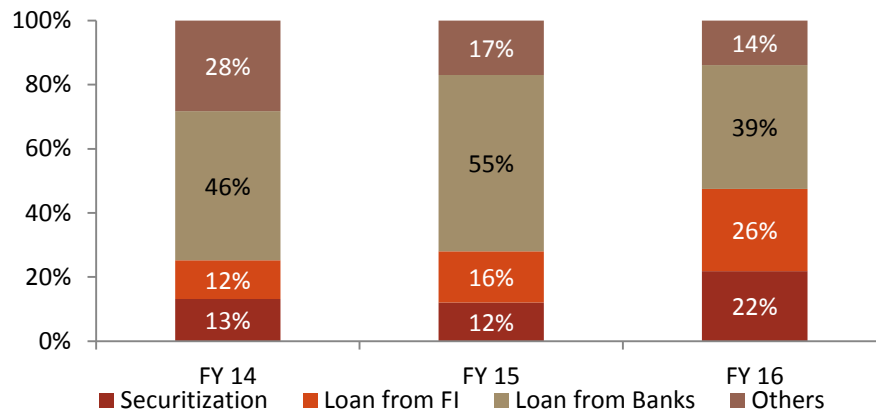


# Strong Portfolio Growth Coupled with Low Delinquencies Has Ensured Continued Funding

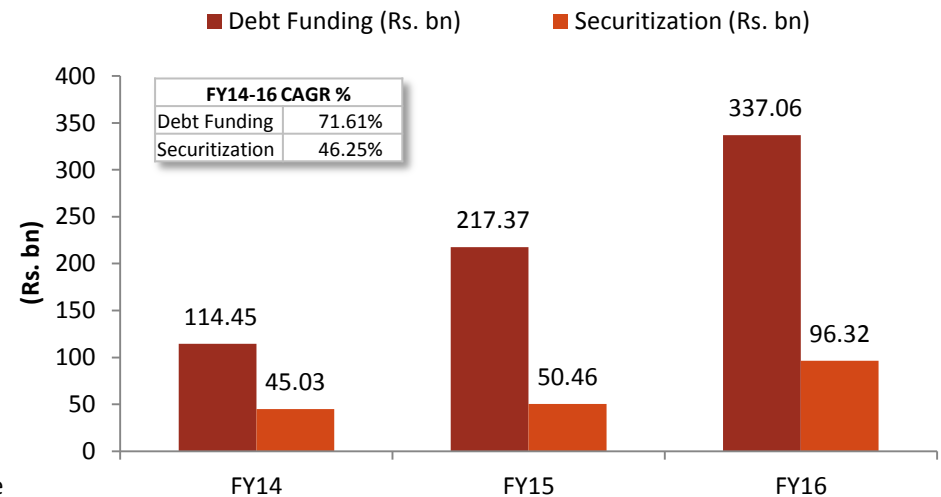
## Higher debt and equity funding

- Banks have shown high confidence in the sector and have increased their funding to MFIs
  - Lending to 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
- High investor interest driven by high returns, strong growth numbers and low delinquency levels
- Securitization also on a rise
  - Securitization also has priority sector benefits
  - Provides a yield of upto 11.5%, which makes it more attractive and further incentivises banks to invest in
- Industry diversifying its liability profile by raising funds through NCD, Preference shares, ECB, Securitization/assignment, sub-debt, etc.

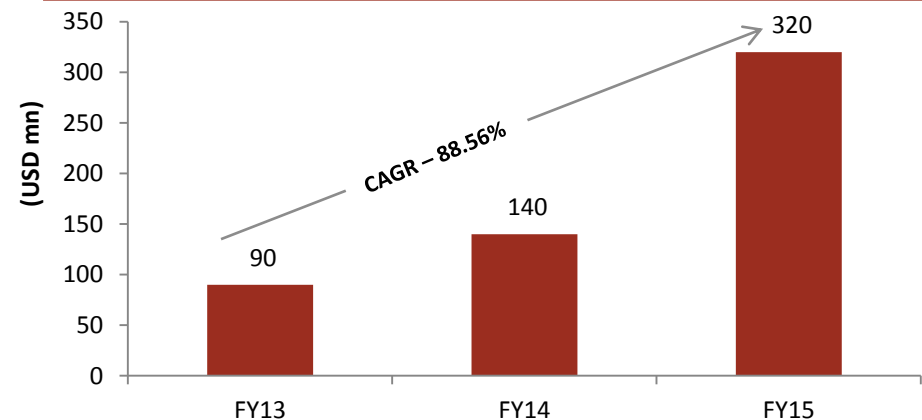
## Term loans make up a majority of MFI funding mix; Securitization gaining traction



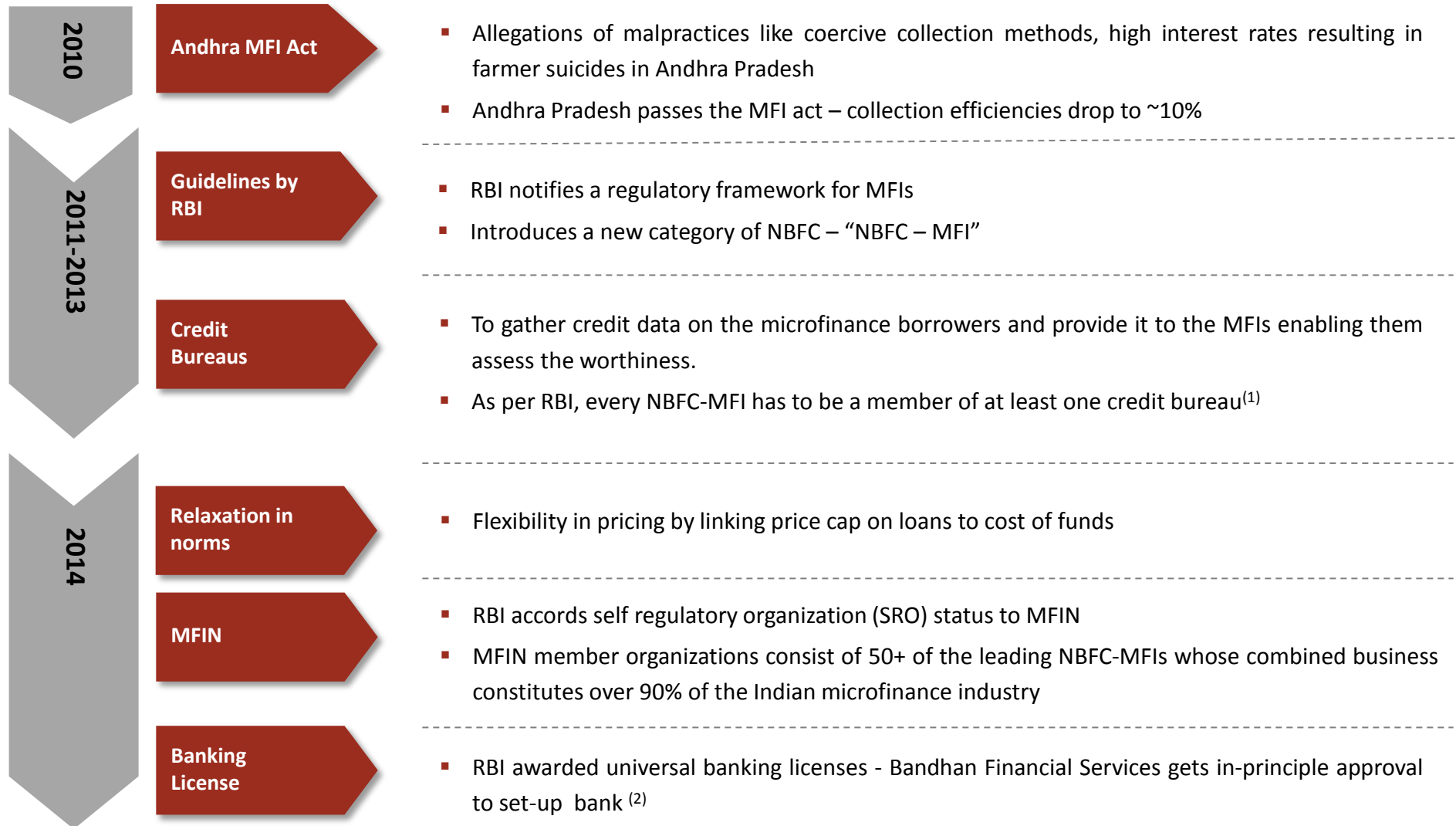
## Debt funding and securitization during the period\*



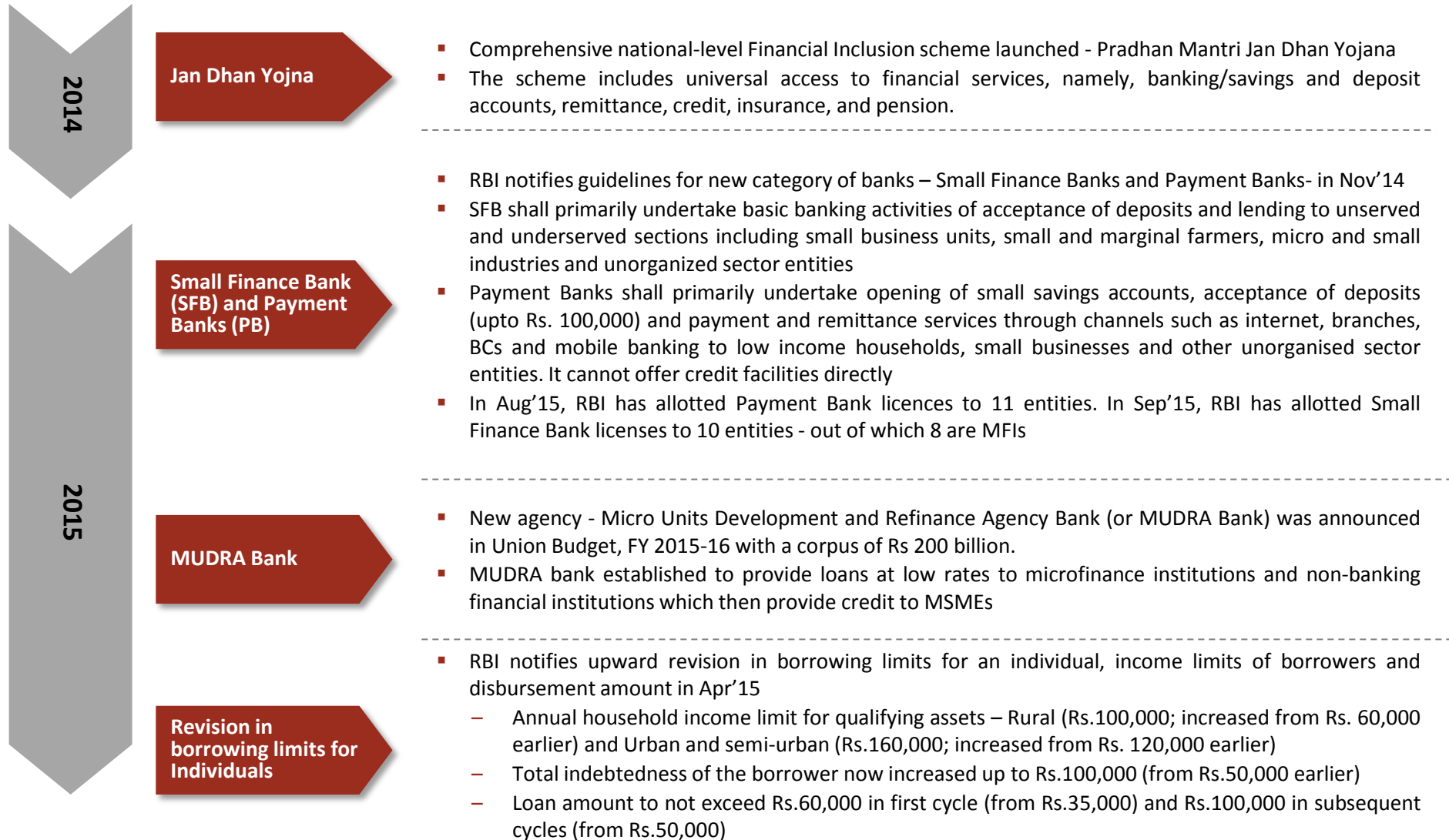
## High equity investment continues to flow into MFI space



# Regulatory Tailwind Driving Industry Forward



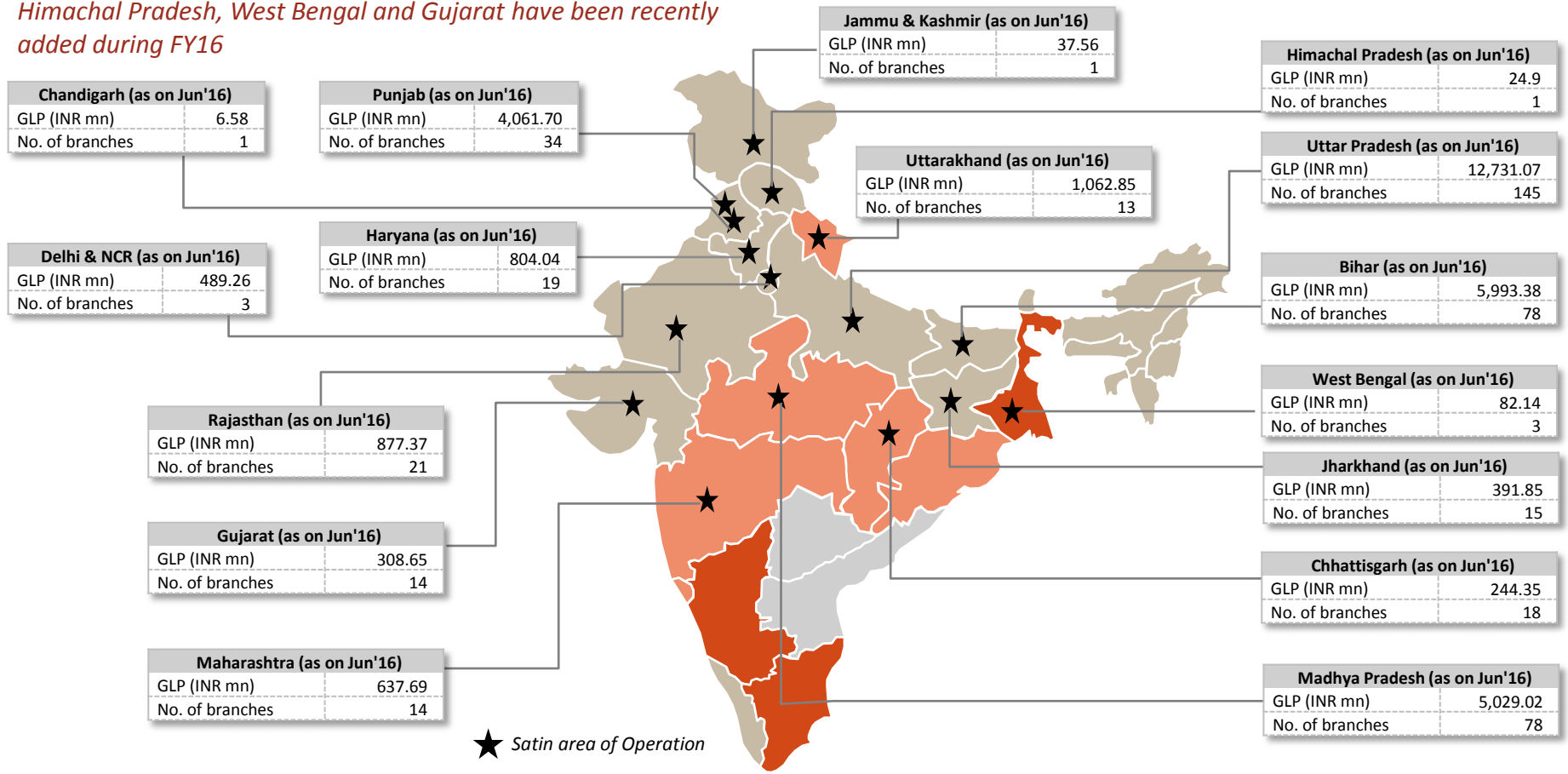
# Regulatory Tailwind Driving Industry Forward



# Satin Creditcare - India's Fifth Largest MFI (in terms of GLP) with Widespread Presence

With strong presence in North India, Satin is steadily building a pan India presence

*Presence in 16 states – 5 states of Chhatisgarh, Jharkhand, Himachal Pradesh, West Bengal and Gujarat have been recently added during FY16*



**Microfinance Penetration\***

- Under Penetrated States (0–10%)
- Moderately Penetrated States (11–20%)
- Highly Penetrated States (>20%)
- No Consideration for Analysis

\*Source – CRISIL Report

# Established Presence in Underserved Geographies Leading to Significant Growth Opportunities

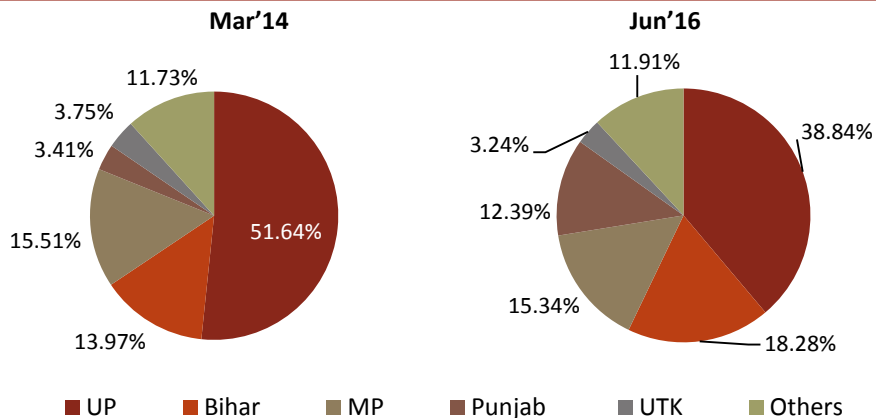
- Satin is present mostly in states of low MFI penetration
- It has significant presence in under-penetrated and high growing markets

## Key markets for Satin

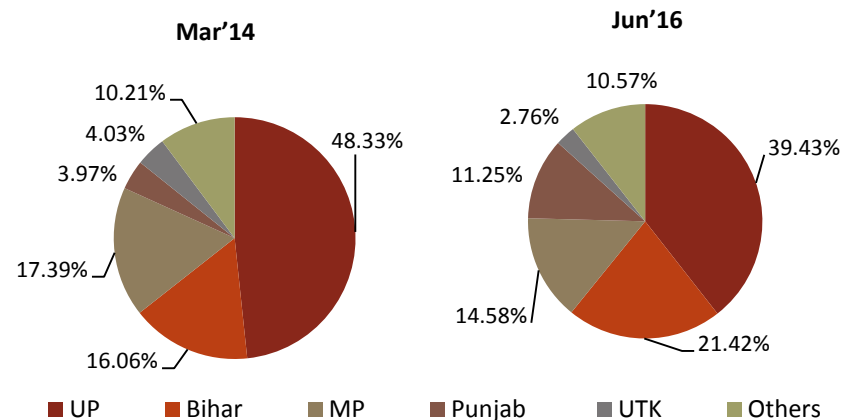
State	GLP – Jun'16 (Rs. mn)	1QFY17 % mix	MFI penetration in the state % (Mar'16) <sup>(1)</sup>	Satin's market share <sup>(2),(3)</sup>	YoY growth in MFI industry GLP (FY16 over FY15) <sup>(1)</sup>
Uttar Pradesh	12,731.07	38.84%	7%	20.37%	84%
Bihar	5,993.38	18.28%	9%	16.76%	90%
Madhya Pradesh	5,029.02	15.34%	18%	11.50%	81%
Punjab	4,061.70	12.39%	9%	32.57%	146%
Uttarakhand	1,062.85	3.24%	15%	16.58%	73%
Others	3,904.39	11.91%	-	-	-
<b>Total</b>	<b>32,782.40</b>	<b>100.00%</b>			

## Geographic diversification strategy working as envisaged..

### Gross Loan Portfolio – Reducing Geographic concentration



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



# Strong Client Relationships Built Through Transparent Operations

- Track record of over 25 years in microcredit space with comprehensive understanding of the industry and client segment
  - Rapidly growing operations despite cyclical changes in the economy as well as the MFI space in the past - Evident during AP crisis in 2010 when GLP grew by 35.81% YoY during FY11 over FY10 while maintaining high portfolio quality
- High borrower addition achieved by focusing on building client confidence through operational methodology (trainings and tests) while maintaining transparency in the overall process
  - First & second time borrowers form 77.71% of Jun'16 GLP, indicating high growth in borrower addition over the years

## Trend in Loan Cycle

Cycles	Gross Loan Portfolio (Rs. mn)			
	FY14	FY15	FY16	Jun'16
1	5,307.28	9,890.54	17,121.27	17,515.93
2	3,108.02	7,116.12	8,175.45	7,925.02
3	1,141.08	2,619.50	4,712.25	4,612.31
4	755.77	1,094.39	1,511.17	1,540.98
5	243.00	564.81	835.14	773.57
6	5.41	117.17	319.68	326.81
7	-	3.97	31.73	43.69
8	-	-	0.90	1.55
9	-	-	-	0.14
	<b>10,560.56</b>	<b>21,406.50</b>	<b>32,707.59</b>	<b>32,740.00</b>

Note: Data above excludes MSME segment

Cycles	Number of loan accounts			
	FY14	FY15	FY16	Jun'16
1	502,060	642,056	1,335,026	1,476,767
2	189,609	367,903	448,727	463,829
3	65,405	110,687	199,888	215,055
4	34,350	48,312	62,238	67,837
5	8,442	20,024	32,961	34,467
6	162	3,127	10,847	12,471
7	-	93	919	1,341
8	-	-	24	42
9	-	-	-	3
	<b>800,028</b>	<b>1,192,202</b>	<b>2,090,630</b>	<b>2,271,812</b>

Note: Data above excludes MSME segment

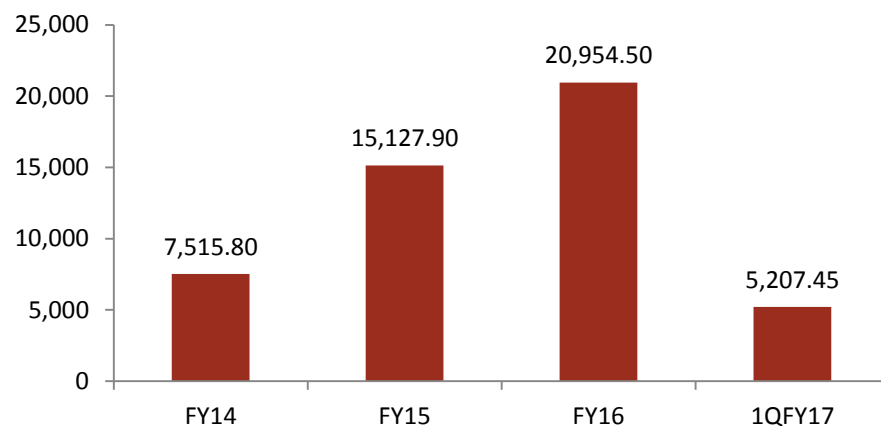
- Focus on further strengthening client relationships - Clients can graduate from the being first cycle borrowers under JLG Model to subsequent loan cycles which includes Individual Micro Loans, a new product under Satin's portfolio

# Strong and Diversified Lending Relationships

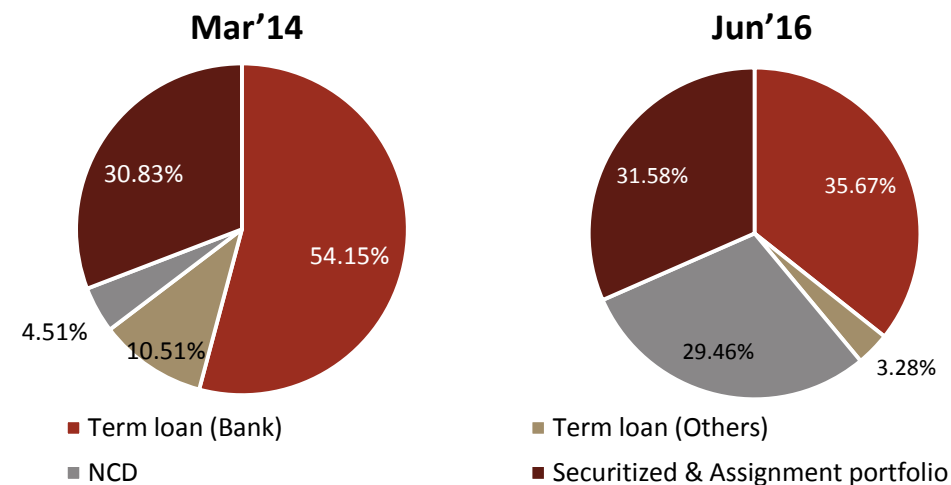
## Diversified Lending Portfolio

- Active relationship with 73 banks and financial institutions (Jun'16)
- Spread across Public Sector Banks, Private Banks, Foreign Banks, Development Financial Institutions (DFI) and Foreign Institutions
- The rating of long term debt 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.

## Debt funds raised (Rs. mn)



## Resource diversification - Movement of borrowing away from banks



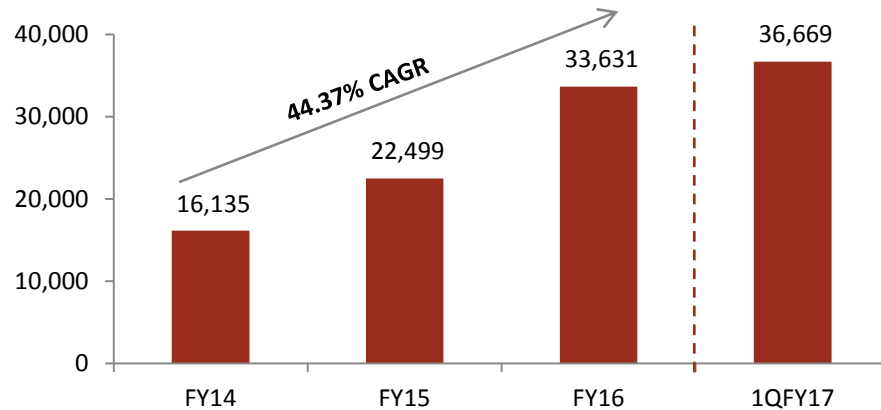
## Lending Relationship\*

PSBs	Pvt Banks	Foreign Banks	DFI	Foreign Institutions
IDBI Bank	ICICI Bank	HSBC	NABARD	ResponsAbility
State Bank of India	HDFC Bank	Doha Bank	MUDRA	World Business Capital
Andhra Bank	Axis Bank	Standard Chartered	SIDBI	MicroVest
Union Bank of India	Kotak	Societe Generale		Oikocredit
Dena Bank	IndusInd Bank	Abu Dhabi Commercial Bank		Blue Orchard

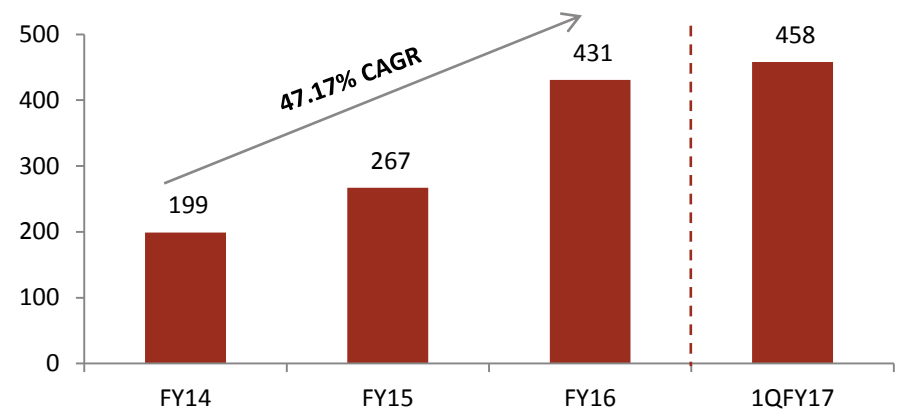
# Strong Operational Performance..

Expanding network leading to strong disbursement growth

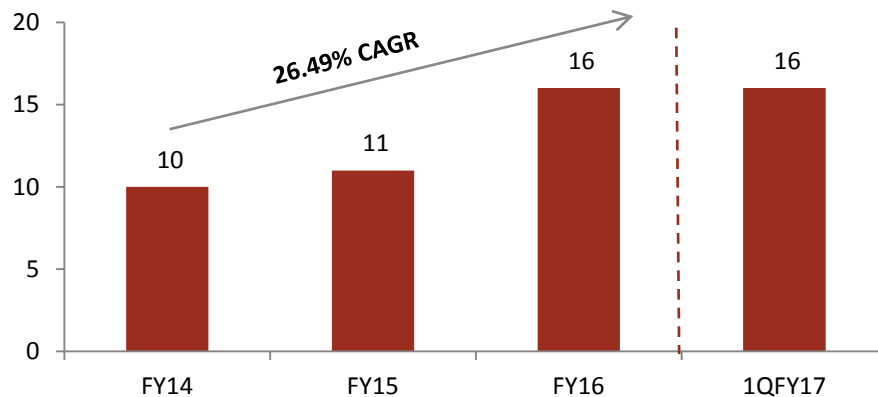
No. of Villages



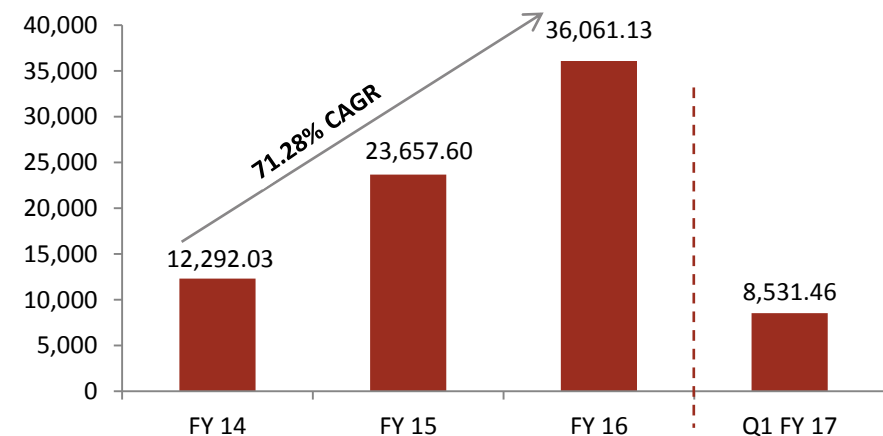
Branch Network



No. of States of Operation



Disbursements (Rs. Mn)

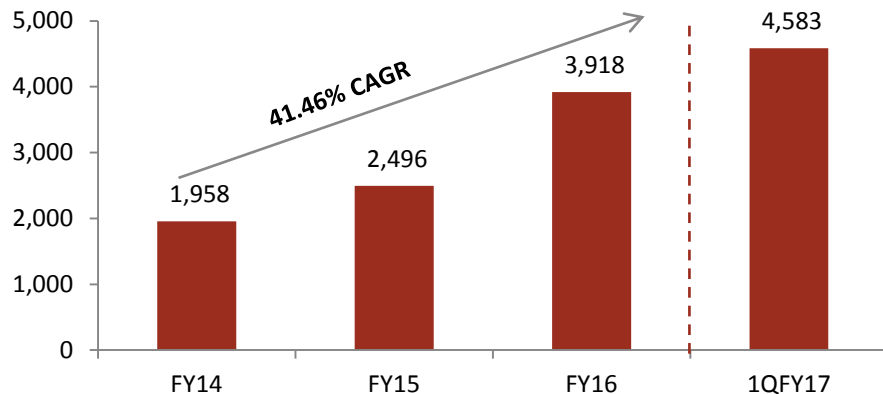


Note: Data above excludes MSME segment

# Strong Operational Performance..

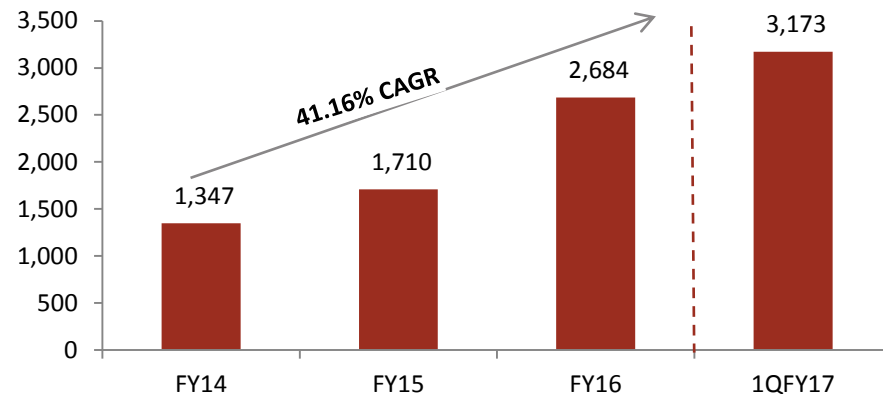
*Building on team to cater to high growth and client servicing*

## No. of Employees

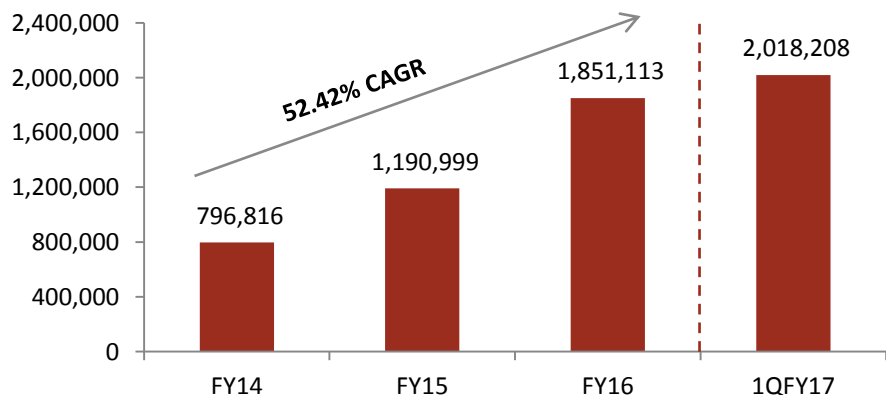


Note: Data above excludes MSME segment

## No. of Loan Officers

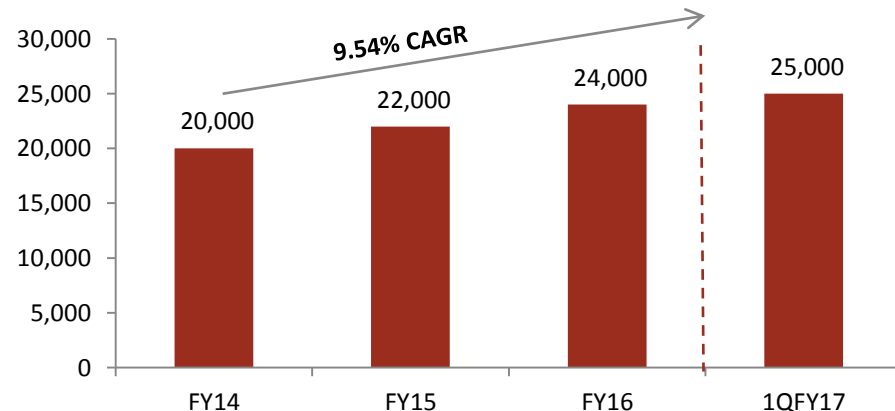


## Total no. of Active Clients\*



Note: Data above excludes MSME segment

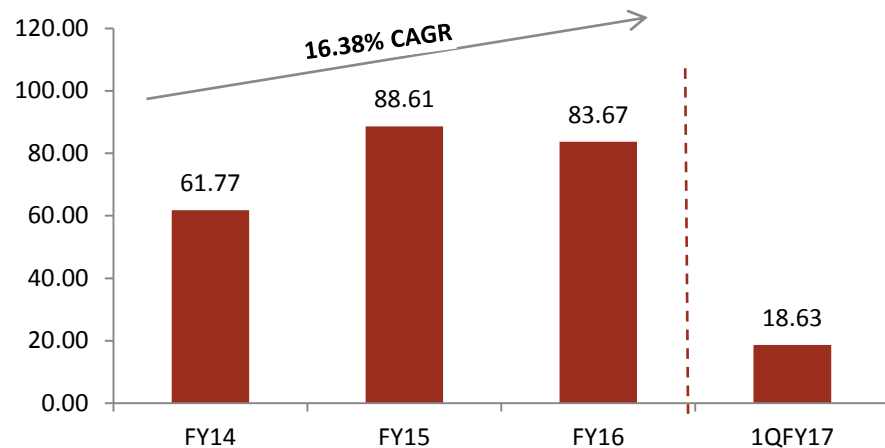
## JLG loans - Average Ticket Size (Rs.)



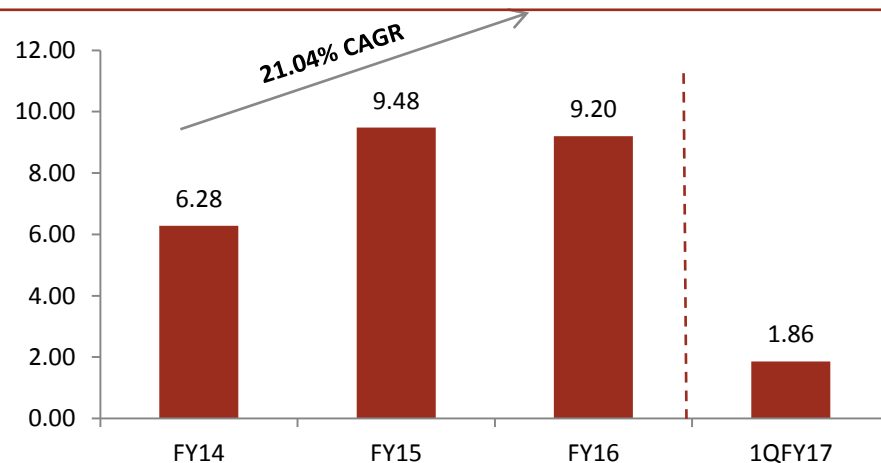
# ..Improving Productivity..

Using technology to assist employees deliver high productivity

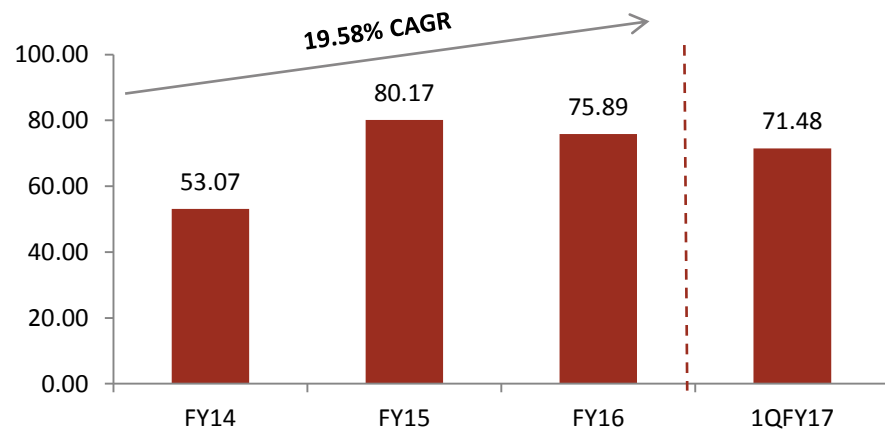
Disbursement/ Branch (Rs. Mn)



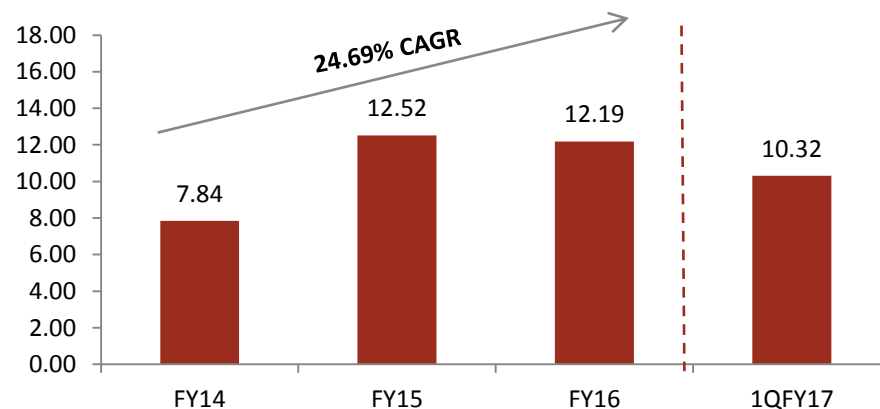
Disbursement/ Employee (Rs. Mn)



GLP/Branch (Rs. Mn)



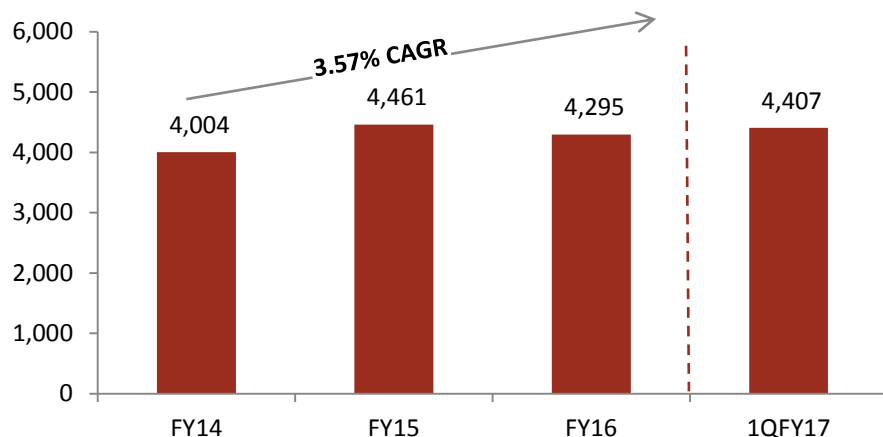
GLP/ Loan Officer (Rs. mn)



## ..and High Quality Portfolio

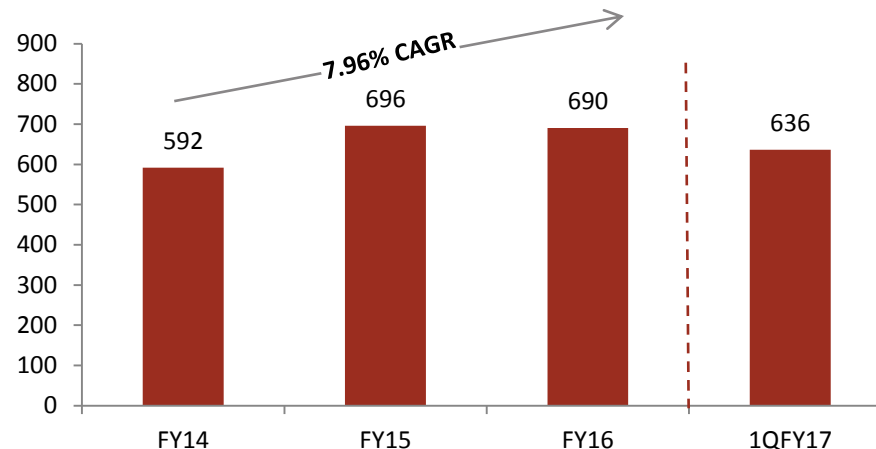
*High portfolio quality and lowest opex ratio among top MFIs\**

No. of Clients/ Branch

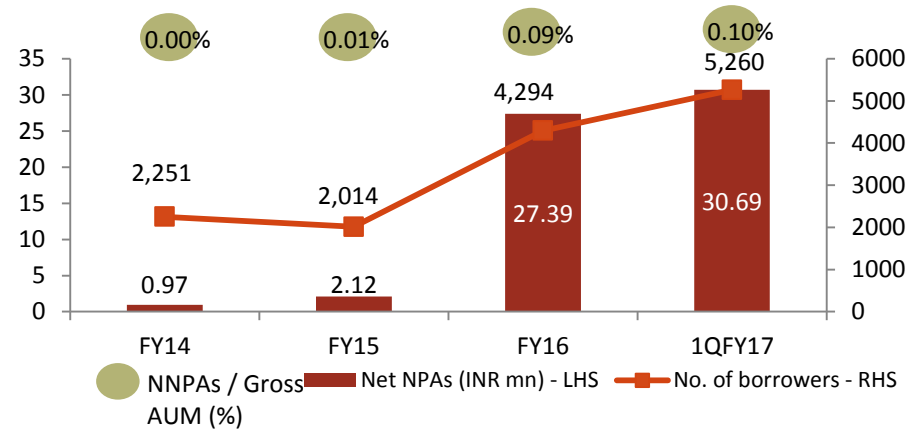
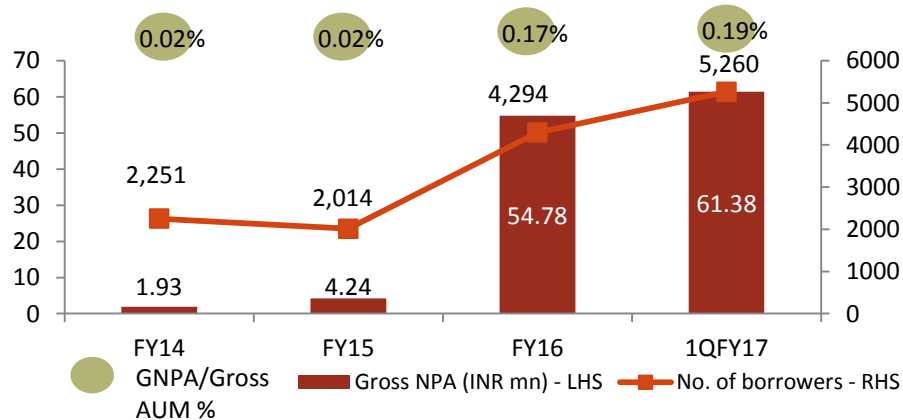


GNPA

No. of Clients/ Loan Officer

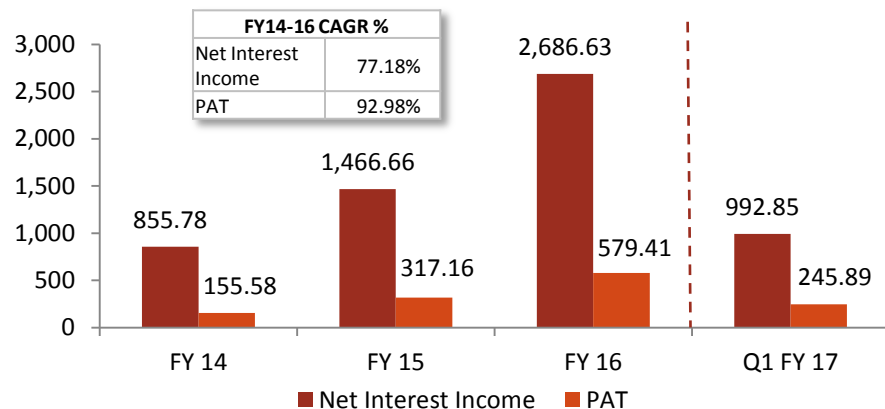


NNPA

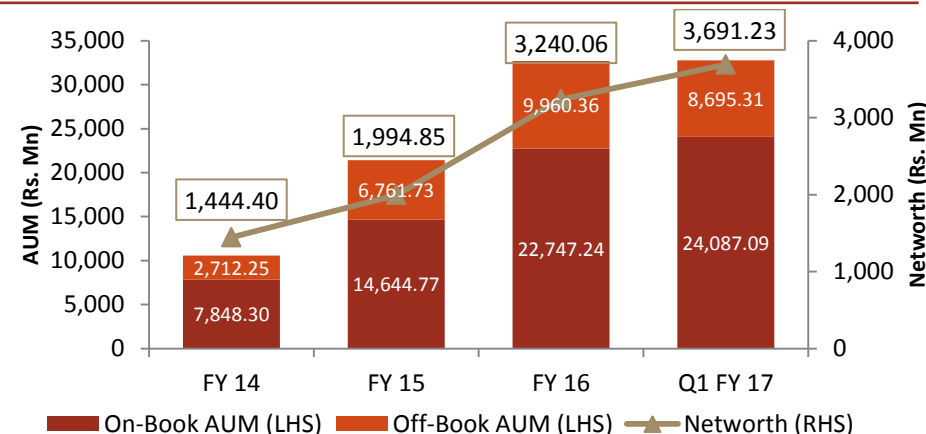


# Robust Financial Performance

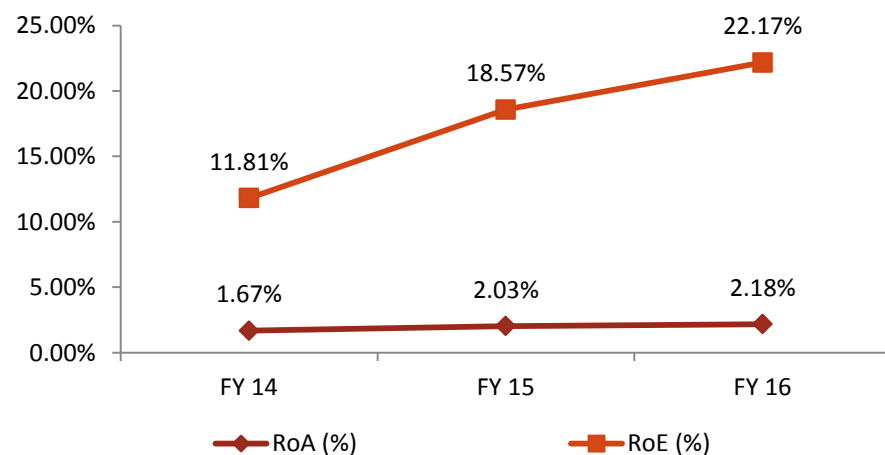
## Net Interest Income<sup>(1)</sup> and Profit after tax (Rs. Mn)



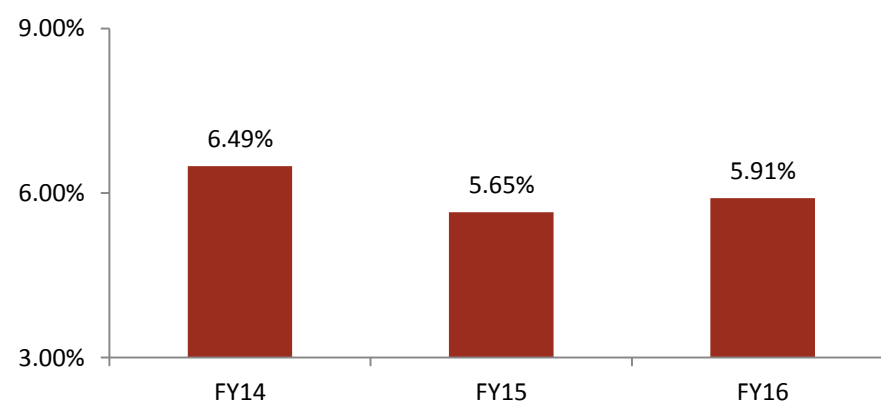
## Net Worth and Gross AUM (Rs. mn)



## Return on Average Assets<sup>(2)</sup> and Return on Average Equity<sup>(3)</sup>



## Operating Expense Ratio - Opex/ Avg. AUM<sup>(4)</sup>



(1) Represents Total income less interest expense ; (2) ROA is calculated as the Net Profit for the relevant period as a percentage of Average Total Assets in such Period. ; (3) ROE is calculated as the Net Profit (post Preference Dividend) for the relevant period as a percentage of Average Equity in such period; (4) Operating expenses include all expenses except finance cost and credit cost; Avg. AUM includes on-book and off-book AUM

# Robust Internal Audit and Risk Management Mechanisms

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

### Full fledged in-house Internal Audit department for Group Lending and MSME

#### Team Strength

- 6 member supervisory/support team at Head Office and 60 member strong field team
- 2 dedicated member in Risk Management Team
- All branches and regional offices are audited quarterly

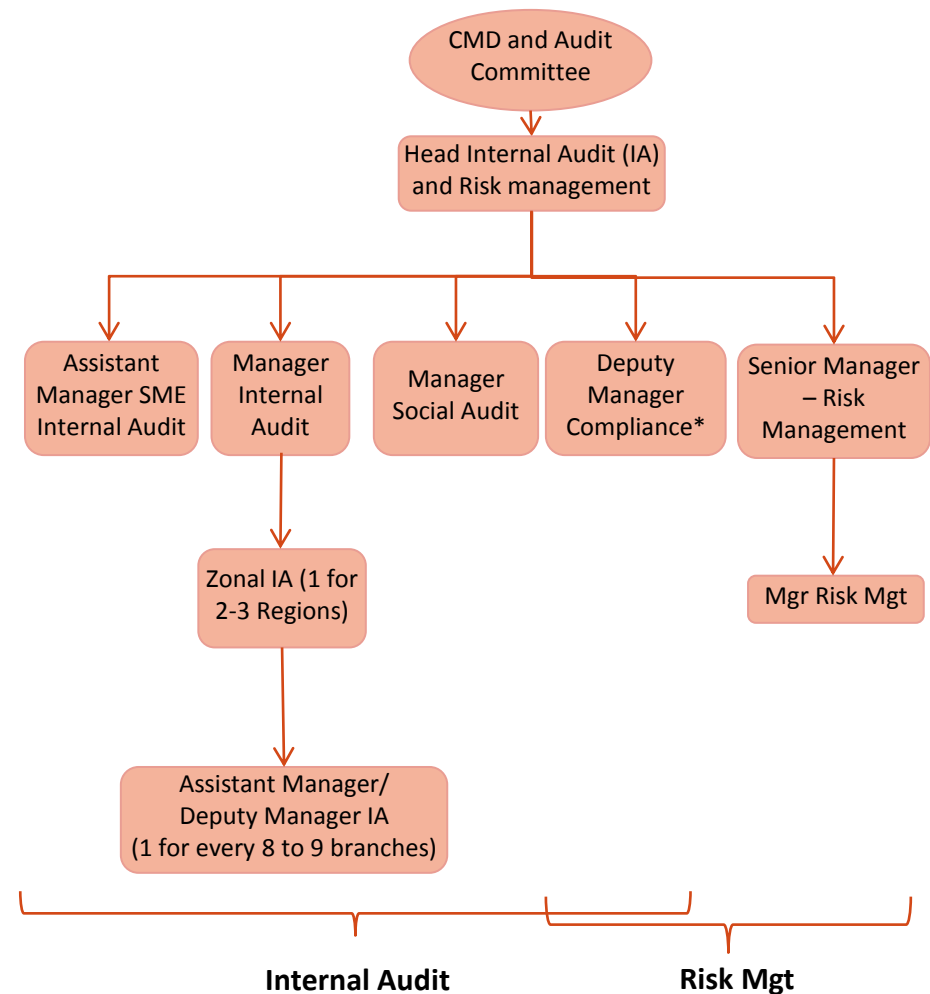
#### Scope

- Branches – 458
- Branches per Internal Audit staff – 8 to 9
- Regional offices – 18

Various Audits conducted	Frequency
Branch Audit	Quarterly
Regional Office Audit	Quarterly
Social Audit	Quarterly
Compliance Audit	Varies depending on feedback from other audits

- 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, Loans to Individuals and Statutory compliances outsourced to independent firm of Chartered Accountants

## Team Structure



# Experienced Management Team

## H P Singh, Chairman, MD & Promoter



- >25 years of experience in microfinance;
- Experience in the field of auditing, accounts, project financing, microfinance, advisory services
- A fellow of ICAI 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
- Prior experience with Apollo Tyres and Berger Paints

## Shirish Panda, Head Internal Audit and Risk



- 15 years of experience in the Financial Services Sector
- Postgraduate degree in Management from Institute of Rural Management with specialization in Agri- Business Management, Marketing & Micro- finance.
- Completed Advanced program on Strategy for leaders from IIM Lucknow
- Previously associated with IFMR, Reliance and BASIX

## 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
- Before joining Satin, was the Global IT Director at Bata India. Prior stints with YUM restaurants, Procter & Gamble, Gillete India, Eicher Tractors and Punjab Tractors

## Subir Roy Chowdhury, Head - Human Resource & Organizational Development



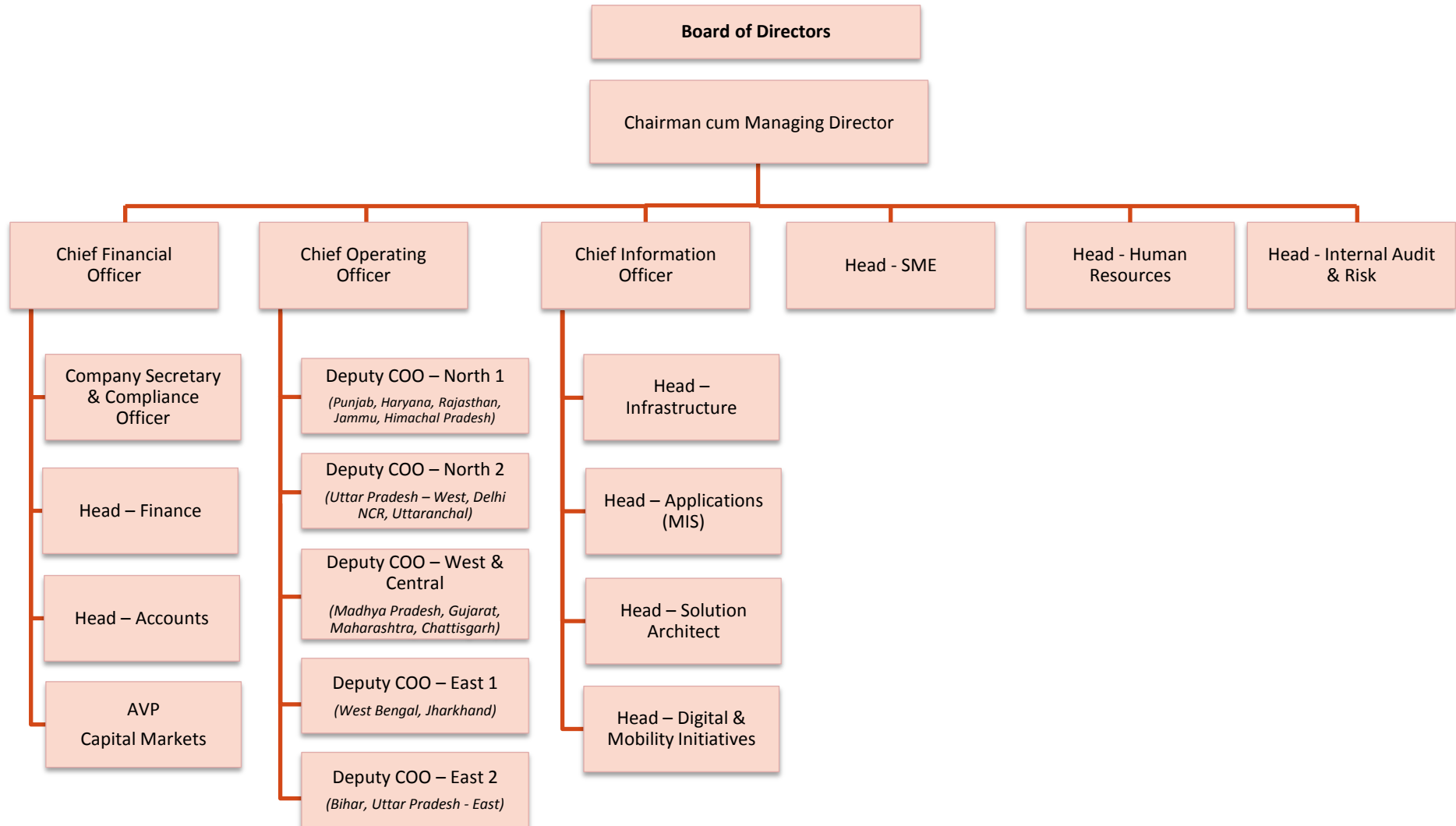
- 17 years of experience in Human Resource Management
- Postgraduate degree in Human Resource Management from IISWBM- Kolkata and B.Com from Calcutta University
- Prior stints at Magma Fincorp, ICICI Securities, ICICI Prudential, Magma Leasing, Wacker Metroark Chemicals and Kotak Securities

## Rajeev Mehra, Head - SME



- 17 years of experience in Banking and Financial Services
- Postgraduate degree in Management from Birla Institute of Management Technology- Noida and B.Com (Hons) from Delhi University
- Was previously associated with Magma Fincorp and HSBC

# Organization Structure



# Highly Diversified and Experienced Board



## H P Singh, Director

- Over 25 years of experience
- A fellow of ICAI since 1984; Participated in Harvard Business School's Accion program and a leadership program at Wharton Business School



## Satvinder Singh, Director

- Has extensive consumer marketing and finance experience and has developed new methods of credit appraisal and marketing
- Holds a Masters Degree in Management



## Ramesh G. Dharmaji, Nominee Director, SIDBI

- Over 30 years of experience in the financial service sector
- Has been a member of a number of important and high powered committees set up by Development Commissioner (Small Scale Industries) Government of India, SIDBI, state level RBI empowered committees



## Richard B. Butler, Nominee Director, MV Mauritius Limited

- Over 35 years of experience at various international financial service entities
- A graduate in International Economics & Middle Eastern History from Georgetown University & a post graduate studies in Agriculture Economics at the University of Minnesota



## Arthur Sletteberg, Nominee Director, NMI FUND III KS

- MD at Norwegian Microfinance Initiative (NMI) AS
- Earlier worked as Executive Vice President Ferd AS
- Over 27 years of experience



## Suramya Gupta, Nominee Director, SBI FMO Fund

- Over 15 years of experience and Fund Manager 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.



## Davis Golding, Independent Director

- 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



## Sundeep Kumar Mehta, Independent Director

- Over 30 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

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



## Anil Kumar Kalra, Independent Director

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



## Rakesh Sachdeva, Independent Director

- Is a Fellow of the Institute of Chartered Accountants of India
- Previously worked at Apollo Tyres Ltd., U.K. Paints Group, Berger Paints (India) Ltd.

## Future Business Strategy

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# Future Business Strategy



Product	Market size*	Future Business Strategy
Core operations (MFI Lending)	<p>Rs. 590 bn+ market; expected to grow at 32% CAGR over next 4 years</p> <p>Note: 1. MFN data assumed to represent over 90% of the overall market. 2. Overall GLP includes only NBFC-MFIs and excludes numbers of Bandhan Financial Services Ltd which has now become a bank.</p> <p><b>Satin's positioning</b> - Fifth largest MFI in India in terms of GLP (Mar'16*)</p>	<ul style="list-style-type: none"> <li>Geographic diversification – Broadbase operations and reduce any geographic concentration in states such as Uttar Pradesh</li> <li>Increase penetration in existing states – through existing branches and by establishing new branches across Northern, Eastern and Central India</li> <li>Expand operations to new geographies                             <ul style="list-style-type: none"> <li>Enter new states – In FY16, Satin started operations in 5 new states</li> <li>May look to explore options for undertaking allied financial services outside India in future</li> </ul> </li> </ul>

## New Products

- Satin continues to explore cross selling opportunities by leveraging upon company's wide branch network, large client base and client relationships with a view to diversify revenue stream and increase ticket size of products

Product	Market opportunity*	Future Business Strategy
Product Financing	NA	<ul style="list-style-type: none"> <li>Continue to explore product financing of need based items relevant to company's existing clients by innovating and designing new products for them</li> </ul>
Individual Micro Loan	NA	<ul style="list-style-type: none"> <li>Higher ticket size business; focus on scaling up loan book under this segment to individuals who have credit track record with Satin</li> </ul>
BC operations and allied services (through the subsidiary – TSPL)	650 mn+ BC transactions (Value: INR 1.6-1.8 tn) during FY16E spread across 485,000 BCs	<ul style="list-style-type: none"> <li>Recently, in Aug'16, Satin acquired majority stake in TSPL for Rs. 497.86 Mn under a share-swap arrangement in a view to leverage on its expertise in financial sector and diversify revenue stream to include fee income</li> </ul>

# Future Business Strategy (Contd.)



## New Products

Product	Market opportunity*	Future Business Strategy
BC operations and allied services (through the subsidiary – TSPL)	<p>Amount transacted through BCs (Rs. bn) - RHS    Number of BC transactions (mn) - LHS</p>	<ul style="list-style-type: none"> <li>TSPL seeks to enter into arrangements with various other banks and financial institutions to scale the business correspondent and allied services business</li> </ul>
MSME loans	<p>Overall MSME market loan book: Rs. 11.6 tn (FY16) Catered by NBFCs : Rs.0.8 tn</p> <p>MSME Industry (INR bn)    NBFCs Share (INR bn)</p> <p>11-13% CAGR    22-25% CAGR</p>	<ul style="list-style-type: none"> <li>Expand operations to new geographies – Presently operating only in Delhi NCR, Satin would look to enter new states</li> </ul>

- Strengthen IT and risk management infrastructure
  - New Chief Information Officer - Mr. Sanjay Mahajan – has been recently appointed in Jan'16
  - Key technological initiatives include e-KYC authentication, digitization of client supporting documents, visibility of client's credit history, biometric authentication, real-time integration with credit agencies, centralized repository of information and integration of employee management and HR system, etc.
  - Further deepen penetration of cashless collection in partnership with ITz Cash, a payment solutions company (During Jun'16, cashless collections accounted for 10.90% of total collections) and plan to move towards cashless disbursement
- Vision – To become a one-stop solution for the clients by continuing to innovate and design need-specific products

# Financial Overview

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# Robust Financial Performance



RoE Tree	FY14	FY15	FY16
Gross Yield <sup>(1)</sup>	23.43%	20.28%	20.64%
Financial Cost Ratio <sup>(2)</sup>	12.97%	11.10%	10.71%
Net Interest Margin <sup>(3)</sup>	10.46%	9.18%	9.93%
Operating Expense ratio <sup>(4)</sup>	6.49%	5.65%	5.91%
Loan Loss Ratio <sup>(5)</sup>	1.11%	0.61%	0.77%
RoA <sup>(6)</sup>	1.67%	2.03%	2.18%
Leverage (Total Debt / Total Networth)	6.29x	8.17x	8.48x
RoE <sup>(7)</sup>	11.81%	18.57%	22.17%

1. Gross Yield represents the ratio of Total Income in the relevant period to the Average AUM
2. Financial Cost Ratio represents the ratio of Interest Expense in the relevant period to the Average AUM
3. Net Interest Margin represents the difference between the Gross Yield and the Financial Cost Ratio
4. Operating Expenses Ratio represents the ratio of the Operating Expenses (expenses including depreciation but excluding Credit Cost and Interest Expense) to the Average Gross AUM
5. Loan Loss Ratio represents the ratio of Credit Cost to the Average AUM
6. RoA represents ratio of PAT to the Average Total Assets
7. RoE represents PAT (post Preference Dividend) to the Average Equity (i.e., networth excluding preference share capital)

# Financial Summary – Balance Sheet



Particulars (Rs. Mn)	FY14	FY15	FY16
<i>Equity<sup>(1)</sup></i>	1,384.40	1,934.85	3,240.06
<i>Preference shares</i>	60.00	60.00	-
<b>Networth</b>	<b>1,444.40</b>	<b>1,994.85</b>	<b>3,240.06</b>
Total Debt	9,086.43	16,300.66	27,483.17
Other Liabilities	626.83	1,811.64	2,311.04
<b>Total Liabilities</b>	<b>11,157.66</b>	<b>20,107.15</b>	<b>33,034.27</b>
Fixed Assets	119.87	144.20	212.90
Investments	0.55	0.55	0.55
Cash and cash equivalents	2,152.23	3,486.76	7,097.75
On-book AUM	7,848.30	14,644.77	22,747.24
Other Assets <sup>(2)</sup>	1,036.72	1,830.87	2,975.83
<b>Total Assets</b>	<b>11,157.66</b>	<b>20,107.15</b>	<b>33,034.27</b>

(1) Includes equity share capital, share warrants and reserves & surplus; (2) Includes all other assets excluding those specified mentioned on the Assets side

# Financial Summary – P&L Statement



Particulars (Rs. Mn)	FY14	FY15	FY16	3m Jun'16
<b>Total Revenue</b>				
Interest income on Portfolio Loans	1,466.92	2,373.99	3,804.69	1,319.72
Income from securitization	115.94	329.70	892.11	369.33
Processing Fee income	112.41	225.26	352.37	86.07
Interest on FD	207.59	288.41	470.47	151.46
Other Income	13.68	24.20	65.56	40.96
<b>Total Revenue</b>	<b>1,916.54</b>	<b>3,241.56</b>	<b>5,585.20</b>	<b>1,967.54</b>
Interest Expense	1,060.77	1,774.90	2,898.58	974.69
Personnel Expenses	235.52	391.98	883.77	300.52
Credit cost (Provisions for NPAs, Write-offs, etc)	90.95	97.07	208.09	52.89
Administration & Other Expenses	288.04	491.43	685.55	265.14
Depreciation	7.15	19.58	28.82	10.02
<b>Profit before tax</b>	<b>234.11</b>	<b>466.60</b>	<b>880.38</b>	<b>364.28</b>
Extraordinary Items and CSR	-	2.06	5.10	-
<b>Profit before tax (after Extraordinary items)</b>	<b>234.11</b>	<b>464.54</b>	<b>875.28</b>	<b>364.28</b>
Provision for tax	78.55	147.38	295.89	118.38
<b>PAT</b>	<b>155.58</b>	<b>317.16</b>	<b>579.41</b>	<b>245.89</b>
Less: Preference dividend	0.76	8.91	5.89	-
<b>PAT (post Preference Dividend)</b>	<b>154.82</b>	<b>308.25</b>	<b>573.52</b>	<b>245.89</b>

**Annexure**

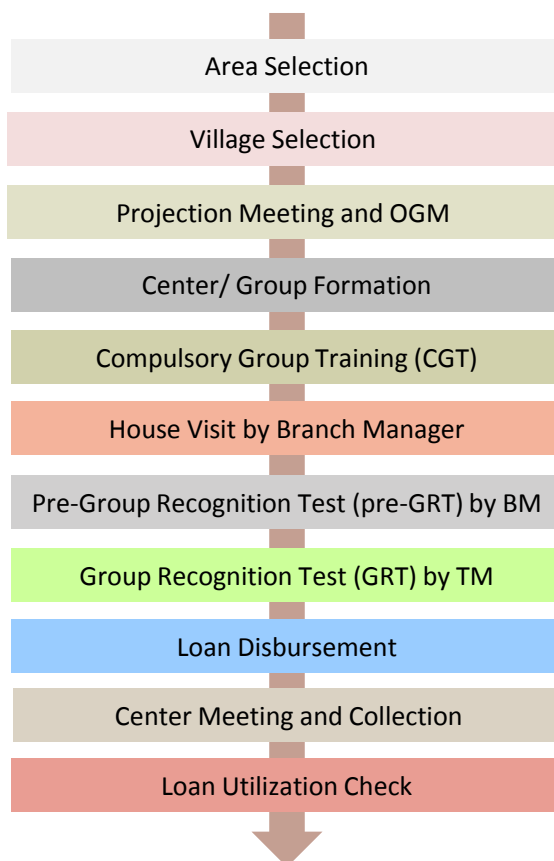
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## **Operational Process Overview**

# Operation's Methodology (1/3)



## Trend in Loan Cycle



CSO – Community Service Officer (Loan Officer)  
BM – Branch Manager  
TM – Territory Manager  
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 COO 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.

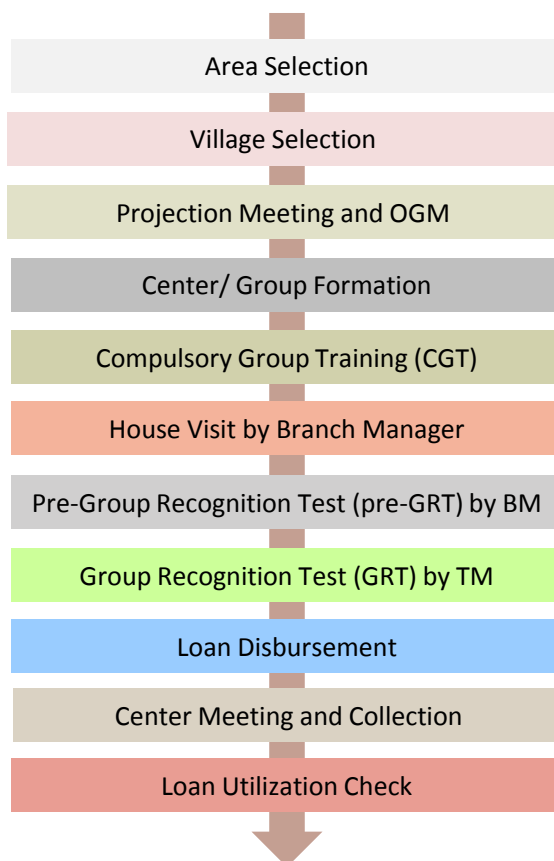
### Client Selection Criteria (JLG)

- Clients must be women between 18-65 years.
- Clients must be low income generating, self-employed or working women, living in rural, semi-urban or urban slums
- The gross annual household income from all sources should not exceed Rs. 100,000 in rural areas and Rs. 160,000 in urban and semi-urban areas
- Clients are sourced within a maximum radius of 30-35 km from a branch
- 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.

# Operation's Methodology (2/3)



## Trend in Loan Cycle



CSO – Community Service Officer (Loan Officer)  
BM – Branch Manager  
TM – Territory Manager  
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 such group is formed voluntarily

### 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.
- 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 fill the loan application forms, collect KYC documents and after verification of these documents submits them to BM.

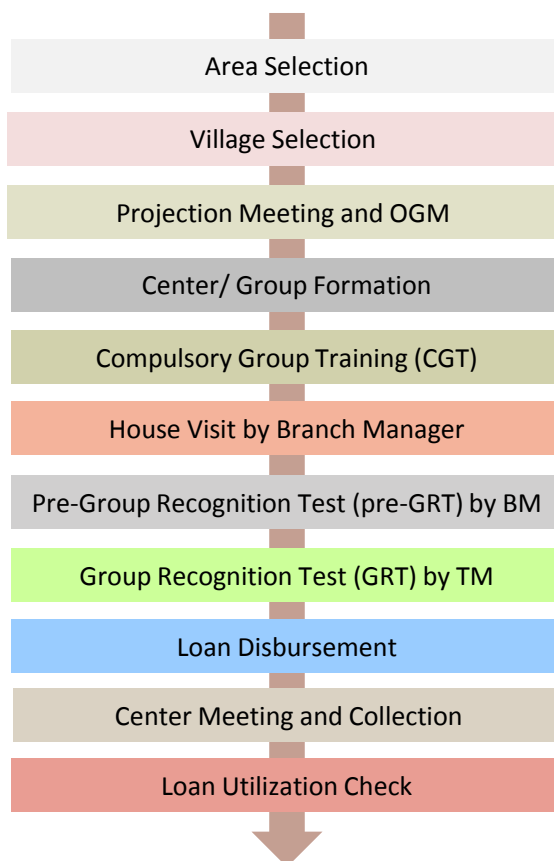
### Pre-GRT and GRT

- 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 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  
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.
- Prior to generation of sanction letters, loan proposals recommended by BM are required to undergo a mandatory credit check by 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.

**Annexure**

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## **Information Technology Overview**

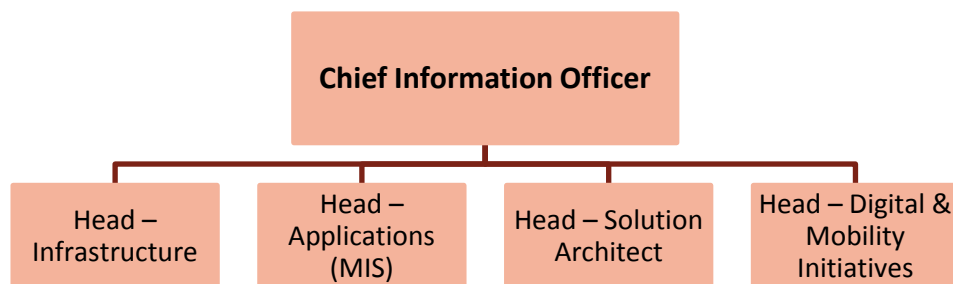
# Scalable Business Model supported by a strong IT Infrastructure



## Information Technology Vision Statement

- Information Technology at SCNL 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 & 458 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 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.
- As of June our Application architecture was completely de-centralized. However recently we have migrated to a centralized environment. This provides a real time view of information across all touch points ( Regions & HO).
- 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 has introduced cashless collections from centres through closed loop prepaid cards. The company also plans to move towards cashless disbursements.
- This project brings in improved efficiency, mitigates operational risk, and helps strengthen the partnership with Banks;
- It also generates financial literacy amongst SCNL’s client base.

**Annexure**

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

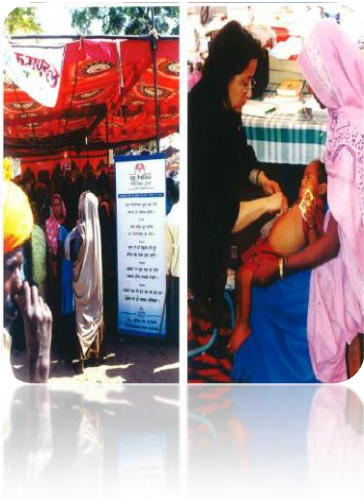
# Recent CSR & SPM Initiatives



*Committed towards social initiatives - conducted regular campaigns including organizing campaigns to increase financial literacy*

## 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 Jharkhand	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



# Contact Information

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*For any queries, please contact:*

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**Thank You**