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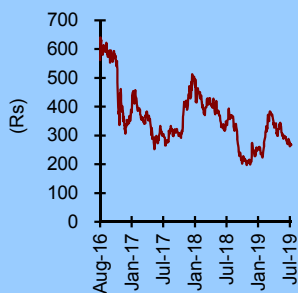
## Financial

### Shareholding pattern

	Dec '18	Mar '19	Jun '19
Promoters	26.7	27.9	29.7
Institutional investors	38.7	39.7	40.2
MFs and others	18.1	19.2	18.7
FIs/Insurance	2.5	2.5	5.2
FPI	18.1	18.0	16.3
Others	33.7	32.4	30.1

Source: CMIE

### Price chart



INDIA

**ICICI Securities**

**Satin Creditcare Network**

**Unrated**

Spreading wings with focus on core MFI business

**Rs267**

We met the top management of Satin Creditcare to understand their business strategy. Key takeaways – a) The company aims to be one-stop solution provider by leveraging its rural outreach, in this backdrop Satin has also roll out separate subsidiaries namely Satin Housing Finance (to focus on housing finance) and Satin Finserv (focus on MSME segment), b) geographic diversification to mitigate risk – remain focused on deepening presence in the underserved rural/semi-urban areas, across 22 states and union territories, c) it implemented one of the best digital platforms covering all business processes i.e. credit underwriting, credit monitoring and collection – operating leverage yet to play out, d) improved collection efficiency at 99.5% (Jan'18 onwards) as of March'19 is an outcome of high credit discipline in disbursement and e) PAT target of Rs2.6bn with AUM growth of 30/35% in FY20e.

- **Focus on diversifying revenue streams:** Management has strategically decided to diversify revenue stream by increased cross-sell of products within the Satin ecosystem. Having access to customer information coupled with extensive use of new digital platform and with the setting up of two new subsidiaries to tap MSME and housing segment, Satin is better placed to increase cross-sell to existing MFI customers. Taraashna also provides steady stream of income by acting as BC for banks & NBFCs. Further, TSL's board has approved the proposal to convert TSL into an NBFC to explore opportunities in co-lending space and other financial products not offered within the group
- **Game changing digital transformation technology (LMS):** Over the past couple of years, Satin has made significant investment towards technology and developed a state-of-art inhouse digital platform. The LMS built inhouse by the company in record seven months, helps in live tracking of day-to-day business operations and KPI's through real-time dashboards updated every two minutes. New digital platform has enabled Satin to disburse the new loan on same day. Further, Satin is amongst the first MFIs to foray in digital lending by launching "LoanDost" with no human intervention, tapping the millennials.
- **Core MFI business trending well – geographic diversification to mitigate risk:** Satin has, substantially, reduced its portfolio concentration in UP over the past three years without declining growth-in the book and despite pursuing collections from a sizeable defaulter base. Portfolio risk continues to come down when measured in terms of average exposure per district, exposure to top 10 districts and exposure to top four states (UP, Bihar, MP and Punjab). The company expanded its presence in Eastern/North-Eastern/Western regions and has now entered Southern India. At present, Satin is a pan-India MFI with presence in 22 states/UTs. As per its internal policy, no state will contribute more than 20% of AUM by FY20. Currently, only UP contributes marginally higher at 21.6%, but its share will go below 20% soon.

Market Cap	Rs12.7bn/US\$181mn	<b>Year to Mar</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
Reuters/Bloomberg	SATIN.BO/SATIN IN	NII (Rs bn)	1.8	2.9	4.3	5.4
Shares Outstanding (mn)	47.7	Net Profit (Rs bn)	0.6	0.2	0.8	1.9
52-week Range (Rs)	393/197	EPS (Rs)	20.3	7.1	19.5	40.4
Free Float (%)	70.3	% Chg YoY	66.6	(64.8)	173.2	107.2
FII (%)	16.3	P/E (x)	13.3	37.7	13.7	6.6
Daily Volume (US\$'000)	224	P/BV (x)	2.6	1.4	1.8	1.5
Absolute Return 3m (%)	(21.7)	Net NPA (%)	0.1	0.3	0.2	0.3
Absolute Return 12m (%)	(24.7)	BVPS (Rs/Sh)	101.4	192.7	188.7	235.2
Sensex Return 3m (%)	(5.1)	RoA (%)	2.3	0.6	1.4	3.1
Sensex Return 12m (%)	(1.0)	RoE (%)	21.9	5.0	11.2	19.8

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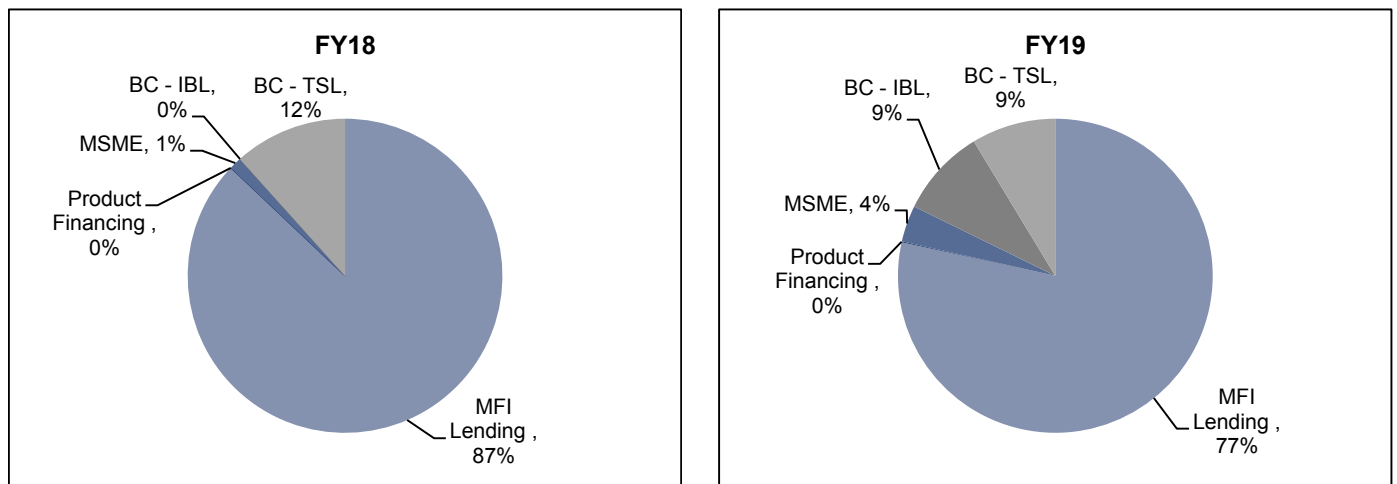
## Diversify revenue streams – aims to be a one-stop solution provider leveraging its rural outreach

Management has strategically decided to diversify revenue stream by increased cross-sell of products within the Satin ecosystem. Having access to customer information coupled with extensive use of new digital platform and with the setting up of two new subsidiaries to tap MSME and housing segment, Satin is better placed to increase cross-sell to existing MFI customers. Taraashna also provides steady stream of income by acting as BC for banks & NBFCs. Further, TSL’s board has approved the proposal to convert TSL into an NBFC, to explore opportunities in co-lending space, and other financial products not offered within the group.

The management foresees 1/3rd of consolidated revenues coming from the non-MFI business in the next five years.

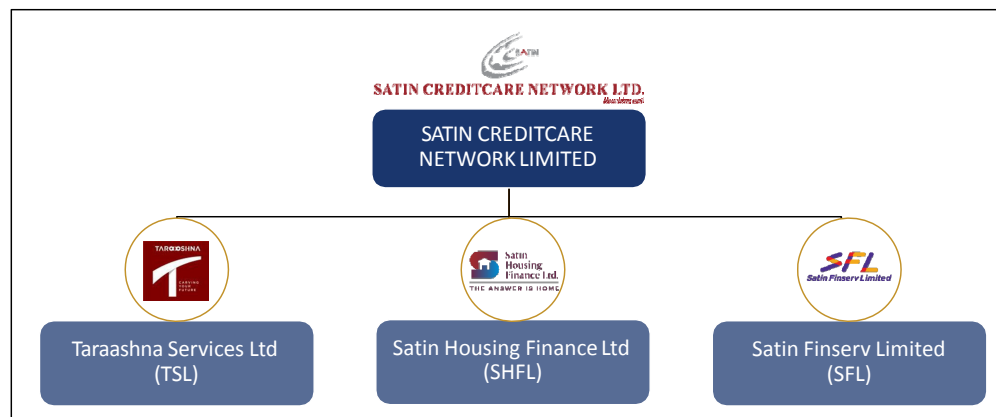
MSME and housing finance businesses have separate CEO and teams. MSME is professionally managed by a separate team, headed by Sumit Mukherjee, who has worked with Citigroup and Magma, and the head of housing finance, Amit Sharma, who is ex-Karvy Housing with ~20 years of experience.

Chart 1: Diversification on track



Source: Company data

Chart 2: Expanding scope of business through subsidiaries (page no 15/40/25)



Source: Company data

## Core operations (MFI Lending)

- Focus on Portfolio Quality
- Aim to achieve per state exposure to <20% by 2020
- Increase penetration through existing branches and by establishing new branches
- Scale up BC operations with IndusInd Bank
- Diversify revenue sources by increasing share of cross-sell income
- Credit scores for individuals and groups
- Cashless collections to reach >50% of total collections by Mar'20
- Psychometric analysis to be rolled out across branches
- Digital lending app to be instrumental in future growth

## Allied Businesses through wholly owned subsidiaries

MSME	SHFL – Housing Finance	Business Correspondent
<ul style="list-style-type: none"> <li>• Expand operations to new geographies – Presently operating in Delhi NCR, Haryana, Punjab, MP and Maharashtra</li> <li>• Focus on portfolio quality</li> </ul>	<ul style="list-style-type: none"> <li>• Aspire to be a niche housing finance player in tier II, III and IV cities and towns</li> <li>• Focus on portfolio quality</li> </ul>	<ul style="list-style-type: none"> <li>• Entering into BC arrangement with a leading bank, will help in scaling operations</li> <li>• Plan to broad base offerings besides microfinance</li> </ul>

Source: Company data,

**Table 1: Differentiated product offerings**

Product features as on Mar'19	SCNL		Business Correspondent services	Housing Finance	SME
	MFI <sup>(1)</sup>	Loans to MSME <sup>(2)</sup>	Taraashna Services Ltd <sup>(3)</sup>	Satin Housing Finance Ltd <sup>(4)</sup>	Satin Finserv Limited (SFL) <sup>(5)</sup>
StartDate	May'08 (JLG)	Apr'16	May'12 <sup>(3)</sup>	Feb'18	Mar'19
Ticket Size Range	Up to Rs. 50,000	Rs. 100,000 – 100,000,000	Upto Rs. 50,000 (JLG - Microfinance)	Rs. 100,000 – 4,000,000	Rs. 100,000 – 100,000,000
Tenure	12 - 24 months	12 - 120 months	12 - 24 months	24 - 240 months	12 - 120 months
Frequency of Collection	Bi-Weekly	Monthly	Bi-Weekly / 2 Bi-Weekly	Monthly	Monthly
No. of States/UTs	22	5	8	4	5
No. of Branches	971	34	180	5	1
Gross Loan Portfolio (Rs. cr)	6,113	261	604	79	11
No. of loan accounts	3,602,898	1,748	396,887	630	4
Avg. Ticket Size for FY19	Rs. 26,000 (JLG)	Rs. 2,350,000	Rs. 27,400 (JLG)	Rs. 1,453,000	Rs. 28,700,000

## Notes

(1) As on Mar'19, included MFI Lending (loans under JLG model, IndusInd BC, water & sanitation loans and loans to individual businesses) and Product Financing (Loans for solar lamps, cycles);

(2) MSME: Micro, Small & Medium Enterprises;

(3) TSL acquisition is effective Sep 1, 2016;

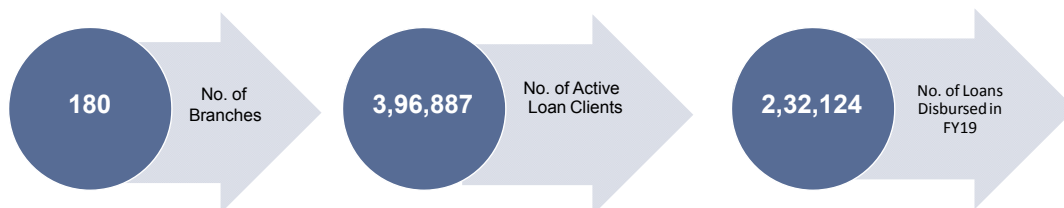
(4) Satin Housing Finance Ltd was incorporated on April 17, 2017

(5) SFL was incorporated on August 10, 2018

\*As of FY19, there were 971 branches with Microfinance operations & 34 branches with MSME operations. Out of the 34 MSME branches, 28 of them also had microfinance operations & 6 were unique.

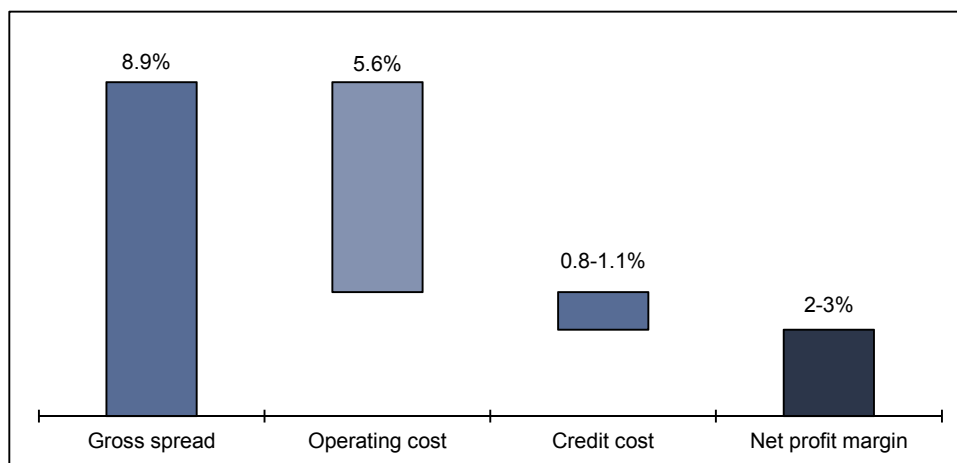
## Taraashna Services (TSL)

- Acting as a business correspondent for banks & NBFCs, TSL provides credit and other related facilities to clients in rural and semi-urban areas
- ‘Digitization and Cashless’ focus has helped in achieving superior operational control down to the last business unit, thus, increasing efficiencies
- The cashless disbursement percentage reached almost 59% of TSL’s total disbursement at the end of FY19
- TSL has a low risk business model which is highly capital efficient and yields elevated RoEs. RoE for FY19 stood at ~23%
- AUM stood at Rs6.04bn with presence across eight states
- Existing BC partners under TSL include IDFC First Bank, DCB Bank and Yes Bank, among others. TFSL book currently stands at Rs6.04bn (as of 31st March 2019).
- TSL’s board has approved the proposal to convert TSL into an NBFC to explore opportunities in co-lending space and other financial products not offered within the group



Source: Company data

**Chart 3: Higher margin and attractive ROA makes BC business lucrative even for MFIs**



Source: Company data

**Table 2: Operational Details - TSL**

Particulars	Q4 FY19	Q4 FY18	YoY %	Q3 FY19	QoQ %
<b>Gross AUM (Rs. cr)</b>	<b>604</b>	<b>670</b>	<b>-9.8</b>	<b>573</b>	<b>5.4</b>
Disbursement during the period (Rs. Cr)	206	259	-20.5	152	35.4
No. of loans disbursed during the period	72,115	99,106	-27.2	54,023	33.5
No. of Active Customers	396,887	413,865	-4.1	406,042	-2.3
No. of Employees	1,325	1,344	-1.4	1,335	-0.7
No. of Loan Officers	922	888	3.8	906	1.8
No. of States of operation	8	8	0.0	8	0.0
No. of districts	91	95	-4.2	103	-11.7
No. of branches	180	184	-2.2	178	1.1
No. of Regional Offices (RO)	8	7	14.3	8	0.0
<b>Productivity Metrics</b>					
Gross AUM/ Branch (Rs. cr)	3.4	3.6	-7.8	3.2	4.3
Gross AUM/ Loan Officer (Rs. cr)	0.7	0.8	-13.1	0.6	3.6
Disbursement/ Branch (Rs. cr)	1.1	1.4	-18.7	0.9	33.9
Disbursement/ Employee (Rs. cr)	0.2	0.2	-19.4	0.1	36.5
No. of Clients/ Branch	2,205	2,249	-2.0	2,281	-3.3
No. of Clients/ Loan Officer	430	466	-7.6	448	-4.0
Average Ticket size (Rs.)	28,400	26,000	9.2	27,800	2.2

Source: Company data

**Table 3: P&L Statement– TSL**

Particulars (Rs cr)	Q4 FY19	Q4 FY18	Q3 FY19	YoY%	QoQ %
Revenue					
Total Revenue	16.4	17.2	16.9	-4.9%	-3.2%
Expenses					
Finance Cost	1.1	1.5	0.4	-24.5%	210.3%
Employee Benefit Expenses	8.7	6.9	9	26.1%	-3.3%
Credit Cost	2	11.5	1.9	-82.3%	6.8%
Other Expenses	2.3	2.1	3	6.6%	-24.9%
Depreciation and amortization expense	0.1	0.2	0.3	-38.1%	-55.3%
Total Expenses	14.2	22.2	14.6	-36.0%	-2.4%
Profit before tax	2.2	-5	2.3	-142.7%	-8.4%
Tax expense	1	-1.8	0.7	-153.0%	40.6%
Profit after tax	1.2	-3.2	1.7	-136.9%	-28.4%
Other comprehensive income net of taxes	-0.2	-0.1	0.2	47.0%	-203.7%
Total comprehensive income	1	-3.3	1.8	-130.0%	-45.5%

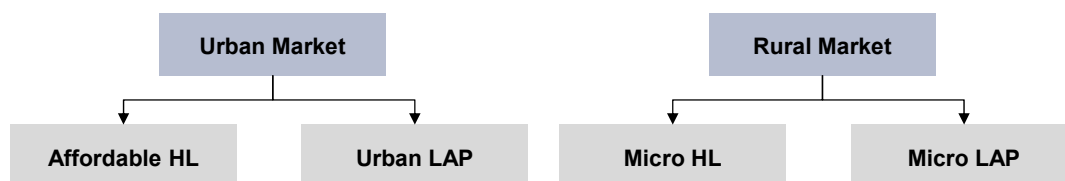
Source: Company data

## Satin Housing Finance (SHFL)

SHFL aspires to be a niche housing finance player in tier-II, III and IV cities and towns. It commenced lending in Feb'18 and as of March'19, AUM stands at Rs790mn. It mainly caters to customers belonging to the middle-and-low income groups in peripherals of tier-II and below cities with focus on rural and semi-urban markets (G+2 market).

The head of housing finance, Amit Sharma, is ex-Karvy Housing with ~20 years of experience. Housing finance business is five-quarters old and boasts of NIL delinquencies so far with a book of Rs0.8bn and ticket size ranging from Rs1-40 lakhs.

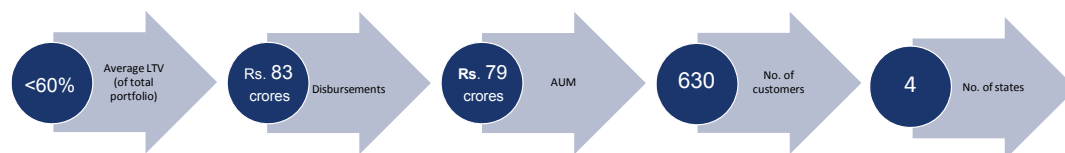
It follows complete centralised sanctioned and disbursement process with detailed analysis of cash flow for self-employed customers. TAT for self-employed currently stands at ~15 days vs 10 days for salaried customers.

**Product offerings -**

Source: Company data

**Key highlights -**

- Boasts of excellent portfolio quality with NIL delinquency since inception
- During FY19, the company successfully channelised subsidy from NHB under the Pradhan Mantri Awas Yojana (PMAY) scheme to eligible customers
- BBB+ (SO) Stable rating from CARE
- Building a technological framework to enable a paperless environment



Source: Company data

**Table 4: Operational Details – SHFL**

Particulars	Q4FY19	Q3FY19	QoQ%
Gross AUM (Rs. cr)	79	45	73.7%
Average Ticket Size (Rs)	1,453,000	1,380,000	5.3%
Disbursement (Rs. cr)	34	21	60.5%
CRAR (%)	111.10%	94.65%	17.4%
No. of Branches	5	3	66.7%
No. of States	4	4	0.0%
No. of Total Staff	83	67	23.9%
No. of Loan Officers	46	31	48.4%

Source: Company data

**Table 5: Operational Details – SHFL**

Particulars	FY19	FY18
Gross AUM (Rs. cr)	79	2
Average Ticket Size (Rs)	1,453,000	13,000,000
Disbursement (Rs. cr)	83	2
CRAR (%)	111.10%	685.96%
No. of Branches	5	2
No. of States	4	3
No. of Total Staff	83	7
No. of Loan Officers	46	1

Source: Company data

**Table 6: Financial – SHFL**

Particulars (Rs cr)	FY19	FY18
Revenue		
Interest and Fee Income	4.5	0
Treasury Income	1	0.6
Other income	1.6	-
Total Revenue	7.1	0.6
Expenses		
Finance cost	1.1	-
Employee benefit expenses	4.8	0.9
Credit Cost	0.3	0
Other expenses	2.3	0.4
Depreciation and amortization expenses	0.1	-
Total Expenses	8.6	1.3
Profit before tax	-1.5	-0.7
Tax expense	-0.3	-0.2
Profit after tax	-1.2	-0.5
Other comprehensive income	-	-
Total comprehensive income	-1.2	-0.5

Source: Company data

## Satin Finserv (SFL)

SCNL incorporated SFL in Aug'18, in-line with the group strategy to diversify business model. Key rationale behind setting-up separate subsidiary for MSME segment is to tap huge MSME market and to tap existing MFI customers seeking higher ticket-size loans. SFL received license from the RBI to start the business in Jan'19 and it disbursed first loan in Mar'19. AUM, as of March'19, stand at Rs114mn. CRAR for FY19 is 187.37%.

MSME is professionally managed by a separate team, headed by Sumit Mukherjee, who has earlier worked with Citigroup and Magma.

MSME started operations in March 2019 and has an AUM of Rs114mn (as on Mar'19) and disburses loan in the range of Rs0.1mn to Rs100mn.

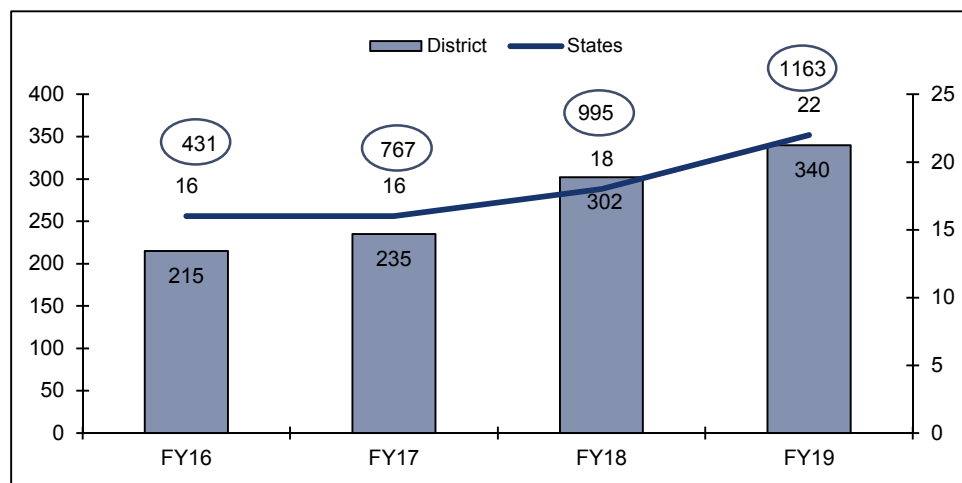
### **Scaling up BC partnerships to maximise returns – BC arrangement with IndusInd Bank (IIB) is making rapid strides**

- Under BC tie-ups, the loans are generated on the bank's balance sheet, while Satin acts as the loan originator and collector.
- BC arrangement with IndusInd Bank (IIB) is making rapid strides with AUM reaching Rs6.33bn (as of 31st March 2019). The company has dedicated 130 branches in six regions for IIB.
- The company enjoys a slightly better NIM than MFI loans on this portfolio and shares 50% of the loan processing fee of 7.5% with FLDG.
- BC model is highly capital efficient for Satin as capital requirement is only to the extent of FLDG, i.e. only ~1% (15% of 7.5% vs 15% otherwise).
- Besides the benefit of minimal capital requirement, this tie-up provides on-tap funding for Satin and reduces the need to carry excess balance sheet liquidity.
- Thus, the company's overall RoE will rise with an increase in the BC arrangement's contribution to AUM.

## Core MFI business trending well – geographic diversification to mitigate risk

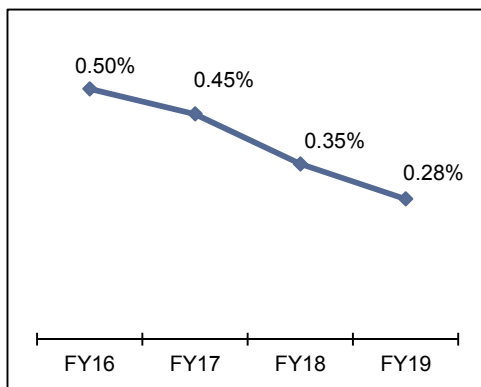
Satin has, substantially, reduced its portfolio concentration in UP over the past three years without declining growth in the book and despite pursuing collections from a sizeable defaulter base. Portfolio risk continues to come down when measured in terms of average exposure per district, exposure to top 10 districts and exposure to top four states (UP, Bihar, MP and Punjab). The company expanded its presence in Eastern/North-Eastern/Western regions and has now entered Southern India. At present, Satin is a pan-India MFI with presence in 22 states/UTs. As per its internal policy, no state will contribute more than 20% of AUM by FY20. Currently, only UP contributes marginally higher at 21.6%, but its share will go below 20% soon.

**Chart 4: Diversified operation with presence in 22 states**

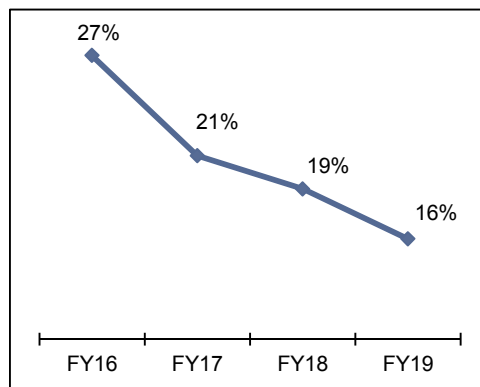


Source: Company data

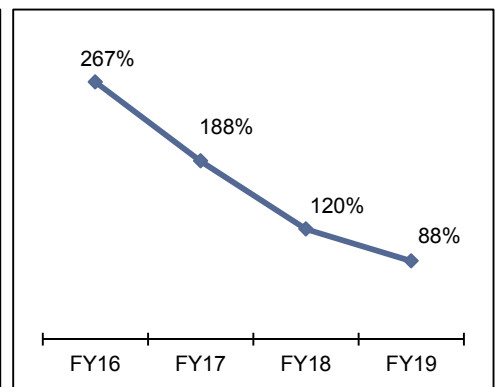
**Chart 5: Average exposure per district %**



**% of Top 10 Districts to AUM**



**% of Top 10 Districts to Network**



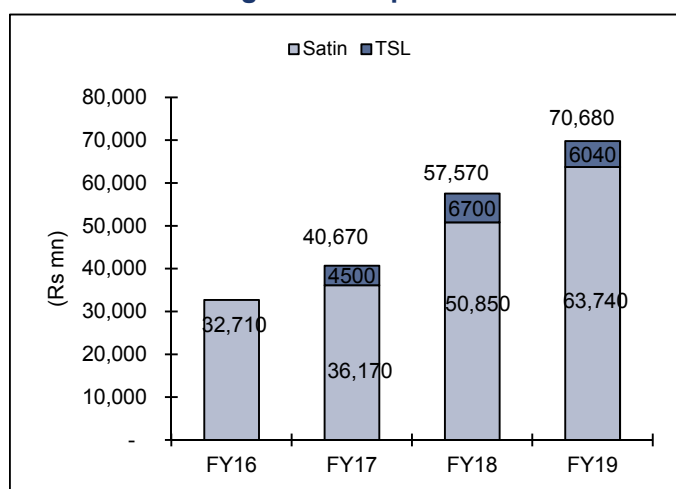
Source: Company data



Particulars	FY16			FY17			FY18			FY19		
No. of Districts - JLG	180			236			306			359		
Average exposure per district %	0.50%			0.45%			0.35%			0.28%		
	Bulandshahr	U.P.	4.28%	Bulandshahr	U.P.	3.21%	Bulandshahr	U.P.	2.86%	Samastipur	Bihar	2.36%
Top 3 district with highest exposure %	J.P. Nagar	U.P.	2.62%	Samastipur	Bihar	2.63%	Samastipur	Bihar	2.58%	Begusarai	Bihar	2.00%
	Begusarai	Bihar	2.40%	Begusarai	Bihar	2.38%	Begusarai	Bihar	2.34%	Bulandshahr	U.P.	1.86%
% of Districts with <1% exposure	85.00%			88.10%			92.50%			96.40%		
% of Districts with <1-1.5% exposure	6.70%			6.80%			4.60%			2.50%		
% of Districts with <1.5%-2% exposure	2.80%			3.00%			2.00%			0.60%		
% of Districts with >2%	5.60%			2.10%			1.00%			0.60%		

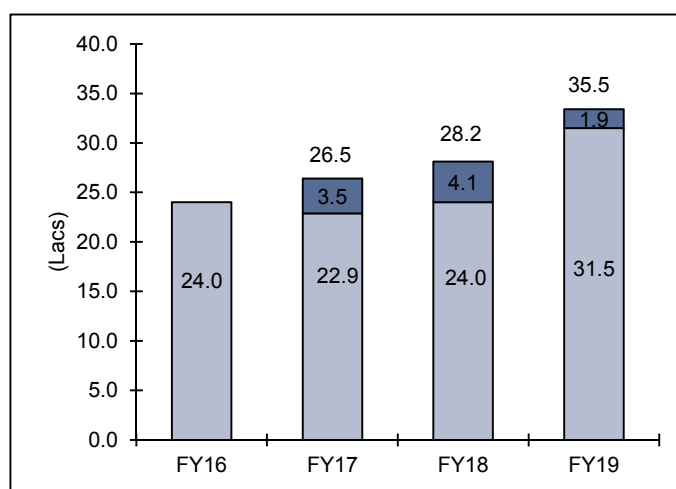
Source: Company data

Chart 6: Trend in gross loan portfolio



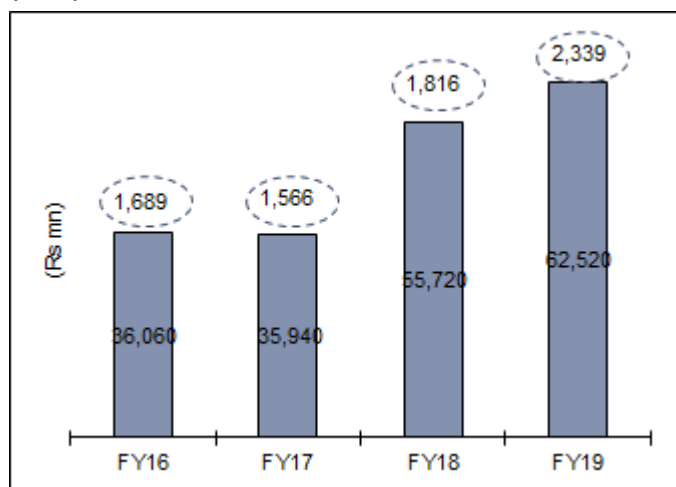
Source: Company data

Chart 7: Trend in clients



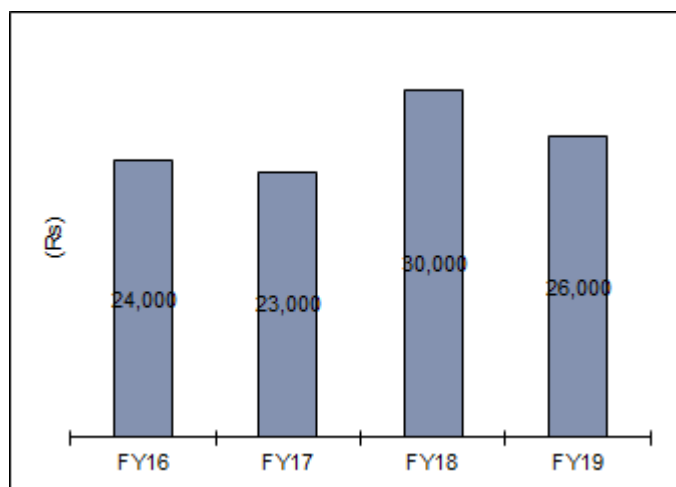
Source: Company data

Chart 8: Disbursement (Rs in mn) & No. of Loans ('000)



Source: Company data

Chart 9: Satin JLG loans - Average Ticket Size (Rs)



Source: Company data

## Ample Liquidity with structurally positive ALM

Satin's liquidity position is comfortable with a structurally positive ALM. Maximum loan tenure offered is two years, and average duration of liabilities (21 months) is way longer than assets (9-10 months). As of 31st March, 2019, the company is maintaining balance sheet liquidity with Rs16.39bn of surplus funds. Moreover, it has undrawn committed sanctions of Rs12.56bn in hand (as of 31st March 2019).

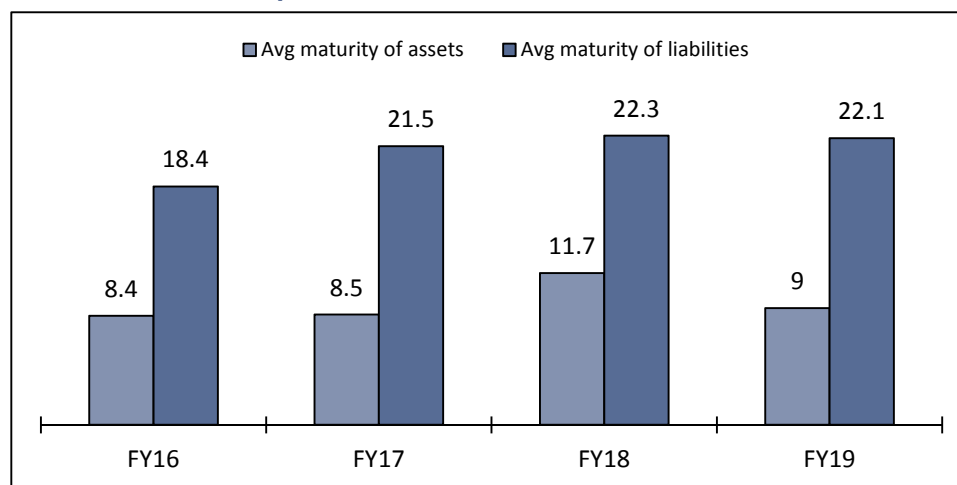
Considering a tight liquidity environment, the management is keeping a higher liquidity buffer. A reasonable level would be an equivalent of the next three months' disbursements.

**Table 7: Improving liability profile**

Static ALM as on 31st Mar 2019	19-Apr	19-May	19-Jun	19-Jul	19-Aug	19-Sep	Total
<b>Inflows</b>							
Liquidity at the beginning of month*	1,639	1,764	1,900	1,914	1,883	1,975	1,639
Principal - Loan portfolio	299	319	270	294	270	246	1,698
Interest - Loan portfolio	67	65	54	54	47	41	328
<b>Total (A)</b>	<b>2,005</b>	<b>2,148</b>	<b>2,223</b>	<b>2,263</b>	<b>2,199</b>	<b>2,263</b>	<b>3,665</b>
<b>Outflows</b>							
Principal repayments	205	216	269	349	152	259	1,449
Interest repayments	36	33	40	31	72	30	243
<b>Total (B)</b>	<b>241</b>	<b>249</b>	<b>309</b>	<b>380</b>	<b>224</b>	<b>289</b>	<b>1,692</b>
Cumulative Mismatch (A-B)	1,764	1,900	1,914	1,883	1,975	1,974	1,974

Source: Company data

**Chart 10: Benefit of positive ALM continues**



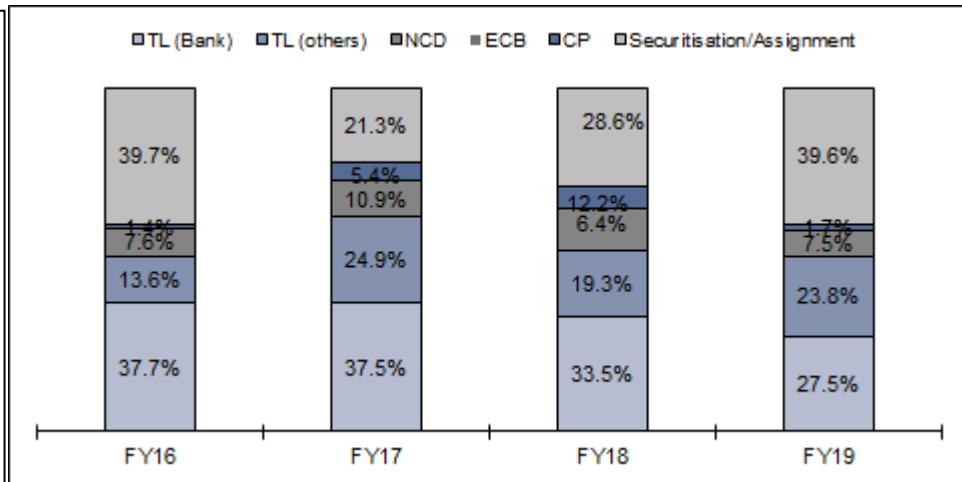
Source: Company data

**Chart 11: Diversified mix of funding**

Company has a diversified funding profile with a lender base of 75-80 and negligible reliance on short-term money. Also, dependence on loans from NBFCs (~12% of borrowings) is much lower compared to previous years.

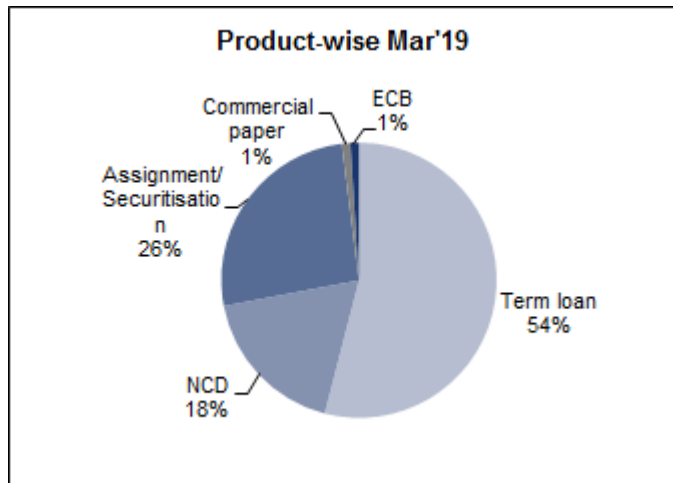
Top 10 lending partners are NABARD, Bandhan Bank, SIDBI, Bank of Baroda, SBI, Axis Bank, MAS Financial Services, IDBI First Bank, FMO Netherlands and HSBC.

Also, the company has been doing Securitization and Assignment transactions for additional funding routes and is a preferred choice for Banks to meet their PSL requirements.



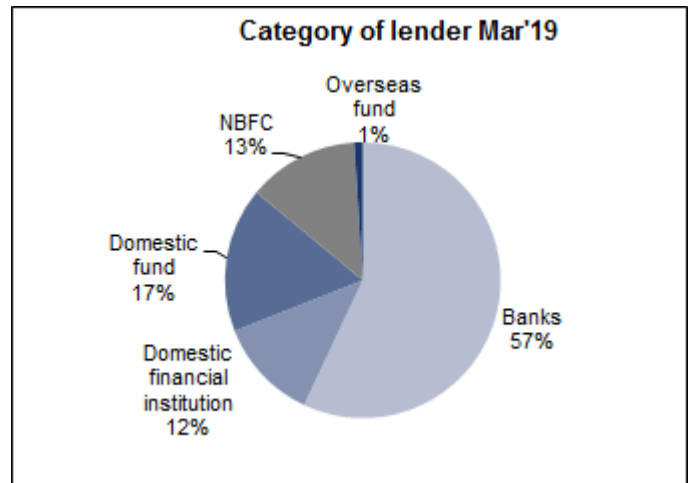
Source: Company data

**Chart 12: Dynamic liability profile insulated from capital market turbulence**



Source: Company data

**Chart 13: Category of lender**



**Leveraging network and customer reach to cross-sell – product financing**

The company also finances product purchase of solar lamps, bicycles etc and grants loan for safe water and sanitation facilities and is exploring more opportunities to cross-sell products.

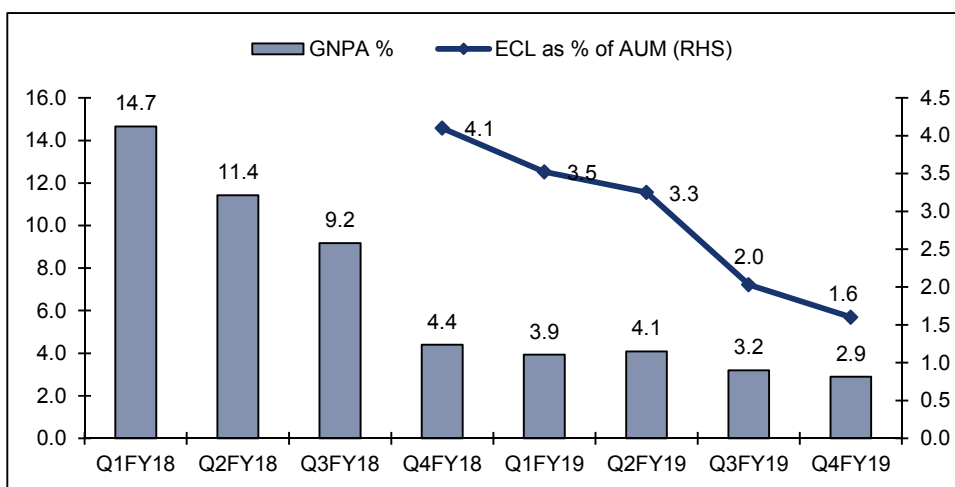
It is mutually beneficial for Satin and helps in

- Enhancing the productivity and income-generating potential of its clients
- Capitalises on company’s existing network and client base
- Enables the company to leverage and further strengthen its rural outreach and increase customer loyalty
- The income/commission flows directly to the bottom line as there is no incremental cost

**Receding NPAs & improved collection efficiency...**

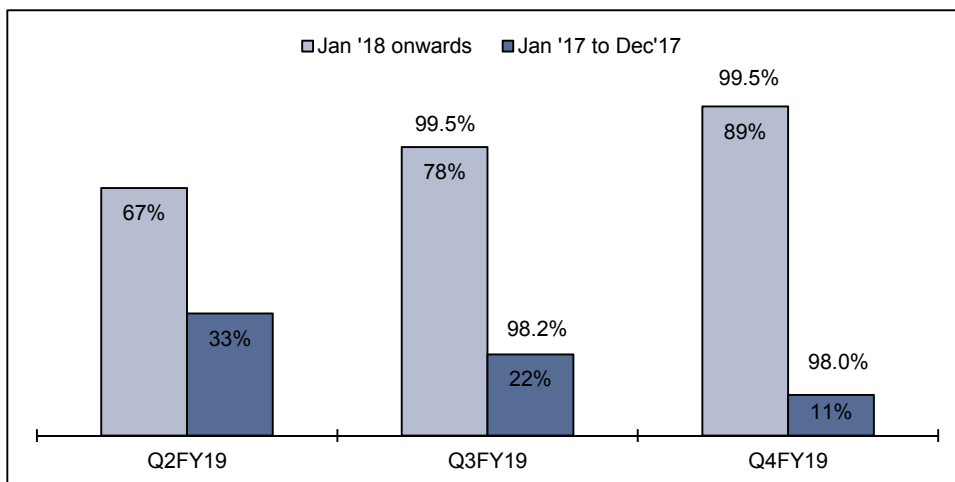
- As an outcome of high credit discipline in disbursement, Satin’s Collection efficiency has bounced back to pre-demon levels at 99.5% (Jan’18 onwards) as of March’19, which is 89% of the total portfolio.
- The PAR >90 continues to correct further as blended collection efficiency improved to ~99% in FY19 from 98% in FY18, aided by increasing share of post Jan’18 loan portfolio and recoveries.
- Satin collected Rs19mn from PAR 360 portfolio during FY19.
- The company’s GNPA has significantly gone down and currently stands at 2.9% (vs 4.4% in FY18) along with declining ECL provisions (1.6% in FY19 vs 4.2% in FY18) resulting from positive trends in asset quality.

**Chart 14: NPA movement**



Source: Company data

**Chart 15: Robust collection efficiency...**



Source: Company data

**Table 8: ... reflecting high credit discipline in disbursement**

Period of disbursement	Demand (Rs cr)	Collection (Rs cr)	% of AUM	Cumulative CE%
Jan'17 to Dec'17	4,413.95	4,327.34	11%	98.0%
Jan'18 onwards	3,264.22	3,246.49	89%	99.5%

Source: Company data

### ...backed by robust risk mitigation & underwriting techniques

The company has introduced several initiatives to mitigate risks and strengthen its underwriting techniques to judiciously select a more refined customer pool. These include:

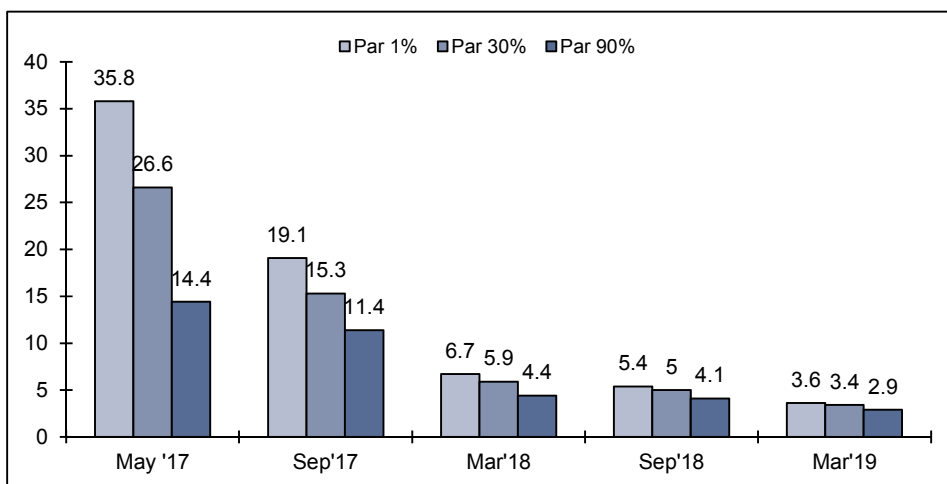
- Psychometric tests: To reduce risk on customers with negative intentions, has made customers filtration process more scientific and transparent.
- Real-time credit bureau checks: To track loan history of the prospective clients has also created its own credit scorecard for individual clients for better screening.
- Rotating responsibility: Re-shuffling between the CSOs (Customer Service Officers) every 18 months to reduce human biases. Risk officers visit customers regularly.
- Loan utilisation checks: CSOs regularly visit member's house/asset place for enquiring about loan utilisation.
- Geo-tagging: Of all branches, centres and customers to eliminate dependency on CSOs for customer identification.
- Instant account verification: Via penny drop mechanism along with strict KYC compliance.
- Cashless disbursements: To reduce cash handling risk.

Every Satin borrower is provided with an inhouse credit scorecard, which helps the company to keep a track of customer's credit history and its group, this comes in handy while extending second cycle loans or pre-screening customers for housing or MSME loans.

Further, housing loan/MSME loan is only offered to someone who has completed at least four loan cycles with the company (a ready pool of ~7 lakhs customers) and have >85% attendance record in centre meetings.

New geographies are cautiously selected by the business development and risk team after adequate due diligence and screening the credit history of the region.

**Chart 16: PAR trends**



Source: Company data

## Game changing digital transformation technology (LMS)

The flagship project was led by Sanjay Mahajan, who has implemented SAP in over 80 countries, and has helped the company in real-time decision making, faster book closing, improved data quality and better brand image. The LMS built inhouse by the company in record seven months, helps in live tracking of day-to-day business operations and KPI's through real-time dashboards updated every two minutes.

Over the past couple of years, Satin has made significant investment in technology and developed a state-of-art digital platform. Some of the key features of platform are – last mile connectivity on tabs, event-based mapping of geo location & tracking penetration, instant bank account verification, cashless disbursement @100% branches, real-time dashboards, real-time CB checks. Further, Satin is amongst the first MFIs to foray in digital lending by launching “LoanDost” with no human intervention, tapping the millennials. With this digital transformation, it has completely changed the way it looks at the business dynamics today and is ahead of the curve to better respond to the ever changing business scenarios.

Digital initiatives have started yielding positive results like -

- The turnaround time of customer acquisition to disbursement journey has reduced from 18 days to 30 minutes aided with real-time credit bureau checks.
- Lender houses as well as branches are geo-tagged, this helps in improving employee productivity via route mapping, while reducing dependability on loan officers (as attrition rates are high).
- The LMS system coupled with geo-tagging provides the company with last-mile connectivity, enabling it to track loan officers' location, monitoring daily collections, attendance and address any anomaly quickly.

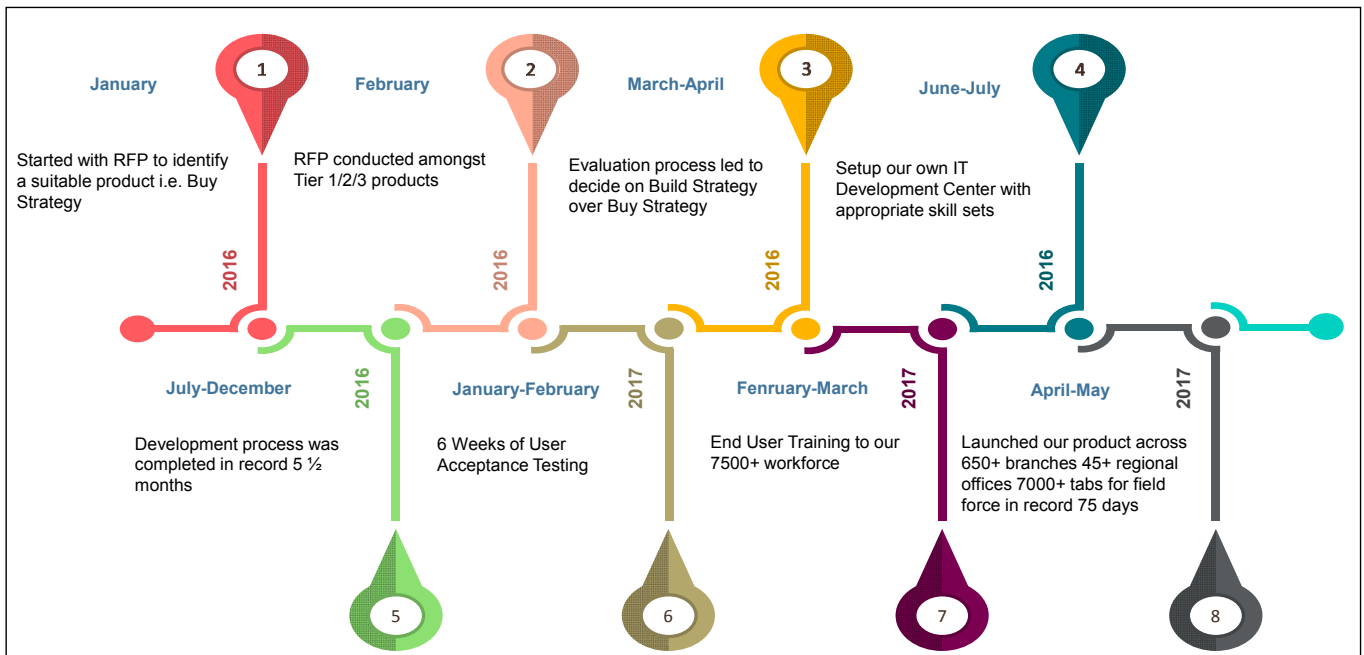
New initiatives -

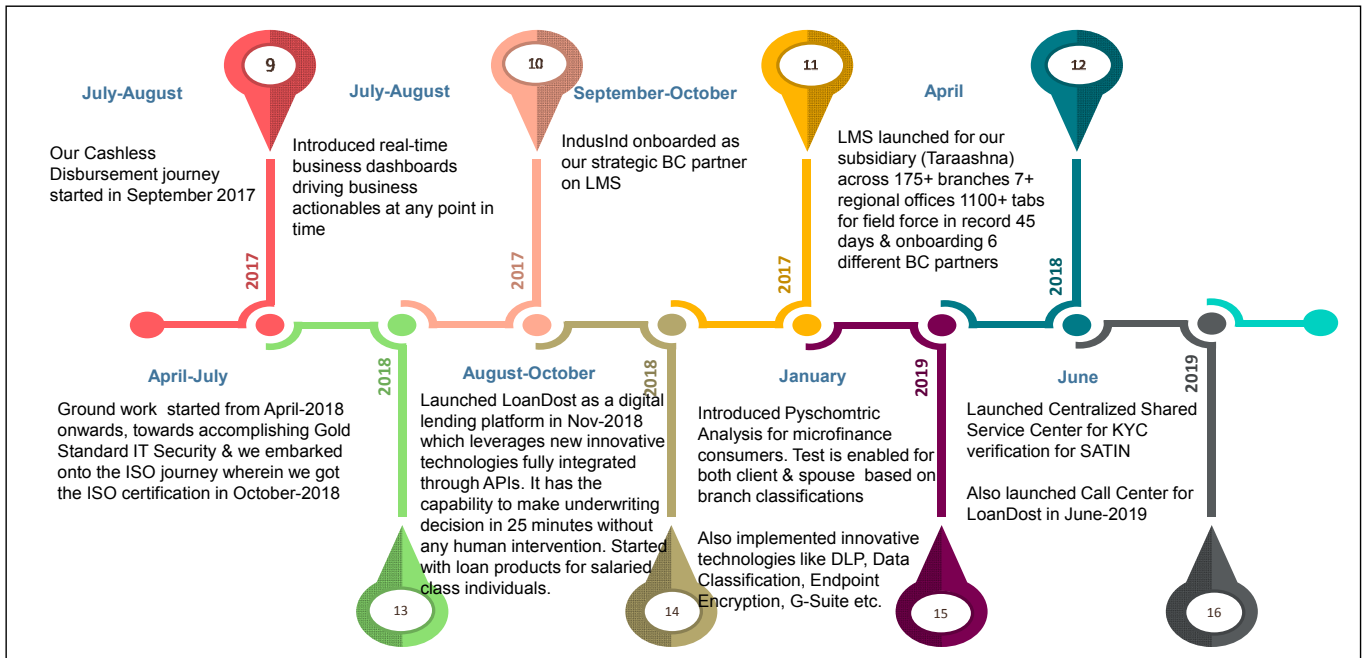
- The company has already started working on digitising collections after reaching ~100% cashless disbursements last year.
- The company is targeting over 50% cashless collections (currently at ~10%) via agency and biometric approvals or Aadhaar Pay across all geographies by the end of FY20.
- Cashless disbursement and collections address the risk of carrying cash while contributing towards improving cost ratios. In Satin's assessment, 100% cashless collection can improve opex/avg AUM ratio by 100-150bps over a period of time.
- Subsequently, the management is hopeful of lowering the operating cost/avg AUM ratio and cost/income ratio.

**LoanDost**

- Satin has also taken a big leap & has come up with a step changing digital lending platform named “**LoanDost**”, this has been done with a vision of being future-ready catering to salaried class consumers.
- The future of lending without any human intervention is the way forward, leveraging the new innovative technologies fully integrated through API's & powered by AI, ML & DevOps.
- LoanDost has the capability to make underwriting decision in 25 minutes without any human intervention.
- It is robust and secure and makes different kinds of checks to protect against any fraudsters and clients not worthy of credit.
- App-based platform available on Google Play Store for Android users, instant loans from Rs10,000-1,50,000.
- LoanDost leverages unique features like psychometric evaluation of customers, underwriting without human intervention & repayment via NEFT/IMPS/UPI.
- LoanDost brings exciting future roadmap by extending its reach towards self-employed consumers, integrations with Amazon for gift cards and rolling out dynamic offers based on customer profiling.

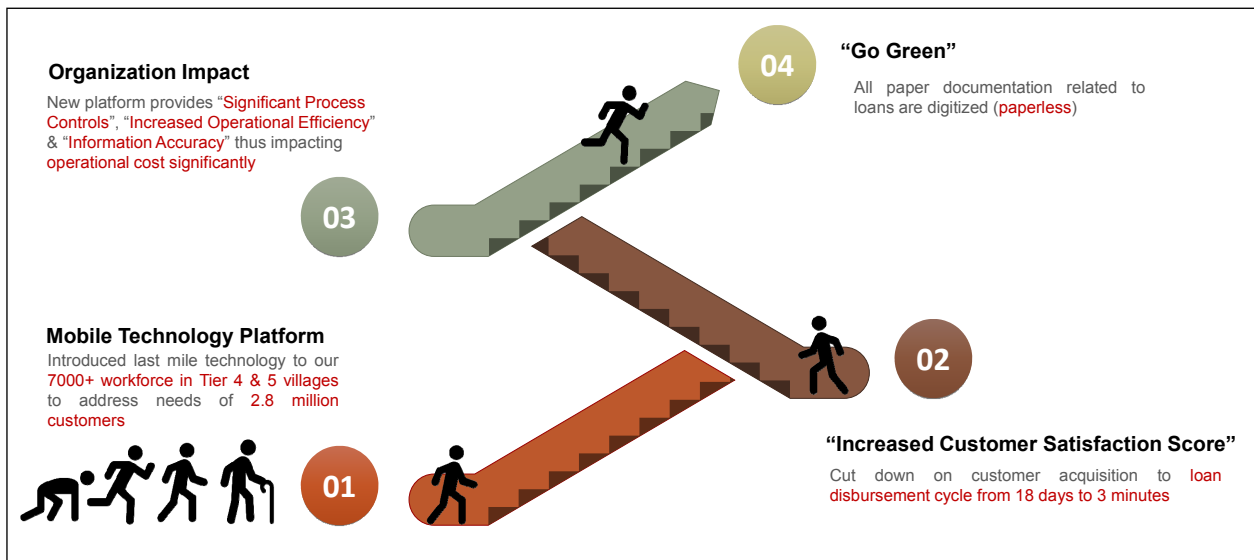
**Chart 17: Digital transformation journey**





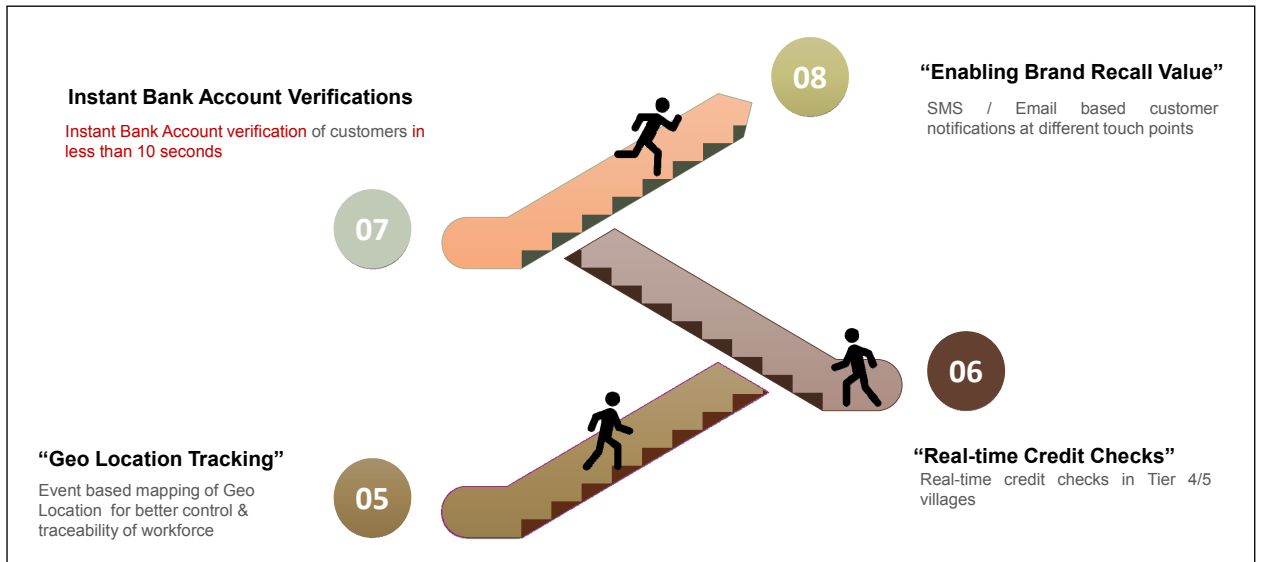
Source: Company data

Chart 18: Completely paperless and efficient business process

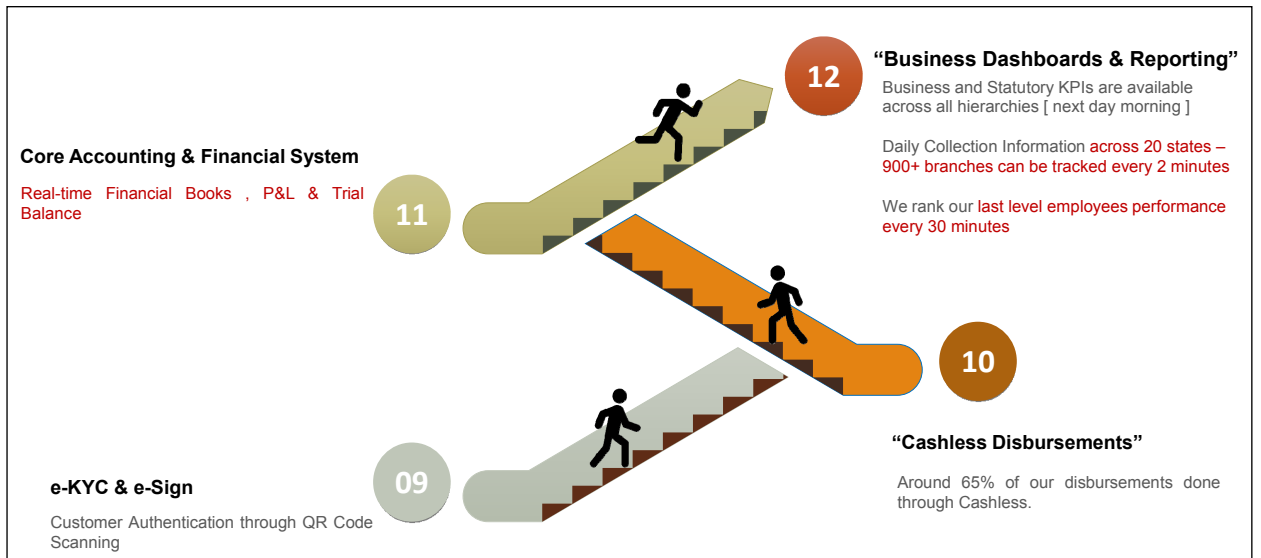


Source: Company data





Source: Company data



Source: Company data

## Financial summary

**Table 9: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY16	FY17	FY18	FY19
<b>Interest income</b>	<b>4,697</b>	<b>7,213</b>	<b>9,573</b>	<b>11,795</b>
Interest charges	2,899	4,351	5,317	6,390
Net interest income	1,798	2,862	4,256	5,405
Fee & other income	888	553	194	1,935
Net revenues	2,686	3,415	4,450	7,340
Operating expense	1,603	2,481	2,740	3,764
- Employee exp	884	1,568	1,892	2,648
- Depreciation /amortisation	29	56	141	114
- Other opex	691	856	708	1,002
Preprovision profit	1,083	935	1,711	3,576
Provisions	208	563	445	521
PBT	875	372	1,266	3,056
Taxes	296	127	445	1,107
PAT (excl. extraordinary)	579	245	821	1,949
Extraordinaries	5	-	-	-
<b>Reported PAT</b>	<b>574</b>	<b>245</b>	<b>821</b>	<b>1,949</b>
Preference Dividend	6	-	-	-
<b>PAT (post Preference dividend)</b>	<b>568</b>	<b>245</b>	<b>821</b>	<b>1,949</b>

Source: Company data, I-Sec research

**Table 10: Balance sheet**
*(Rs mn, year ending March 31)*

	FY16	FY17	FY18	FY19
Share capital	314	315	621	473
Reserves and surplus	1,681	2,925	6,001	8,446
<b>Shareholders' fund</b>	<b>1,995</b>	<b>3,240</b>	<b>6,622</b>	<b>8,919</b>
Long term borrowings	15,977	26,036	36,878	38,624
Short term borrowings	324	1,447	1,676	9,193
Total borrowings	16,301	27,483	38,554	47,817
Long term Liabilities & prov.	14	29	78	102
Deferred tax liability (net) & Others	(53)	(87)	2,235	91
<b>Sources of funds</b>	<b>18,256</b>	<b>30,665</b>	<b>47,489</b>	<b>62,626</b>
Net block	55	119	343	360
Capital work in progress	84	72	98	161
Intangible assets	6	22	59	34
Total fixed assets	144	213	499	554
Cash and cash equivalents	3,487	7,098	11,079	10,832
Investments			498	1,486
Loans & advances	14,645	22,748	32,773	48,452
Current Assets (ex cash)	671	1,636	2,638	324
DTA	-	-	-	887
<b>Uses of funds</b>	<b>18,256</b>	<b>30,665</b>	<b>47,489</b>	<b>62,626</b>

Source: Company data, I-Sec research

**Table 11: Key ratios**
*(Year ending March 31)*

	FY16	FY17	FY18	FY19
Portfolio (Incl. Assigned)	21,407	32,708	40,666	50,850
CAR (%)	15.7	16.8	24.1	21.2
Gross NPA (%)	0.0	0.2	0.5	4.4
Net NPA (%)	0.0	0.1	0.3	0.2
<b>RoE decomposition (%)</b>				
Net interest income/Average AUM	6.6	7.8	9.3	9.4
Other Income/Average AUM	3.3	1.5	0.4	3.4
Net revenues/Average AUM	9.9	9.3	9.7	12.8
Operating expense/Average AUM	5.9	6.8	6.0	6.6
Provisions/Average AUM	0.8	1.5	1.0	0.9
Taxes/Average AUM	1.1	0.3	1.0	1.9
Total costs/Average AUM	7.8	8.6	7.9	9.4
<b>ROA</b>	<b>2.3</b>	<b>0.6</b>	<b>1.5</b>	<b>3.0</b>
ROAE	21.9	5.0	10.6	19.1
<b>Valuation metrics</b>				
Diluted EPS (INR)	20.0	7.1	19.5	40.4
EPS growth (%)	67.4	(64.7)	176.3	107.2
Book value per share (INR)	101.4	192.7	188.7	235.2
Diluted P/E (x)	13.3	37.7	13.7	6.6
Price/ BV (x)	2.6	1.4	1.4	1.1

Source: Company data, I-Sec research

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