

June 13, 2018

To,  
**The Manager,**  
**National Stock Exchange of India Ltd.**  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex,  
Bandra East, Mumbai-400051

**The Manager**  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400023

**Scrip Code: SATIN****Scrip Code: 539404**

Dear Sir/Madam,

**Sub: Update on Conference Call held on May 31, 2018;**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated May 30, 2018 with respect to Conference Call held on May 31, 2018, we hereby submit the transcript of such conference call with this letter as an **Annexure-1**.

We request you make this updates public by disclosing the same at your website.

Thanking You,

Yours Sincerely,  
For **Satin Creditcare Network Limited**

**(Choudhary Runveer Krishanan)**  
**Company Secretary & Compliance Officer**

**Encl: a/a**



“Satin Creditcare Network Limited  
Q4 FY2018 Earnings Conference Call”

May 31, 2018



**Analyst:** Mr. Aalok Shah - Centrum Broking Limited

**Management:** Mr. H P Singh – Managing Director and Chief Executive Officer – Satin Creditcare Network Limited

Mr. Jugal Kataria – Chief Financial Officer - Satin Creditcare Network Limited

Mr. Dev Verma – Chief Operating Officer - Satin Creditcare Network Limited

**Moderator:** Ladies and gentlemen, good day and welcome to the Satin Creditcare Network Limited Q4 FY2018 Earnings Conference Call, hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aalok Shah from Centrum Broking Limited. Thank you and over to you Mr Shah!

**Aalok Shah:** Thank you Karuna. Good morning all on behalf of Centrum Broking, I thank you all for joining on this call. From the Satin Creditcare Network Limited management, we have the MD and CEO, Mr. H P Singh. We have Mr. Jugal Kataria, the CFO, Mr. Dev Verma, the COO. Without taking much of your time, I would like MD Sir to brief us on the numbers followed by some commentary from Jugal Sir and then we can open the session for Q&A. Thank you and over to you Sir!

**H P Singh:** Thank you Aalok. Good morning everyone. My name is H P Singh. We have uploaded our investor presentation, I will just take you through the key highlights what has been shown in the presentation, but the key highlights have been that it has been a very good quarter for us. We have maintained our history of profitability since inception on a standalone basis, we have had a marginal PAT of about Rs. 4 Crores in spite of the fact that we are probably the underdogs in terms of demonetization across which happened for the last one one and a half years or so. There has been 104% increase in PAT for the quarter. For this, we practically opened about 191 branches across the whole year in terms of our looking forward to the AUM growth. And this has primarily been because of our lower operating cost, there has been an increase in disbursement and it has been a stable portfolio quality after demonetization hiccups. To take you forward through that I think our peak gross NPA was close to about 14.5% or so and now the gross NPAs are close to 4.4% and similarly our net NPA is I think was also close to double digit mark somewhere and now they are down to about 2.6% and in absolute terms, I think our net NPA now stand at about Rs. 130 Crores which also has been factored in terms when we have given our guidance for our ROA for the next year as such.

So technically for us this net NPA has been factored in and that is what I repeat in terms of calculate our guidance for our ROA for the next year. Our technology has been fully operational at all our branches and I think just to give you a cue probably our technology is one of the state-of-the-art, which gives live feed across every two minutes, I think it is probably one of the best in the sector as such that we get a live feed collection from any part of our branch in any part of the country after every two minutes.

We are also brining our business correspondent entity also on the same platform and I think we will be live and operational by the end of next month, so that is also going to be up and running in terms of Taraashna in our subsidiary also. In terms of our technology also taking a cue from the cashless disbursements which we started doing practically in mid of last year in terms of our branches 51% of our branches are now being cashless disbursements and in terms of volume the cashless disbursement is close to about 35%, but as we see it right now that volume has

increased to close to about 50% to 55% now in terms of the volume and amount. We have raised close to about Rs. 440 Crores in multiple rounds during the last year and that is probably one of the reason why we maintained a strong capital adequacy now close to about 23.7% even in spite of the fact that we have achieved a 40% growth in our AUM. Our AUM now consolidated basis stands about Rs. 5757 Crores put together and that is where the key highlights are and based on our other products which we are doing in our other verticals, the SME is now close to an AUM of about Rs. 75 Crores. Housing finance was started in March in itself to start this work and they have done business worth about Rs. 3 Crores in the first month in itself. We are targeting close to about Rs. 125 Crores plus business in the housing finance space and close to about Rs. 150 Crores business in our SME space.

And we have given our guidance for FY2019 to achieve an AUM growth of 40% plus and an ROA of 2.3% plus and we are very, very confident of achieving the same. And I will hand over now to Jugal for a small piece of exposure district wise which I think he will let you go through that.

**Jugal Kataria:**

Sure. Thank you Sir. Good morning everyone. This is Jugal Kataria. So one of the concerns that we have been hearing from all the stakeholders is on geographical concentration in UP over a period of time and our teams have worked very consciously to bring that down. The UP concentration in general has come down from about 43% in FY2015 to less than 30%, now we are at 29.7%. We have reduced our concentration in MP also from roughly 18.5% in FY2015 to about 10.2% now. We expanded our business in the Eastern India where we started West Bengal, Assam, and Orissa, three states there, which are taking good shape. So it is a well-diversified portfolio besides the north and central part of the country we are now present in East India as well. So we have given on page 24 of our presentation, the average exposure per district have come down from 0.85% to 0.35% during the last three years and then within that also granually though we had for 29.7% exposure in one state, but the district wise it is well-diversified portfolio. We have only 1% of the districts where we have more than 2% exposure and in 92% of the districts, we have less than 1% exposure.

We have further given detail of the large three districts. Earlier all the three large districts used to in UP. But now among the top three, two districts are from Bihar, which is an Eastern India where the repayment is not a problem. So in general it is a well-diversified portfolio, we feel that this will help us further reduce risk in the business and have a very well-diversified portfolio. So with that we shall open call for any Q&A.

**Moderator:**

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

**Kashyap Jhaveri:**

Hi. Congratulation Sir on really great set of numbers and congratulations on reducing your NPL number to almost about 2.6% on net basis, I have a question on what Mr. Kataria was highlighting in terms of geographical distribution, now if I look at some of the states like Assam, Uttarakhand and West Bengal, there has been a significant growth in Q4 as well as full year FY2018 and in some of the states – if juxtaposed that with slide #26 which shows Satin's market

**Corporate Office:**

1st and 3rd Floor, Plot No 97,  
Sector-44, Gurugram - 122003  
Haryana, India

**Registered Office:**

5th Floor, Kundan Bhawan  
Azadpur Commercial Complex,  
Azadpur, New Delhi - 110033, India

**CIN** : L65991DL1990PLC041796

**Landline No** : 0124-4715400

**E-Mail ID** : [info@satincreditcare.com](mailto:info@satincreditcare.com)

**Website** : [www.satincreditcare.com](http://www.satincreditcare.com)

share in some of those geography, like for example Assam we are almost like a third of the market share over there, Uttarakhand is almost about 39. So in a sense, yes we are reducing our dependence on some of the earlier largest states which is like UP and Bihar or - even including MP but in some of the smaller states our concentration is again getting too high as a percentage of total MFI exposure, so if you could help us understand your strategy in some of the states what makes them so attractive and what makes you comfortable with aggressive growth in some of the states like West Bengal, Assam, Uttarakhand, Rajasthan, if you could highlight your strategy over there?

**H P Singh:**

I think I will take up Uttarakhand out of the piece first, but if you look at the Eastern states, the penetration level wise, the number of MFIs which are working over there in Northern Eastern state are lesser than what you would probably see in southern part of India or maybe the central part of the India, so that is one of the key strategies for us to look at these areas like Assam and West Bengal to a large extent. Uttarakhand I think for us it has been quite a static if you look at the whole state as such I think it has been a static geography for us, if you really look at it. I think our focus is also to move away primarily from the Northern states where we are having a very dominant position across over there and even having further I think bringing Uttar Pradesh down over there; we had to take cue from the other states across over there. Uttarakhand I think is insignificant in terms of remain probably static or will go down in the next year as such. The states which are going to probably come up, is going to be again the Eastern states to a large extent with Odisha also playing a major part where we still have a low wage portfolio. We are adding on a couple of more states in north east, I think Tripura is getting added on, Meghalaya is getting added on and we feel that there is still a large room to grow and even in West Bengal if you really look at it the number of MFIs per se working as compared to maybe the number of MFI working in Odisha, Bihar and all that, there are still lower numbers across over there. So that is the one of reasons why we are taking our key exposures in these states.

**Kashyap Jhaveri:**

Does the political landscape in some of the states, does not it work as a deterrent to us?

**H P Singh:**

If you have weathered Uttar Pradesh you can weather anything across anywhere in any state.

**Kashyap Jhaveri:**

Sure and second question is on your reduction in NPL, now if I look at the previous quarter, that is Q3, we reduced our gross NPL by about Rs. 61 Crores to Rs. 395 Crores and net NPL was about Rs. 75 Crores to about Rs. 150 odd Crores. If I look at this quarter, our gross NPLs are down about Rs. 170 Crores, but net NPLs are down only about Rs. 18 Crores, so it looks like – there has been significant recovery from the return of accounts in this quarter?

**H P Singh:**

I think what we are now coming at is probably the tail-end of the demonetization states, so the buckets now which will probably – will be the most hardest to crack on. So our own sense is and that is the reason why I said in my opening remarks that we are factoring in the un-provided for amount also in our current year as such as the growing concern, it gets a little challenging once these hard buckets come up, but we are still working on it, I think we are trying our level hard, last one and a half year we have been able to bring it down to these levels but our own sense is I think we are still working hard on it, we are having different strategies to work on it and we are still trying to put that together and let us see how much can be recovered on this un-

provided part as such. These are hardest buckets now and I think we will have to probably now look at it maybe in a different landscape altogether.

**Kashyap Jhaveri:** This Rs. 170 Crores reduction would be largely the provided accounts which have been now written off, therefore reduction in net NPA number?

**H P Singh:** Yes.

**Kashyap Jhaveri:** Okay. That's it from my side. Thank you very much.

**H P Singh:** Thank you.

**Moderator:** Thank you. The next question is from the line of Simi S from GCJ Financial. Please go ahead.

**Simi S:** Hello Sir. Congratulation for good numbers.

**H P Singh:** Thank you so much.

**Simi S:** Sir, I would like to have the guidance on return on equity, you said you will reach 2.3 ROA, also can you give us the return on equity guidelines?

**H P Singh:** I think based on this the ROA 2.3% plus our return on equity would be close to about 15% or so, I think that is what my initial estimation, I think it will closer to that.

**Simi S:** Okay and second question pertains to asset quality, still our new loans we disbursed post Jan 1, 2017 we have collection ratio of 98%, so why is that not improving because our competitor is having more than 99%, and do we foresee any more provisions during 2019 because of 2% not getting paid back?

**H P Singh:** So I think – let me make you understand, again the genesis of from where we are in where are competitors are, I think I probably told this across this thing and I think that has to probably, will have to sync in when people look at 98 of us and may be 99 of somebody else. Our portfolio and our geography was about 75% which was impacted, as compared to maybe our 25% of the other competitors of ours, but technically we have to operate in the same geography where we have been working, because our major portfolio was lying over there. So for us having even come up to 98% collection in those 75% of your impacted territory as compared to a 99% of where people have 20 or 25% impacted one. I think for us we probably have taken, I think that is something which is – I do not want to say it for myself but that is something commendable, which we have done, we have been able to do it across this thing. Our PAR at point of time was standing at about 50% plus, now having brought that down to these levels, I think that is the reason why 98% as compared to 99%, is probably far more comparable if you really look at that. But also what I would like to say that even in those impacted territories and all the territories where we have given our cycle one disbursement to the customers, there we have a 99.7% collection efficiency, which means it is not gone to be old impacted guys or anyone who had a PAR, or anyone who has been there in our previous cycles, so any new clients which we have



acquired in even these impacted territories, our collection efficiency stands at about 99.7%. Though it is a small portion in the total portfolio, I think if you really look at it, stands at about 33% of our clients in the total portfolio. So I think that is where probably the difference would lie and we factored in whatever the un-provided portion is in our guidance for our next year basically, so that has been... if you really ask me, that has been fully provided for.

**Simi S:** Okay, so you do not see any big rise in the provision cost in 2019?

**H P Singh:** I do not think so anything major now coming up.

**Simi S:** So what credit cost are we factoring in our budgeting number?

**H P Singh:** The un-provided portion of about Rs. 130 Crores.

**Simi S:** Rs. 130 Crores?

**H P Singh:** Yes.

**Simi S:** Okay. Thank you so much and all the best.

**H P Singh:** Yes. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Manish Sisodia from Nirmal Bang. Please go ahead.

**Manish Sisodia:** Yes Sir. My question on the operating expenses growth if I look at the operating expenses growth for the full year is muted given the branch expansion and so where we are saving significantly in terms of operating expenses and secondly how do you see the opex growth for 2018-2019 given the expansion plan?

**H P Singh:** So I think it is majorly between the technology and cashless disbursement everything which was added on to our reduction in our opex majorly that has been there, I think smaller cue has been, and has been able to bring in far more efficiency in terms of our processes and our system, because earlier if I just give you an example, I think maybe technology helped us by cashless disbursements of bringing down earlier, it was 14-day TAT, credit bureau being done maybe after about 10 days, so all that logistic amount getting wasted down across over there. So it has been there, also I think the major factor which have probably brought down, I have no clear-cut numbers across over there which has probably been there in our this thing. We have been able to bring down our service cost and our printing stationary because of cashless disbursement and the technology taking over, that has been a huge reduction in terms of our this thing. Earlier guys used to ferry you know— simple example ferry cash from bank branches to our branches then disbursement across over there that is completely going down. A 55% of our branches have now turned into cashless, which we think will be closer to about 100% by the end of this year. I think that is where we have a significant reduction in our operating cost.

- Manish Sisodia:** And in terms of operating expenses growth Sir for this year?
- H P Singh:** This year we are projecting close to about I think from 6.28, we have a slight uptick of 6.47 or so, so with the expansion of new branches and everything that is what we are trying to factor in across over there, so it is just a minimal 0.25 bps point moving up in the operating cost but remains static and stable at the same percentage.
- Manish Sisodia:** Second question on the customer acquisition or new customer base is concern Sir, if I look at the slide where it is mentioned that this year active customer in microfinance side is 2.4 million customer versus 2.3 million customer, so in terms of customer acquisition rate is very muted given the strong branch expansion and AUM growth?
- H P Singh:** Yes the branch expansion came in the latter half of the year; that was one, second demonetization had to be factored in boss, that was probably our prime concern last one year, so acquisition of new customer took a second fiddle but I think this year what we are looking at is the new geographies, more clients, newer acquisition even in the impacted states as such.
- Manish Sisodia:** Okay and can you provide the update on your two tie-ups, one is Capital First and IndusInd Bank, how many branches we are offering these products and secondly what kind of book right now we have and in one year timeframe, how much we can build?
- H P Singh:** So IndusInd, I think has picked on fairly quickly, I think we have done our pilots, we have done integrations, we have done quite a lot of them, I think if I give you in terms of our this thing, close to about I think Rs. 20 Crores to Rs. 30 Crores is what we are looking at month on month from this month onwards that is what we are trying to do and Capital First has been a little slower in terms of our this thing. We have still been able to manage something in the two wheeler loans across over there but we are still integrating a lot of our learnings into that and I think the uptake would be there from this year across in the two wheeler loans, so that is how we stand right now
- Manish Sisodia:** Sure, can you express the meaningful book on that side this year or this year also there will be – the book building will remain slow?
- H P Singh:** You can look at a very meaningful book this year.
- Manish Sisodia:** Okay and last question on the collection efficiency in the asset quality side, you shared that the 98% number you should look at the 99% of peers, but if I look at the credit cost versus our peers obviously because of concentration we have a higher credit cost, so when we will see the Satin also reaching 99% collection efficiency in 2018-2019 or it will be tough for us given the geography or second question on the net NPA side, currently we have a net NPA of 2.6%, why we have not taken aggressive route and provided fully of net NPA and then start the slate fresh for next year?
- H P Singh:** One it is the growing concern, I do not want to shoot myself in the foot by not being in the growing concern, so we will take it as it comes that is one. The second is I will leave it to you



basically that from where we come from, if you still feel that we have not been able to really come up the curve in terms of our credit cost and in terms of our PAR wherever it was and for us to reach 99, I think it is not too far away, it could reach 98 in spite of the fact by down by 50% in our PAR, I think 99 is not something which is not achievable, we will be there.

**Manish Sisodia:** Sure Sir and last one small data point, what is the interest reversal amount for the full year 2017-2018, interest reversal amount Sir?

**Jugal Kataria:** This was close to about Rs. 40 odd Crores.

**Manish Sisodia:** Rs. 41 Crores?

**Jugal Kataria:** Yes.

**Manish Sisodia:** Okay Sir. Thank you so much Sir.

**H P Singh:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

**Rajesh Kothari:** Good afternoon Sir. Congratulations for good set of numbers. I just had one question that in the coming year again since there are many state elections and farm loan waiver is going to be the norm at least for next 12 months, how do you see situation like that and what risk management we have in place to make sure that the incremental disbursement as well as the collection if such farm loan waiver happens, we do not get impacted?

**H P Singh:** I think we have enough experience during demonetization of now one and a half, two years to counter all these now, I think we have learned enough, we burnt ourselves to a large extent, we have probably been in the most impacted territory, I think and its probably for us, now we just take into a stride, there is nothing, we can probably look at it, but I think we build up our systems, we have build up our the way Jugal explained you the district-wise exposures and all that I think we have taken enough measures for us to really look at these risk mitigating factors across even as the elections come up, the farm loan waivers come up. They have been coming off and on basically but it is not – we have had an increase in our portfolio quality, we have had much betterment across everywhere. So I do not think so now we have any cause for concern for at least us after having been able to really look at it, so that has been there, the whole campaign with the administration, with the district awareness, we are having center leader workshops all across over there, we have held at least about 20 of them across India. So, I think we have taken all the measures which probably can have to mitigate any possible risk emanating out of these farm loan waivers or the election coming over. We are fully geared up for that.

**Rajesh Kothari:** So say for example Karnataka, let us assume that give the complete loan wavier or such measures even probably in Madhya Pradesh, since the election is coming, can you give some

colour that in terms of the steps when you say that in our systems are in place, what you do to ensure that there is no default of this book?

**H P Singh:** Karnataka, we are not present, so I cannot tell you about anything about Karnataka but where we were present, UP went to the farm loan waiver and that was during demonetization. I think we have gone through that in fact probably our collection efficiency went up after the farm loan waiver announcement. Punjab went through a farm loan waiver, we still went up; Rajasthan went through a farm loan waiver, we still went up. I think the history probably has it to be written down, although I cannot probably outline now measure, I have given you a few measures which we have already done. I think that is how our rapport with our borrowers, the way our guys are motivated to make people understand, our borrowers understand, the district administration to really get in rapport with them and do all that. Therefore we have taken all those measures across over there and also the fact that we have been able to reduce our concentration across in every possible district as such, counter measures for all these.

**Rajesh Kothari:** Understood and one more question in terms of your overall book, I do not know, sorry if I am repeating this question, how do you see your loan book mix over a period of three years?

**H P Singh:** Mix in terms of our non-microfinance product?

**Rajesh Kothari:** Yes.

**H P Singh:** I think the base is too small of our non-microfinance product, I think even today our microfinance product constitute about 98% of our book, my sense is next five years, I can give you a cue that probably will be about 15% to 20% of our total AUM, the non-microfinance part.

**Rajesh Kothari:** I see and that will therefore does it mean in terms of your NIM since as the non-microfinance book grows, your NIM will keep coming down to that extent, of course your other issues will keep improving in terms of your capital adequacy and in the provision requirement but I am just saying how the impact it can have on your P&L?

**H P Singh:** Even on my NIM concern our opex is also going to come down, so for us the margin will remain probably stable or maybe gets little better. So that is the reason why we said ROA of 2.3% plus this year and we would like to maintain an uptrend in our ROA moving forward on a year-to-year basis, even when the non-microfinance products start taking shape.

**Rajesh Kothari:** Okay. Great. Thank you Sir. Wish you all the best.

**H P Singh:** Thank you.

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

**Deepak Poddar:** Thank you very much Sir for the opportunity. If I see this quarter performance basically our cost income at 47% and ROA at 3.2% right with improving trend or stable NIM whereas for the

whole of year you are guiding for 2.3% next year so where is the basically disconnect as compared to like in terms of stability of what we have achieved this quarter, which will not get repeated in the next year because of which we are guiding for lower ROA?

**Jugal Kataria:** So probably our quarter performance is not indication, we are still in the expansion mode, the portfolio has really grown up during the quarter, so that is why that number is slightly lower. But as on today we feel that our opex is going to be in the range of some 6.45 to 6.5 in range and we want to balance the growth and opex and ROA number etc., we have just come out of demonetization, so it will take some more time to have a stable opex of less than 6% etc. So where we are probably a one quarter performance should not be taken as a base for next year.

**Deepak Poddar:** Okay. So this quarter your opex to OEM was about 5.5%, so this is not a basically correct trend right that is what...?

**Jugal Kataria:** This is one...so it is a quarter where we have done large amount of disbursement and the portfolio quality is also stable now, we are again in the expansion mode, we will open branches during the current year investing into other system processes, the result of which will yield over a period of time,

**H P Singh** **And** we will build it up quarter by quarter, so I think if you look at our past history also, I think everybody is probably – I think even when our peers outperformed in the last quarter and that is what we have been able to do. But on a stable system that is why we indicated 2.3% plus. We definitely would love to outperform it and lets see how things move on to be, that is the minimum, we think we will be able to achieve it.

**Deepak Poddar:** Okay, is that, like you mentioned that you have factored in Rs. 130 Crores of credit cost as well when you are giving 2.3% plus ROA, so that comes to about 1.9% of credit cost, so is that also one of the reason because of which...?

**H P Singh:** When I talk about the reason because we want to be pretty very conservative in terms of our approach and we want to – that is the reason why we factored in all this into next year and that is to be factored that the reason why we have an ROA, so we tried to outperform that also, let us see.

**Deepak Poddar:** Okay. Understood but on the steady state basis, the credit cost of 1% would be a fair assumption to make?

**H P Singh:** Yes that is why I repeated my earlier statement with someone that we will be moving from 98 to 99 as my newer portfolio starts building up and because right now when I said we have 99.7 on 33% of our clients, I think at the moment it starts building up and I think moving from 98 to 99 will not be that difficult. But yes 1% we would like to factor in in terms of the credit culture, the farm loan waiver, probably everything, it always safe to us, probably a slightly higher credit cost in any of added share.

**Deepak Poddar:** Understood. Sure. That is from my side and all the very best. Thank you.

- Moderator:** Thank you. The next question is from the line of Sagar Shah from KSA Securities Limited. Please go ahead.
- Sagar Shah:** Hello Sir good afternoon.
- H P Singh:** Good afternoon.
- Sagar Shah:** I just want one question, my question was regarding as of broader view something like in the next five years, we will be seen something like the, for the central government or whoever it comes the next year but we will see some allocation towards rural consumption little higher as we saw this financial year actually, something like allocation towards the rural for enhancing the purchasing power of our rural people for development of rural land in India, so as a company Satin Creditcare something like how would you see an opportunity in the next five years?
- H P Singh:** I think you have asked a very good question, I think probably what we are looking at right after demonetization, once the demonetization era faded out, I think we have seen uptrend in our demand, we have seen good collection coming in, so I think with the good monsoon also now being repeated, that is what the thing is, and what you said that yes maybe a spike in rural consumption that the government probably looking at, the rural landscape in a very different paradigm altogether, we have a huge opportunity and that is why we say that probably for us and that is why we said a 40% growth that is very easily achievable because of all these factors put together. I think what you said is probably absolutely right. There is a large opportunity which exists now with these all things happening in the rural landscape.
- Sagar Shah:** Exactly because you as a microfinance before demonetization, you Jeevan **were pioneer** actually, because something like enhancing, and giving money to people actually for betterment of them, and over the next five years something if we talk of rural power if we talk of rural something like whatever comes in the place of for their development or for the development of SME business or may be small scale businesses that will be developed over there.
- H P Singh:** Absolutely you are right, so rural housing a big thrust, we are already into it, consumer durable, consumer purchases already a big thrust because of all these, there has been an increase in credit from MFI, there has been a large entrepreneur focus in SME and all that, so I think all that put together, next five years definitely give us a very big impetus for taking a growth in a larger state, and I agree with you completely.
- Sagar Shah:** Thank you Sir. All the best.
- H P Singh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Himanshu Nazkani from Vulcan Capital. Please go ahead.
- Himanshu Nazkani:** Hi Sir. Congratulations on a great set of numbers. I wanted to get your views on the competitive landscape in terms of after the small finance banks the cost of funding has started reducing, so

probably from Utkarsh in UP and like the Bandhan West Bengal or in Southern area Ujiivan and Jana so are you facing a change in the competitive landscape or what is your...?

**H P Singh:** To be very frank and honest, there is nothing which has changed altogether, in fact I think for us the market has in fact getting better in terms of our growth. In terms of the margin, etc., across over there has not been any change, I do not know whether I should be saying that or not but even their cost of fund of the small finance bank and everybody coming up, while they will have to go through that, I think that is probably one of the challenges which as those entities enter the retail deposit space or anything that is the challenge, they will have to face. So there is not much of a difference in technically in terms of the margins or the landscape of the cost, which is across over there, I think it is fairly stable, does not make any difference.

**Himanshu Nazkani:** Okay and Sir another question is what is the nature of tie-up with Capital First and IndusInd bank, In the sense the customer relationship, stays with Satin and only the products are channeled through Satin branches or once the loan cycle one is completed then the customers are then moved onto with Capital First or like say IndusInd, how does it work?

**H P Singh:** No, with IndusInd Bank it is a very clear thing, we do all, everything for the client as we do it in our own balance sheet, we acquire, we source the customer, we service the customer, we collect, we do everything, which is across over there and the IndusInd Bank the best thing is that we get on tap funding, we really do not have to go across this, our requirement for capital goes down significantly across when we tie up with IndusInd Bank, so that has been a huge tie up for us to really look at and now it is taking shape across over there. I think God willing we are looking at closed to about 20 to 30% of our book probably to be done with IndusInd Bank, but it stays in their books, but everything on the front end is done by us.

**Himanshu Nazkani:** And with Capital First Sir?

**H P Singh:** Capital First is also the same thing – but that is non-microfinance product, still the same, we do the same exactly the same thing with them, it resides in the book but we do everything in terms of the front end in the product sale.

**Himanshu Nazkani:** Great. That is it from my side. Thank you.

**H P Singh:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ramesh Rachuri from Scient Capital. Please go ahead.

**Ramesh Rachuri:** Good morning Sir. Congratulations on excellent set of numbers. I had two questions basically looking at in the next two years, one is inflation (**inaudible**) 37:59 and interest rates are you starting to see pressure on the borrowing side, so that is the first question. Second question is when since your entering into newer areas on the Eastern side like Bihar and West Bengal, we have had issues in the past regarding ring leaders especially in case of West Bengal you have

also an alternate model of lending, not necessarily the JLG model, if you take the example of (inaudible) 38:31 so how do you see that competition playing out?

**H P Singh:**

So on your first question, I think the pressure on our cost of funds, I think there is a slight pressure, but I do think so it is a pressure, which probably cannot be borne by us, I think it does not affect us too much, I think at the moment we are trying to convince our rating agencies to really have an upgrade for us, the moment that is there I think that pressure will also- whatever small extent to, it will probably also die down. So that is not too much of a concern for us, in fact that is not a concern, which we are going through and in terms of Bihar has been our state across for the last 7 to 8 years, so we have no problem, Bihar has stood out even during demonetization and in terms of ring leaders and the other stuff which happens in West Bengal or anything or Assam I think we follow the same methodology across over there, and I said probably maybe in my earlier statement as I did, UP has probably been the most toughest territory to work on, so I think UP is being handled by us to the best possible extent as I can say I think we will be able to manage that and you know our cyclical things, so AP came in first at some point of time and then it was UP, Bengal and I think you have to counter through own process and your own system and thankfully now with our technology being at a forefront and maybe the state of the art, cashless happening across over there, all these things like ring leaders, and all that stuff will probably have a back seat. There would not be probably be making any roads into our processes or functioning.

**Ramesh Rachuri:**

Okay. So Sir just extending on the question of inflation, what is your average ticket size currently do you see it going up and would you be re-jigging your risk processes because then risks might also go up?

**Jugal Kataria:**

So our average ticket size in microfinance is about Rs.30,000 and we have not budgeted any major so to say increase for the next year, we are going to maintain it broadly at the same level.

**Ramesh Rachuri:**

Okay Sir. Thank you.

**Moderator:**

Thank you. The next question is from the line of Aalok Shah from Centrum Broking. Please go ahead.

**Aalok Shah:**

I had a couple of questions. You have done pretty good in entering into newer geographies, West Bengal or East of India, is there a thought to kind of look at newer states now or we kind of content with 18 states to operate in periods to come.

**H P Singh:**

Aalok to be very frank we have at the back of our mind to also enter the Southern geography. When it comes through, I think we will probably be able to have a blueprint ready in the next six months to enter in all these newer Southern states also, may be couple of them in the Southern states, just as a matter of strategy to look through it. We will cherry pick across ourselves into when we reach and going to these territories. So for us we have some blueprints ready when we are able to really focus on and bring that all.



- Aalok Shah:** Sure. On the second point because of lot of cashless business done at the field level, how is the TAT moved, what is the kind of reduction in turnaround time which you have been able to get through?
- H P Singh:** Aalok, not to mention anything, but I think we can probably disburse the loan in three minutes, that is it, that is what our TAT is now. The cashless probably has, that is what I said, you probably – I would not say, I do not want to say myself, but we have a state-of-the-art facility with us. TAT is 3 minutes and even for us live every minute in fact is every one and a half minutes if you really ask me exact the same across over there. That is something which is very significant.
- Aalok Shah:** Right Sir and.....
- H P Singh:** ...Will bring scale to a very large extent.
- Aalok Shah:** Right. One thing that I was also looking here on the fact that rating agencies in the past had their observations with respect to our capital adequacy and higher state concentration, the last four quarters, both of this have got addressed and addressed systemically. If there some kind of dialogue with rating agencies as to... from the rating points of view?
- H P Singh:** Aalok if you know someone that we can convince, and I have been trying to convince for the last one year, I have not been able to do so, so I do not know it is very hard for them to really look at the whole journey as such, but the thing journey where we have probably implemented every possible thought processes of theirs which could probably help us to get an upgrade, we definitely are in touch with them, we are trying to make them also see how in spite of the fact that we get demonetization in between, we have still been able to bring down out UP concentration, we have been able to raise capital multiple times during the last one, one and a half years, I think it is now for them to really look at it now from that angle and I can only advocate myself when I tell them and I think that is probably what we have been able to do.
- Aalok Shah:** Sure and when is that due, when is the rating due?
- H P Singh:** However after the results, I think we will keep on pestering until they do not give us an upgraded number?
- Aalok Shah:** Right, my third question to you was on the kind of securitization, generally it is Q4 where securitization goes up, anything really to do with Q4 phenomenon or do you want to keep securitization as certain percentage of our AUMs?
- Jugal Kataria:** To keep a balance, Aalok there as per the BC book starts increasing with IndusInd, we will try to make that balance, but surely want to increase the ratio from the present level of portfolio, so slowly we will increase that with a combination of BC book and the securitized book.

- Aalok Shah:** Right and may be last question before we will go back to the main line, what is the kind of Tier 1 that we would look ourselves to keep comfortable with it, we are at 20% now, number below, which we would look to raise some kind of funds?
- Jugal Kataria:** We do not want to give any guidance on that but surely we would like to maintain a broad capital adequacy of around 20%, this is the thought process with the combination of tier 1, tier 2. With tier 1, you should be at least around 17-18% or so, though that is not guidance, but that is the thought process we are working with.
- Aalok Shah:** I get that. Sure. That is it my end.
- H P Singh:** Thank you.
- Aalok Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Krishna Rai, an Individual Investor. Please go ahead.
- Krishna Rai:** Good afternoon, congratulation on a very good set of numbers. I will start by saying that I have been investor in Satin for last three years and it has been a roller coaster journey, more or less for me and I think more for the company.
- H P Singh:** Yes, it has been more for us. And thank you for being a part of our journey with us.
- Krishna Rai:** Sure Sir. Just one quick question I have, I see that our PAR 1 and PAR 90 numbers have come down tremendously in the last two quarters, and even more the second and last one quarter, but when I look at the collection efficiency in slide #13, in Q4 of 2018, the collection efficiency is 98%, it was consistently more than 100% in the previous two quarters, so are we seeing any pressure recently or its just like one-off things.
- H P Singh:** So I think if you look at when the easier buckets were being cracked, I think we have been able to do it at that point of time and that is why I said, for us now the last of strong buckets have remained now and so we are trying our best but I think for the next couple of quarters I think this will probably still be a challenge which you are trying to address, because now what we are left off is the last Rs. 130 Crores un-provided, the last buckets which are remaining, the last difficult clients to manage across over there. I think that is the reason why we would move from a 98 to 99 maybe in six months to eight months because that is what we said that our next level to grow across, but that will be done, definitely of course when our new client acquisition rises to a large extent, the impacted clients where we are working in or the cyclical clients who are in the third, fourth cycle, they come in across when we stop, that the bucket gets lesser and lesser. So I think its the journey which moves around now from here to reach the pre-demonetization levels and God willing I think that really important processes, the technology is working on, the guys are motivated, opening up new territories, all that concentration coming down, I think it is not far away where we will probably be able to reach that 99 to 99.5% mark

and that is the reason why we have 99.7 in our new acquisitions as compared to the old cyclical clients where it is still 98%.

- Krishna Rai:** Sure Sir. Thank you so much and I wish all best. I know that we are in a great journey ahead.
- H P Singh:** Thank you so much being with us.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** Thank you very much for this opportunity. Just wanted to point towards the slide #48, the last line average ticket size on standalone basis shows about Rs.30000 for MFI landing, now we have a gross book of about Rs. 5000 Crores with loan account of about 2.4 million, so how do you sort of reconcile the banks, Rs. 5000 Crores divided by 2.4 million could be about 20500, whereas the ticket size shown in the presentation is 30000?
- Jugal Kataria:** Sorry I do not get that which slide you are referring to?
- Kashyap Jhaveri:** 48.
- Jugal Kataria:** Slide 48.
- Kashyap Jhaveri:** Slide 47 actually, not 48.
- Jugal Kataria:** So what are you saying is...?
- Kashyap Jhaveri:** Operational retail standalone, productivity matrix for MFI landing, we have a gross AUM of 5000 Crores, and number of loan account is 2.4 million that comes to about 20000 or 20500 rupees per account, if I look at the last line average ticket size is 30,000?
- Jugal Kataria:** So that is the average of disbursement while here you are trying to calculate the outstanding balance, outstanding.
- Kashyap Jhaveri:** So these are – so after whatever repayment this is the 21000 but at the beginning of cycle it would be 30,000 rupees?
- Jugal Kataria:** Yes.
- Kashyap Jhaveri:** Okay Sir and second question is on your NPL side again out of there has been some discussion which happened earlier also, but whatever is left 130, would you able to put some probability as to how much of this recoverable and question number two is that during the quarter if you can help us understand what was the additions, recoveries, and how much did you write off?
- Jugal Kataria:** Sorry, I do not want to do a guess work on the balance Rs. 130 Crores left out, we are trying our best to work around that but Mr. Singh said earlier that we have taken whatever is our best

estimate in our next year's budget and guidance, So we do not want to do a guess work on that potential losses out of the current...

**H P Singh:** But we factored in all Rs. 130 Crores, we have already factored and that is why the ROE is at about 2.3%.

**Kashyap Jhaveri:** Okay.

**H P Singh:** Whatever we achieved in this probably will increase my ROA to whatever extent it goes after that and we are trying our best again to get this back, so we are putting all efforts the teams are motivated, we are working on it on the ground, we are trying everything possible to get these clients back and the overdue back into the system.

**Kashyap Jhaveri:** And Q4, you know movement of NPL, if you can help us and what were additions and how much was recovery and write off separately?

**Jugal Kataria:** So I can give you the annual numbers so we have made additional provision of roughly Rs. 35 Crores on a net to net basis, so last year we had Rs. 60 Crores of provision in the balance sheet which is now closed to about Rs. 95 Crores and we have written off roughly Rs. 180 Crores during the year.

**Kashyap Jhaveri:** No, so what I am asking is that in a movement in the gross NPL number it was Rs. 522 Crores at the beginning of the year and Rs. 25 Crores at the end of the year, so how much was new addition and then how much was recovery and write off?

**Jugal Kataria:** We do not have that number handy right now but we can send it.

**Kashyap Jhaveri:** Sure Sir. Thank you very much. That is it from my side.

**Moderator:** Thank you. As there are no further questions from the participants, I will now hand the conference over to Mr. Aalok Shah from Centrum Broking for closing comments. Over to you Mr. Shah!

**Aalok Shah:** Thank you Sir for this detailed insights and taking us through the journey of FY2018 and we wish you all the very best for FY2019. Thank you all for joining us on the call. You may now disconnect.

**H P Singh:** Thank you.

**Moderator:** Thank you all. Ladies and gentlemen on behalf of Centrum Broking Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.