

**May 17, 2019**

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 8, 2019;

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 8, 2019 with respect to Conference Call held on May 9, 2019, 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
FY 2019 Earnings Conference Call
May 09, 2019

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Satin Creditcare Network Limited FY19 Earnings Conference Call. As a reminder, all participants' line 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aditi Singh -- Head (Capital Markets and Investor Relations), Satin Creditcare Network Limited. Thank you and over to you, ma'am!

Aditi Singh: Thank you, Steven. Good Morning Everyone, and thank you for joining us today to discuss Satin Creditcare Network Limited Financial Results for the Fiscal Year 2019 ending 31st March, 2019.

Today we have with us Mr. H P Singh -- Chairman and Managing Director; Mr. Jugal Kataria -- Chief Financial Officer; Mr. Dev Verma -- Chief Operating Officer; Mr. Sanjay Mahajan -- Chief Information Officer; and myself, Aditi Singh, I look after the Capital Markets.

We will begin the call with the opening remarks from Mr. Singh, followed with opening the forum for Question-and-Answer Session.

Before we start, I would like to point out that certain statements made in today's call maybe forward-looking in nature and a disclaimer to this effect have been included in the Call Invite shared with you earlier.

I shall now invite Mr. Singh to make his opening remarks. Over to you, Sir!

HP Singh: Thank you, Aditi. Presenting the key highlights of our performance for FY 2019. Satin has expanded its geography footprint in 5 more states in the year taking the number of states and union territories to 22 now. We serve close to about 35 lakh customers. The operations started in the past year in Tamil Nadu, Karnataka, Pondicherry (Puducherry), Meghalaya and Tripura. Our exposure per district was 0.50% in FY 2016 has been brought down to 0.28% in FY 2019. And in terms of percentages of top 10 districts to AUM, it has been brought down from 27% to 16%. And if we see the percentage of top 10 districts to our networth, it is fairly down from 267% to 88%, which leads to a very diversified geographical concentration in terms of our AUM.

On a consolidated basis our AUM reached Rs. 7,068 crores which was an increase of 23% year-on-year. We added close to about 168 branches in the year and taking the total number of branches to about 1,163.

The PAT has registered a year-on-year growth of 169% to Rs. 201 crores for FY 2019.

The company has also registered an ROA of 3.1% and an ROE of 19.8% for the year. ROE for one of our subsidiaries which is Taraashna Services Limited, stood at 23% for the year.

The company's capital adequacy ratio was 28.5%. The company's cost to income ratio for the year stood at 54% as compared to 68% in the last year.

In terms of our managed portfolio under our tie-up with IndusInd Bank, the AUM stood at about Rs. 633 crores at the year end. In terms of our GNPA, the company's GNPA now stands at about 2.9%, collection efficiency for loans disbursed after Jan'18 stands at 99.5% returning back to the normalized levels before demonetization. Our blended collection efficiency is now close to about 99%. Recovery against the write-offs for the whole year was close to about Rs. 19 crores and we hope to do more in FY20 also.

Funding mix in terms of liquidity crisis has been very balanced with the right mix of Term Loan NCDs, DAs. There has been no dependence on CPs and mutual funds. In fact, the share of NBFC's in our category of lenders has come down to 12% from 27% in the last year.

On the technology front, we have successfully been able to launch our digital lending platform called "Loan Dost" and it is maturing very well and we are planning to expand its scope of horizon and its implementation in various fields all together.

Satin Finserv got a license and we commenced our operation this year. Satin Finserv looks after MSME. Housing Finance is also taking very good shape with a very good portfolio quality. In fact, in Housing Finance, early days are here, but for the first year in operations, we have a zero delinquency in our housing finance operations.

The IL&FS debacle did create major liquidity issue for the NBFC industry. However, Satin Creditcare was immune to this development. We have key differentiators which have been in our process, in our controls and through technology. We have made a major breakthrough in cashless collection where the pilot has been very successful and we are optimistic of now having cashless collection to be a very significant part of our total transaction.

We have also made significant changes in the process like real time CB check, bank account verification and KYC compliances. We have also come up with one of the first credit scorecard for individuals and groups working very closely with the credit bureau. We also have rolled out

across various branches of ours, a psychometric analytical tool which is also amongst the first in the industry.

The audit and risk team have added to the efficiency of operations with measures like Geo Tagging, exposure limits per district, and various other risk mitigating factors.

As a guidance for next year, we envisage a PAT of Rs. 260 crores and just to give you update on Odisha (Orissa). In Odisha (Orissa), we have a 5% exposure after the cyclone aftermath. We have had advanced alerts about the cyclone coming in and some payments were definitely received in advance. Our total portfolio in Odisha (Orissa) is close to about Rs. 330 crores. Currently out of 200,000 clients which is 200,000 clients, 10,000 clients are in PAR with just Rs. 80 lakhs overdue. We are continuing our relief measures and we have been able to touch 3,000 clients till now in Odisha (Orissa) in the affected areas.

So this was all what I have to say. Thank you very much and we will open for Question-and-Answers from here on.

Moderator:

Thank you very much. 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:

Sir, my question is on our AUMs and consequent impact on the interest income line item. If I look at our on-book AUM which were about Rs. 5,300 crores in Q1 now have declined to about Rs. 4,500. If I look at our direct assignment that has grown from negligible to almost Rs. 1,280 crores. If I look at our interest income consequently, you know the interest income on loans have declined from Rs. 300 crores to almost Rs. 240 crores now and intermittently, we got some pump-up from the assignment income you know which was about Rs. 68 crores in Q3 and about Rs. 48 now. So, how do you explain the growth from here on would it be more, sort of assignment and probably upfront income which could come in or are we sort of going back to book growth as we go forward? Second question is also related, is it also because since Q2 when this whole financial services turmoil happen you know the raising money has become sort of difficult and hence, this kind of phenomenon?

Jugal Kataria:

Sure, so you know, the change in top-line behavior is primarily because of two - three things. One, of course, the assignment transaction that we have started doing, we did a little bit in the second quarter but then some amount in the third quarter and fourth quarter. So, that has shown some change in the interest income top-line. And one of the other important factor is that BC portfolio has taken now good shape, we have almost a Rs. 633 crores portfolio for IndusInd Bank which is roughly 10% of our overall standalone AUM. So, there also we are getting only the margin and not the entire interest income and the full year quarter-on-quarter so we are comparing only the year end numbers. So whatever portfolio we have created, the growth and the portfolio during the fourth quarter the impact of that will be visible in the next quarter. So, these are some of the factors which are impacting but I think the important

number to see is our NIM which has consistently improved over the year. So that is a better not to see because of the change in the on book off book composition. So interest income itself may not be the right comparison.

Kashyap Jhaveri: Sir, my question is you know particularly why this strategy, why not retain them on book and you know sort of gradually book interest income or net interest income, than probably go through assignment because here we would be booking upfront income, right?

Jugal Kataria: You know, assignment is again a consistent source of funding for us. Over a period of time we have to see how lenders are comfortable in terms of giving money. So for us assignment as a regular we will keep doing that in the regular course of business. We did that in the second quarter, third quarter, fourth quarter so....

HP Singh: And I think to answer your question, if we know how much upfront income would be there, on a PBT level, if you look at it and with the processing fees being deferred across over, the net difference would not be very high. It will be the net difference between what PAT would probably give in terms of our up fronting income and the deferment of the processing fees which is going to be there, is going to be negligible at about Rs. 20 crores or so. That is what the impact would be if you really look at the larger size of the assignment transaction and stuff. So it is not clearly upfront income, which has been booked cross over there, if you look at all the parameters put together in terms of other things is going to be a net only of about close to about Rs. 20 crores or so.

Jugal Kataria: To just supplement, you know what we are trying to say is that because of the change from iGAAP to IndAS, the certain different treatment to how we were booking the processing fee income – earlier everything used to be booked upfront while, in case of direct assignment there is a change now. So the net impact is not very significant during the year.

Kashyap Jhaveri: So on Rs. 315 crores PBT you are saying net impact of this change is only Rs. 20 crores?

HP Singh: That is right, net effect is that.

Kashyap Jhaveri: Okay. And when you are saying, when you give a guidance up to Rs. 260 crores PAT next year, how does this shape up in line on this strategy? Do we get more from assignment fruit or are these sort of planning to build upon this on book AUMs which have declined from Rs. 5,300 crores to almost Rs. 4,500 crores now.

HP Singh: See, I think if you really look at how the cut-offs happening, I think the cut-offs are not relevant. The relevance is basically how does our book grow, we also have to service our direct assignments and we get no calls in terms of getting any operating expense and no leverage across over there. Our own sense is I think you know whatever the process of looking at the complete AUM, we consider that close to about 30% is going to be our securitization, as well

as our direct assignments I think it will remain in the same range bound and this is not going to be a very typical increase in that. So it is going to be range bound between 30% or to 35% across the year as it stands right now.

Kashyap Jhaveri: Okay. I have more questions, but I will come back in the queue. Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Sunesh Khanna from IIFL Asset Management Company. Please go ahead.

Sunesh Khanna: Yeah, hi, sir. Just want to check on the cost ratio, so the cost-to-income is now almost 60% and just, if you can throw some color on the other OPEX part which is almost at Rs. 30 crores Rs. 20 crores last year and Rs. 17 crores in the last quarter. So just wanted some more color on the cost element and how it is going to shape up going ahead?

HP Singh: So, I think, I can give you a correction, it is not close to 60%, it is close to 54.3% you know to be more precise. If you look at the overall this thing, so that is our cost-to-income ratio. Majorly it has been that our expansion in new geographical areas in the new states in terms of our diversification plan right after demonetization we wanted to be a pan India player in terms of our AUM growth and that has probably taken our toll in the last two quarters in terms of our increased OPEX ratios and our cost-to-income ratio. Going forward definitely with the technological and other process implementation which we are actually building on close to this year we will have now probably a better cost-to-income ratio, I can give you that, that is the reason why the guidance has probably been and it is just at close to about Rs. 260 crores, which is a 30% increase which we have shown for this year. So we probably be looking well with our operating efficiencies now building up in terms of our AUM growth once these states get pretty mature and their timelines as such and we will have a lower cost-to-income ratio in the current year as well.

Sunesh Khanna: Any guided range you would like to guide?

HP Singh: The overall guidance was the PAT I think you know we will stick to that, that will encompasses to everything which is there, which is an ingredient of how PAT is probably going to be seen as. So I think you know, we will stick to that but definitely since I am telling you that for us this is going to be a key feature because unless and until the cost-to-income ratio does not go down, you know our PAT guidance also does not work very well so I think it will be there.

Moderator: Thank you. The next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

Amit Premchandani: The AUM growth has been quite muted and if you look at the peers their AUM growth has been much more than us while we have been expanding significantly. So why is this mismatch?

HP Singh: I do not think so if you really look at it, please we will have to understand for one factor that you know, the couple of quarters when the liquidity crisis was pretty severe as you know, we did take a step backwards to look at how this is panning out to be. Thankfully you know we have been able to do a lot during our last quarter, which is always a better quarter in terms of this thing. But I think you know from where we are now emanating as Satin as an organization we are looking at not just microfinance inside we have got now three subsidiaries which are now firing up to look at that. What we should probably be I think you know as what we are trying to actually project and trying to look at for Satin as a whole is that you know we are looking at a consolidated AUM which is there. Our consolidated AUM definitely has reached Rs. 7,068 crores as compared to Rs. 5,757 crores. In spite of the fact that we did have partners not being there for one subsidiary Taraashna, you know we had in fact a couple of partners not being there. There has been a slight degrowth in our AUM for Taraashna Services Limited, but the rest of the other things which are going around, we are tying up with more partners on Taraashna Services across over there and that is the reason why we feel that we will be able to give at least we are not giving our guidance but will be at least having a 30% to 40% growth this year you know by FY20.

Amit Premchandani: And of this 30% to 40% growth your off book is now 36% - 37%. So, that is a peak off book that we should look at, you have already mentioned 30% - 35% would be the peak but generally even 30% - 35% growth from here basically you are saying that on balance sheet growth to be slightly higher?

HP Singh: I think it is going to be range bound, that is why I said you know 30% to 35% is where our off book numbers are going to be, it will remain stable within the same for practically throughout the year and as the year end also. So we can look at you know growth in both off book as well as on book.

Amit Premchandani: So, are you comfortable with the funding environment of our on book? Basically you are saying that even the on book will be growing at 30 35%? Are you comfortable with the funding?

HP Singh: Yes, we are comfortable with it. So it can be seen from the amount of cash we hold in our balance sheet as compared to the other peers also, where we hold probably double or maybe three times the cash which we hold in terms of our being conservative in nature in terms of this, and this also does have a negative carry but we would like to be more conservative in terms of this thing. So we have no qualms in actually increasing our off book as well as our on book.

Amit Premchandani: And in terms of Taraashna you said which client moved out and what we expect to...

HP Singh: I think, we cannot take names you know we can probably talk to you offline but it was probably at the start of the year. It has not been at the end of the year but it was at the start of the year. But we are looking at more partners now for this year, we can give you names offline.

Amit Premchandani: And what is the borrowing number? And why is the borrowing mix shifted so much like almost NBFCs have seen a sharp decline and bank has seen a sharp increase? What is the reason for this shift in mix?

HP Singh: Well, I think all investors and analysts like you did ask us in how much NBFC, so there is always an answer to it, so I think that is the reason why we could probably go into more I think you know regular lenders in our kitty than probably irregular lenders which you know people consider NBFCs as, so that is the reason why the shift has happened you know.

Jugal Kataria: But you know we still have very diversified lender base a good combination of banks and non-banks and domestic and foreign lenders plus the BC tie up with IndusInd Bank and money coming through different instruments so we always maintain that strategy and that is helping us.

Amit Premchandani: And sir, what is the outstanding borrowing number right now.

Jugal Kataria: Outstanding borrowing number is close to about Rs. 5,200 odd crores.

Amit Premchandani: Rs. 5,200 odd crores, okay, sir.

Moderator: Thank you. The next question is from the line of Drashti Shah from Investec. Please go ahead.

Drashti Shah: Sir, what is our overlap of borrowers with Bandhan Bank?

HP Singh: With Bandhan Bank specifically?

Drashti Shah: Yes.

HP Singh: I do not know, we are doing pretty well in eastern states. So I do not feel that there is some major overlap. I probably we have not been able to encounter that right now. But we have, I know as I think a lot of questions is being asked on this thing but we have not done a very specific thing. We are still growing in eastern states be it West Bengal and Northeastern states like Assam, Tripura, and Meghalaya, we have still not had challenges. So I think you know probably the overlap or maybe any kind of a bottleneck arising because of Bandhan Bank being there still not being seen in our portfolio right now.

Drashti Shah: Sir, and how many would be exclusive customers of Satin in our book? Do we track that number?

HP Singh: So we have got a first time borrower mix in terms of this thing that is close to about 45% to 50% which are first time borrowers with Satin you know.

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

Manish Ostwal: My question on your growth outlook of 30% to 35%, sir, when we are looking to the current trend of the rural demand, the demand is very sluggish and even some of your peers shown very muted growth. So, (a) how is the demand scenario on our market? And secondly, it is purely market share gain or we are adding new customer base or something of that, sir or new business segment which adding to overall AUM growth basically.

HP Singh: So I think a couple of things which are very important for our life and I would like to share it with you. What we are doing with our advent of MSME. So what we are going to concentrate throughout the year now is going to be rural SME as compared to what urban SME which everybody probably does you know. We have mature clients of our which are probably you know, lakhs in numbers which are maturing for a higher ticket size loan, probably the rural SME part is going to take care of that that is going to be one area of our growth and the second is we have also joined in into new geography of ours. In terms of what you probably say is a sluggish rural demand, I have a different viewpoint that with all the election parties, probably giving out doles that are, maybe subsidies or maybe cash direct transfer benefits to people who stay in the rural households as such. I think that demand is only a period of I think till election that we are seeing that my own sense is are after that. If you look at the macro level, I think that is going pick up right after election because with all this thing coming with whosoever wins or whosoever loses I think that it would be there and probably have enhanced disposable income in the hands of the rural customers that is for sure. But in any case for us that also does not probably come into be what we are trying to really look at is that we have got very-very large geographies which are under penetrated by us. So for our growth and scale is not going to be a challenge this year in any case.

Moderator: Thank you. The next question is from the line of Parag Jariwala from White Oak Capital. Please go ahead.

Parag Jariwala: Yes, sir, I think in your opening remarks you said that exposure to Orissa is around 5%. So, what will be the strategy going forward because in the area where the cyclone had some impact do you want to stop the lending, let the collection flowing in or how do you approach the situation now, that is one, And secondly, when you have given a profit guidance have we taken any write-off into account from the cyclone affected areas?

HP Singh: So, Parag, I will give you my first remarks. So, currently if I give you the figures you know if you really look at it has been five days since five days to six days since the cyclone has been there. So out of 200,000 we just have 10,000 clients which are in PAR right now. The overdue is close to about Rs. 80 lakh and we have had our first touch point with all our borrowers is that we want to give relief measures and we have touched about 3,000 households the response has been very favorable in terms of that they really appreciate the measures been taken by us to

really do that. I think it is a process which would probably take probably a month or maybe two months to rebuild, our own sense is by the strong indications which we are getting from the borrowers on our meeting after disbursing release materials, talking to them and once the infrastructure comes back into play, I think we will not have technically any major write-offs in this area. As to your question of would we like to actually continue our operation? Yes, I think we would like to continue our operations because the feedback which is coming back from our boys out there in the field, once they are meeting the borrowers is absolutely very-very positive. The borrowers have really appreciated the efforts of us as well as all our peers who are actually giving a relief measure to them and this will help us, this was actually helped in building up, building up our rapport with our borrowers and definitely yes, we would like to continue is not going to be any major impact in terms of you know what we really getting. And I think, I got Dev -- our Chief Operating Officer he can corroborate that fact right now. Just one minute. Dev, go ahead.

Dev Verma: Yes, so as of now we have touched 3,000 households and the effort continues. The problem is with the infrastructure, right now there is a total breakdown in certain pockets where specifically around Bhubaneswar and Puri that side. So, as and when the infrastructure is getting back to normal things are also getting normal, our boys have started going back to the field. So, the clients almost all the clients are in touch, the clients have asked for some time which is obviously right. Most of them are still in the shelters provided by the Government because of poor infrastructure. So we are in touch with them. So once they get back to their regular routines, relocating back to their homes and things will definitely improve. So, as of now at least the good part is that we are in touch with all of our clients.

Parag Jariwala: Okay. Dev just one last thing, since you are on the call. Let us say for the next 12 months - 18 months, which of the areas overall across India, you think are we need to be really careful both in terms of let us say overheating of the market, more competition, some potential disturbance in terms of the agri retail etc?

Dev Verma: So, see, we internally have put in a lot of checks whether it is through technology. We have over the year build up a very robust risk mechanism. So, we are evaluating it more from there so, even all the geographies that we are talking about which Mr. Singh has said it is a very carefully chosen process that we have because there are multiple MFIs operating across state so it is very difficult to pick and choose and say that we should avoid a particular state. Just to give you an indication we have gone South it is almost more than hundred crores and we have zero delinquency there. So, we are operating in areas of competition yet, we are treading very carefully, we have all our system checks and processes in place. And we know that is how we will continue to expand and even though we are in 22 states, we have still not covered all the districts so there is still enough need for us to expand to those locations.

Moderator: Thank you. The next question is from the line of Amit B. from Canopy Advisory Group. Please go ahead.

Amit B.:

I have more of a strategic question for you HP. Business mix is now changing more to what seems more capital efficient both in terms of the BC business and in terms of assignments and securitization as somebody asked earlier. You have got pretty high capital adequacy at around 28% - 29%, one. And how do you think about capital raises in the future seems to me like you have got a lot of room to grow before you need to raise capital again. You know I would love your opinion on that. And then to kind of what is aspirational ROE for this new highly more capital efficient business especially the BC businesses you know, high cost to income but also high return on equity, if not high return on assets. And, then second just to follow up on kind of how you see that ROE trending is the second question is around, how you think about cost to income you said it is going to come down next year. My question on that is, cost to income optimally should it come down because if the BC book is going to grow more rapidly as it has, is not that a higher cost to income optically business than you had so far? Thank you.

HP Singh:

So I think, you have got it very right. I think, this is what our endeavor would have been and has been across when we launched our BC business when we did our tie-up with IndusInd Bank as well as looking at assignments as such you know. I think you have got it right. What we want to actually build up is a very capital efficient business. When we talk of ROE we are trying to make real strategic balance between ROA as well as ROE. Yes, in terms of our capital raise, we probably can defer it to a while ago. But what would we rule we would technically require is since our subs will be growing pretty fast enough, in terms of their expansion, in terms of their geography in terms of their product, I think we would probably require maybe something for our subs, if we really require it in terms of what this is but having built up a capital efficient structure cross over there I think it is going to be pretty minimal in terms of our growth plans across over there. And that is what we had earlier been trying to build up and now we can see the shape of it. So you hit it pretty right, in terms of you know looking at it probably from that standpoint it is very few people who can really-really look at that from the standpoint and really appreciate that you have really been able to do that. That is one. In terms of our cost to income as you know the challenges which we had in the last year was related to moving into geographies which were probably a little bit uncertain for us. In terms of our growth IndusInd Bank, yes, our BC Book will definitely rise. The earlier cost to income probably had encompassed the first initial teething troubles in terms of actually implementing the first Rs. 100 crores - Rs. 200 crores, so that has been taken care of. Our own sense is with the process and technological, innovation which we are bringing in, we have got a couple of things which we shared in our slide like, shared services, like, probably looking at technology to the last mile, Geo Tagging, all these measures which we have been trying to push out now in Satin and that is the differentiation which we would like to probably push along in terms of our life will probably bring down the cost to income ratio. So that is, what is our thought processes. We will implement that to the last mile and we will see that we are able to prove these numbers as what you have really pointed out.

Amit B.: Great, I agree with you, HP. Just one another questions, as you think about ROE of the new more capital efficient business and I would also say that you know maybe your investor base including us needs to understand that, a higher cost to income is not a bad thing, if it results in a higher ROE overall, that is one. And then kind of as you think about ROE through FY 2020 and FY 2021, how do you think it moves, over the longer period how do you see ROE moving for you guys in this new mix of business?

HP Singh: See, I think, the only caveat I would like to give is we would, all the subs will probably fire up in the next couple of years. They will become of pretty significant and if you would look far only the thing is that our capital will probably be invested in the subs, which would probably have some kind of a degree of lesser returns as compared to what our high returns would be there in the microfinance business but having compensated for that in terms of our I told you the cost to income ratio across over there. Our ROE is going to be firm, I cannot give you a numbers but one thing which I can assure you to investors like you it will not be disappointing in terms of our ROA and that is the mix which we are trying to get between ROA as well as ROE and definitely that mix is going to be pretty very useful to all our investors, whoever there has been in this.

Moderator: Thank you. The next question is from the line of Aseem Pant from HSBC. Please go ahead.

Aseem Pant: I have a couple of questions. One is in terms of the geographies which got affected during demonetization, etc. The districts or centers, what do you see now at the ground level in terms of lending in terms of borrower behavior, etc. if you could share some insights into that it will be helpful. And secondly, and I will come to the second question after this.

HP Singh: Okay. Aseem, what we have been able to do there were few geographies where we feel that I think continuance of disbursement would probably lead to more delinquency because the borrowing behavior has changed across the period of the demonetization. I can give you an example of Amravati in Maharashtra, we have practically been able to get out of that in terms of our disbursements for future cross over there, there are a few more geographies a couple of more district or geographies which I can probably give you offline. But this is what we are looking at in terms of..... There other geographies are firing up they are back to pre-demonetization level and that is why the reason we said and we are giving the figures like from January 18 we have got a 99.5% collection efficiency of our disbursements. Rest all of the geographies, which are doing very well, we are continuing with our disbursement across over there. Borrower behavior across in all these geographies, excepting for the few geographies where we have pulled out, are pulling out, slowly and steadily, leaves much to be desired in these geographies only where everywhere the behavior of the borrower remains and comes back to the pre-demonetization level you know what it was.

Aseem Pant: Perfect. So sir, just to follow up on your response, according to you why do these few districts where you are now becoming more cautious on lending and you do not want to disburse more?

What separates them from the rest from the economy there or any other factors in terms of MFI concentration, over leverage; any qualitative or quantitative factors...

HP Singh: Yes, Asem, I can give you. It is not the economy which really works like that. I think it is more of an effect of how the borrowers groups behave in general, across over there. So what we seen across in terms of our I would say maybe interference from other stakeholders and other political interference across and various other things which are there in Amravati which I gave you as an example leads us to believe that the behavior for certain period of time maybe for the years to come is the reason why we been we have been slowly and steadily pulling out of the geography. It is not related to economics but related to the other factors which are probably more prevalent cross over there. And a borrower actually believes in those kinds of things and that is the reason why we have been able to slowly and steadily pull out of these geographies and rest everywhere everything is fine. And just to add-up you know what we are also bringing in are a couple of analytical tools, which has probably been one of the first in the industry we have been able to bring in psychometric analytical tool both for the centers, as well as for our borrowers which is going to be a very mainstay for us to really look at portfolio quality in a larger sense over there. just to give you an idea, we have launched these psychometric analytical tools in about 170 of our branches out of 955 branches standalone and we will be continuing with this. And we will have a throughput in terms of all our branches being ready with this tool and implementing that in the next couple of months.

Aseem Pant: Sure. So that was actually part of my second question. Sure, sir. I will probably take my other questions offline. Thank you so much.

Moderator: Thank you. The next question is from the line of Nishit Shah from V Solitaire. Please go ahead.

Nishit Shah: My question is regarding Q-on-Q pure play interest income. Sir, our AUM has grown Q-on-Q basis, but our pure play interest income has gone down significantly as compared to our finance cost. Sir, is there something that we are missing out here?

Jugal Kataria: You know as I replied to the first question, it is the change in composition of the overall portfolio, we have BC reaching good shape. So we were at Rs. 407 crore portfolio end of third quarter. We are at Rs. 633 crores now. So we do not get interest income there. It is only the net interest margin that we get. So as I said in the first reply to the first question that probably NIM is a better reflection of the operational efficiency than probably the interest income.

Nishit Shah: And another question is about the ticket sizes. What is the range of ticket size that we are comfortable with MSME as well as your SME business?

HP Singh: For our rural SME business we are targeting Rs. 1-5 lakhs for the SME business. The normal urban SME business which is another vertical of ours, our urban SME which is pure play which

everybody else does I think that is going to be between Rs. 1 lakh to Rs. 15 lakhs that is what the segment is going to be.

Nishit Shah: Right because over here I can see that your loans to SME is the ticket size are about Rs. 23 lakhs. So that was the reason for asking.

Jugal Kataria: So you know, we started doing some wholesale lending to smaller NBFC, MFI's, etc. So that has distorted the ratio but it being explained, for the retail segment that is going to be the average ticket sizes, etc.

HP Singh: So, just to clarify, there will be three segments in the SME piece; one is going to be our rural SME which is between Rs. 1 lakh to Rs. 5 lakhs, one is going to be our urban SME which is going to be Rs. 1 lakh to Rs. 15 lakhs, and the third is going to be our wholesale lending to smaller NBFCs as well as MFI which is going to be a maximum size over of about Rs. 10 crores but we are now concentrating right now on the, sub Rs. 5 crores bracket....

Nishit Shah: Thank you. I will take another question on the line. Thank you.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Sir, a couple of quick question, on the MSME side is the aspiration to actually like cross sell this to existing MFI customers, we already have had a relationship with and know them and if that is the case, how large is the potential of just kind of cross selling the MSME to your existing customers

HP Singh: So, we did a dip check in terms of our borrower profile and looked at, how many customers do we have all India, which are beyond three cycles and above we could come up with about seven it was about seven lakh plus customers which were in that bracket which were you know three cycle and above. So, if you look at the universe of us, this seven lakh comprises of people who have already touched two three cycles with us are now important customers for us to really look at in the MSME, rural SME space that the total universal which we are really looking at, how much we will be able to tap within this year we are targeting close to about let us say about 10,000 out of the 700,000 which are there as a universe and that gives us sufficient play in terms of our growth and looking at.....

Moderator: Sorry to interrupt, the line for the current participant is disconnected. We move to the next question which is from the line of Mukesh Gupta from SMC Global. Please go ahead.

Mukesh Gupta: Investor Presentation Page Number 40, you have given guidance for Rs. 260 crores.

HP Singh: Yes, sir, that is right.

Mukesh Gupta: Last year we are giving guidance and we surpass our guidance 30%, can you surpass our guidance?

HP Singh: Well, that will be tough question for you to answer. Our endeavor is always to surpass the guidance.

Mukesh Gupta: No, sir, we are not sitting here to ask easy question.

P Singh: So if the operations are there, we will definitely be able to surpass this. So we could surpass Rs. 165 crores worth of our guidance to about Rs. 201 crores.

Mukesh Gupta: Exact, 30% you surpass your guidance?

HP Singh: Thank you so much for being kind ... we will definitely try and surpass because that is what our endeavor is.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Hi, apologies I got cut off.

HP Singh: So Riddhesh, I told you, so we have a universe of about 700,000 clients. So what we are looking at is that if we are even able to convert 10% of that which is about 70,000 clients gives us sufficiently in terms of roof over because right now we have not started this vertical as yet. We are starting from I think May end onwards or maybe 1st of June we are starting this vertical. So we have definitely a very large universe to really look at in terms of our existing microfinance players also for the rural SME piece.

Riddhesh Gandhi: Got it and the other question is given effectively how high ROE accretive the assignment is, and actually BC relationships are, how high you actually credit adequacy ratios are. And that also a lot of your new branches are just starting off and are not up to potential capacity. I mean, these are a lot of levers for effective potential ROE growth. So how high do we think, let us say, in a couple of years, actually we can get to in terms of potential, actually ROEs?

HP Singh: So, I am constrained by giving you numbers, but as I indicated earlier definitely we are striking a fine balance between ROA and ROE, definitely aggregation is going to be that you know, always going to be pretty strong in terms of our offering in the next couple of years, including ROA. I cannot give you may be any comparisons for how it is going to be. Our networth is still, maybe if we really look at, you know, our peers or maybe if you do comparison like across our net-worth, our net-worth still maybe is not the way it is for the thing. If we get additional maybe capital or anything that will also be a power play in terms of our ROA aggregation, not on ROE aggregation. So we are striking a very fine balance between that. And if we really look at it,

having got to this ROA number as well as ROE number, there is probably a lesser amount of capital as compared to maybe anyone else. I think we have been able to do a fair justice in terms of profitability, in terms of our ROA as well as our ROE. And this will remain pretty significant in the next couple of years, that is the only thing which I can probably tell you right now

Riddhesh Gandhi: And just to understand, given how accretive especially assignment is where the entire risk and reward is actually transferred and the fact that there is enough appetite on that to meet the PSL requirements. Would not that be a great way to kind of continue to expand and grow without really needing incremental capital at all?

HP Singh: See, we have a strike a balance between our qualifying assets and our non-qualifying assets. That is always a challenge for us because we have investments in our subs also coming in. So we are striving for a fine balance where it does not go overboard in terms of..... you can always have 50% of your existing through securitization and maybe direct assignment and all. But we would like to stick to 30%, 35%, which is a fair play, which gives us also room where we are able to actually control our qualifying assets and our non-qualifying assets. So we are trying to do that. But the one thing which I would like to probably add along with it is that we are looking at one of our subsidiaries to probably fire up, Taraashna, which is going to be there. And we have mooted in our last board meeting that we are converting it into an NBFC now. So probably all what we are leaving around in Satin as the holdco, we will probably be able to take up and Taraashna as our sub across over there. So whatever I have said in terms of direct assignments, securitization, BC book, great ROE to probably be built up, right now even with this portfolio it has an ROA of 23%, will probably also reflect in any which ways in the holding company, definitely in the near future.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. Sir, two questions. First, can you give some color on your new product loans, what are the customer segments, how are you originating and what are sort of loan product you are giving to them? And secondly, can you also comment on the leverage level of your microfinance customers, in last two years we have seen the industry has grown at a quite a fast pace and decent size of growth has come from ticket size. So, in your customer base how is the leveraging level you have seen in last two years?

HP Singh: So first on loan growth, one thing which I would like to put it on record, we have got a very strong technology team which has been able to bring along probably one of the first digital lending app in terms of pure tech, without manual intervention. So right now what Loan Dost actually does is, it looks at salaried class, the loans range between Rs. 10,000 to one Rs. 150,000 without any manual intervention, just through the mobile app as well as through the app that we are able to do that. In short, if I give you the time period for every loan to probably from start to finish, it takes about 20 to 25 minutes. That is what it is. We are now expanding the

range of our Loan Dost product from salaried class to self-employed individuals also, it will be up and running probably in the next month or so. That is also being work in progress for us.

So if you really look at Loan Dost for us, it is going to be a very major differentiator in terms of our other peers in the sector or maybe in the NBFC space, because we have got feet-on-street also, which will actually enhance our capability of downloading the app in their tabs and then taking it to various corners of the country through our branches and through our network. So, it is going to be both online, which you can probably do it, and maybe slightly offline in terms of our marketing capabilities and our capability of enhanced reach through our feet-on-street and the infrastructure which we have and the distribution outreach which we have. That will create maybe a large differentiation in terms of our offerings in this space, in the fin-tech space you know.

On the second question, I think Aditi will give you an answer.

Aditi Singh: Yes. Nidhesh, we had done some study about our customers. So, the findings are that the average indebtedness per customer for only MFI was a little over Rs. 30,000 and if we add banks to it, it was more than Rs. 45,500. So it is Rs. 30,000 per customer MFI and if you add two MFI and one bank, it is more than Rs. 45,000. And also institutions, it was a little over one for MFI, and if we add bank it was 1.6. So that is fairly comfortable when we look at the Satin customers.

Jugal Kataria: And just to substantiate, we are following MFin guidelines of 80,000 indebtedness per customer, two MFI borrowing, etc. There is over 17% projection in the credit bureau of the customer. We have a strong technology controls in place where technology tracks whether we are following all those guidelines, etc. So over-indebtedness probably is not an issue.

Nidhesh Jain: So on rejection you mentioned 70% rejection rate for the MFIs?

Aditi Singh: 17%. There is a slide that mentions the credit bureau.

Nidhesh Jain: And just last question, if I look at, you are now focusing on two to three new products at the same time, housing finance, MSME and then this Loan Dost, unsecured sort of loans. So, do you think doing these three, four products at the same time is required for you because your microfinance is doing quite well? Should you start all three, four products at one time or you should wait over years to stagger it?

HP Singh: So, the call is, we want to do well in every category of what we offer. And we have been able to probably been fortunate enough to do that. Just to give you an example, housing loan, first year of AUM which was about Rs. 80 crores or close, we do not even have a single rupee as a PAR or maybe overdue in terms of portfolio quantity. So we feel that we are probably, we are

matured enough, and as an organization and as a team to probably take all these products across and make the best out of all these products which are trying to offer it in free market.

Moderator: Thank you. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Just a couple of things I wanted to ask. One was the only cashless collection side. I mean, it is quite encouraging that we are targeting 50% odd collections in the next one year through cashless mode. So where are we right now in terms of the preparedness for it, you discussed about a few pilots being successful, but if you can throw some more light in terms of our preparedness and how would we scale up their capacity to reach that number by the year end?

HP Singh: So Rajiv, we have done a few pilots, we are doing it for the last six months. And now when we are absolutely ready with different pilots with different people across over there and this different people will actually bring in the cashless collection for us where we say that 50% of our collection is going to be through the cashless mode you know. I can give you maybe the couple of examples which we were earlier with us, so we have been able to do it with ITZ Cash to a certain extent. We did pilots with Fino as well as with FingPay. The branches are practically ready, the integration has already taken place. It is getting rolled out in a few of our branches. So in terms of our preparedness, we have probably now reached a place where the branches are ready, the integration has happened and it is just now executing it to the level. And that is the reason why we are confident of bringing in almost our 50% of our collection, it will be cashless mode in this year. I would not tell you but internally we have got a much larger target to probably do that. But for the outside world we are still targeting at 50%. But internally we have got a higher target within our team to really look at cashless collection process. So it is not just one player, we are doing it with three, four players, and all are ready now with integration and all are now being executed into the field in terms of our cashless connection.

Rajiv Mehta: Second question I have is on the ticket sizes in the MFI segment. While we can understand that ticket sizes have come down than last year, since you were expanding to newer geographies and you were having a higher proportion of first cycle customers. Now, as you go into a FY 2020 how would you look at ticket sizes because you will have all those customers coming in and taking second loans. So can we build in some increase in ticket sizes for you?

Jugal Kataria: So, every subsequent cycle the customer gets roughly Rs. 4,000 to 5000 as additional money. So I think this is what one should sort of think of how we are going to grow our tickets sizes over a period of next few years. And the new geographies we start between Rs. 20,000 -Rs. 25,000 different geographies, and there is a overall cap of Rs. 50,000 on the MFI lending, the average is about Rs. 26,000 right now. The average ticket size probably will grow roughly around Rs. 4,000 to Rs. 5000 for the subsequent cycling customers.

HP Singh: I think, you know, what we should probably look at overall is maybe a maybe a 10% or 15% increase in the average ticket size, that is how we are also looking at in terms of our growth in this current year.

Rajiv Mehta: So, now your answers with regards to cashless collections and the progress we want to achieve there, and even now the ticket sizes could start increasing for us. Then what will be your consequent outlook on the overall cost ratio, because that has been not moving in our favor so far. But then what kind of productivity gains should get reflected in the cost ratio, maybe not in the near-term but say in the next two years or so?

HP Singh: See, all these measures which we have been trying to do, so besides cashless collection we are looking at our back ending centralized sales services that is also now kicking off. I think we started our pilots and I think it will start rolling out maybe the end of this month, we are trying to look at. These are a lot of measures which we are bringing in terms of our complete turnaround or transformation into the thing, and that is the reason why I think in our slide we mentioned, the role how we are transforming ourselves. So be it products, be it geography, be it technology, be it controls, be it processes across over there, we have got our finger on everything to roll on. All this will actually entail in the couple of years what you are trying to say, in a very, very positive cost to income ratios, OPEX I think de-acceleration which will result in consequent profitability and consequent ROAs and ROEs in the near-term future. So all these put together, so we have listed out a few of them in terms of being unable to do and all this, but we have got our hands full with all these things to be implemented across in the next year and a couple of years in the process. And you will see the gains coming in quarters from now to come in.

Rajiv Mehta: And my last question is to Jugal, with regards to this OCI number which has come in this quarter, which is a higher number, and which was not there in the previous three quarters. Is it linked, I am sure it is linked to the classification of the business model to collect and sell. So how should we look at this number now ongoing, this fair value impact on the eligible portfolio, how this number should ideally move for quarter-on-quarter or would it be a kind of a fourth quarter once in a year kind of a number which will come in?

Jugal Kataria: So, this was the first time we had changed our thought process on the business model after discussing the same with the auditor, etc. So whatever impact will come in the subsequent quarter will be only on the differential things, the major impact has already come.

Moderator: Thank you so much. Ladies and gentlemen, we take the last question from the line of Abhijit Sakhare from Goldman Sachs. Please go ahead.

Abhijit Sakhare: So first question was on the on the BC arrangement with IndusInd Bank. Any broad contours on what is the engagement terms in terms of covering any specific states, any particular

customer segment in terms of rural versus urban, and what the ticket sizes are? Any broad contours that you can provide on that?

HP Singh: So, broadly with IndusInd Bank we are now present in about 140 branches of ours. So it is not according to customer, it according to the branches where we do our business with IndusInd Bank. So, broadly 140 branches, which purely just do IndusInd Bank disbursement and collection for them as a BC partner with them. I think it is going to be fairly stable in terms of our this thing, differently whatever room for growth is there and in FY 2019 FY 2020 that is going to probably be there. First year of operation which was there was Rs. 633 crores, we look at a normal increase in terms of percentage also across with IndusInd Bank. But broadly overall, we are looking at close to over a 30% to 35% off book balance sheet which includes IndusInd Bank also.

Abhijit Sakhare: Sir, any state specific scale here, which would be the top two, three states, what would be the composition?

HP Singh: UP has always been interesting, we have brought it down to 20% now, it still remains probably, so UP, Bihar and I the third state would probably be, I think the rest like Punjab and other states will remain in single digits. But I think two major states which will probably stand out in terms of double digits will be UP and Bihar. Though the level of UP is still down, it will remain stable across in the terms of overall enhanced portfolio. But it will be closer to 20% and Bihar is close about 18% - 18.5% or so.

Abhijit Sakhare: This is true for the BC book as well, right?

HP Singh: No, BC is different. So BC majorly what we have given is the eastern and the northeastern states.

Dev Verma: So, we have given them a flavor of different states. So we have one in Bengal, we have three in Bihar, we have one in Rajasthan. So that is how we spread the portfolio for IndusInd Bank, rather than giving everything in one state. And we have picked one full region in this state, so we have not segregated for better controls. So we have segregated across some three, four states.

Abhijit Sakhare: Alright. Sir, second question was on the rejection ratios, you mentioned it is about 17%. Seems like a little high given our book which is 90%, 95% microfinance. So just wanted to understand, because I believe we have Bharat Financial which also gives that kind of disclosures, the number for them is just about 1%. So, just trying to understand what is driving such high rejection ratios for us?

Jugal Kataria: I cannot comment on their number, I have not seen that. But in our case we have a strong technology backup around that. So, whatever customer we source, we check the data through

credit bureaus etc, and follow the guidelines of Rs. 80,000 indebtedness and two MFI exposure. So, that is what we are following. And with our own centers, probably at industry level also the rejection rates are broadly in the same range, if we can check their number and maybe...

HP Singh: Our sense is that I think you should look at Bharat Financial numbers again, because I do not think so 1% is the norm. Because the industry norm also all across the board is about 20%.

Aditi Singh: No, the rejection rate for them also was 16% as per their last presentation.

HP Singh: Last presentation Bharat Financial says 16% rejection.

Aditi Singh: And that pretty much is in line. So broadly even if you look at the reasons of our rejections we have given, broadly it is for more than two MFIs or more than the over-indebtedness levels, or probably defaulters. So that is standard.

Abhijit Sakhare: No, my question was specific to the share of defaulters, which seemed pretty high. But anyways, I will check the numbers again and come back.

Aditi Singh: Sure. You please check up the numbers.

Moderator: Thank you. I would now like to hand the conference over to Ms. Aditi Singh for closing comments.

Aditi Singh: Thank you, everyone, for taking time and coming to our call. And we are glad that we could answer as many queries as was possible and tried to communicate. If there is anything, we will be glad to take it offline. Thank you very much.

Moderator: Thank you. On behalf of Satin Credit Care Network Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.