



“Satin Creditcare Network Limited
Q4 and FY20 Earnings Conference Call”

June 16, 2020



MANAGEMENT:

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Moderator: Ladies and gentlemen, Good Day and Welcome to the Satin Creditcare Network Limited Q4 and FY20 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 Mr. HP Singh, Chairman and Managing Director of Satin Creditcare Network Limited for his opening remarks. Thank you and over to you, Mr. Singh!

HP Singh: Good morning everyone. Thank you for taking your time out and joining us today to discuss our Q4 FY20 and FY20 Earnings performance. I hope everyone is keeping safe and my prayers to those who are fighting this out. These are challenging and uncertain times and before we briefly discuss our quarterly and yearly performance, I would like to highlight the macro factors affecting the economy and how we see it panning out for a microfinance industry and Satin.

The World Health Organization declared COVID-19 as a pandemic on March 11, 2020 and Government of India acted swiftly to implement a first phase of nationwide lockdown since March 25, 2020. This resulted in complete halt to the economic and financial activities having significant impact on the incomes and livelihood of the people.

Coming to the microfinance industry, the industry growth got impacted in a later half of March 2020 as lockdown resulted into complete halt on disbursements and collection activities. This was followed by a Cyclone Amphan in the east which disrupted the operations in the states of West Bengal and Odisha for a couple of days. However we see a significant revival in the sector with lockdown restrictions easing out as most of the borrowers are residing in the areas where there is no major impact of the pandemic. Also majority of our borrowers are engaged in classified essential sectors of animal husbandry and agriculture allied activity so there is no major impact on their income.

Company has delivered a decent performance for the financial year 2020 even though the financial sector particularly microfinance has faced multiple challenges of liquidity crunch, heavy floods in some states, nationwide protests, Assam crisis and now COVID-19.



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Your company has sailed through these difficult times and was able to grow its book by 15.6%. We have resumed our growth journey after completing the process of re-engineering in Q4 FY2020 and lockdown brought a short term halt for us but we at Satin believe that in these unprecedented situations keeping our fundamentals and processes right and adopting the new normal work changes will help us to overcome, and come out even stronger.

Talking about technology, it has become a vital part for all businesses and right now we are witnessing its need than ever before. I am happy to share that we have undertaken several new initiatives to successfully to aid our staff and borrowers during the quarter when physical movement of our staff and borrowers were restricted. We have successfully launched a new customer service app to increase digital and financial awareness amongst customers and to help them connect with brand Satin.

We strongly feel digitalization in the future and have quickly launched the digital collections in the current lockdown conditions. Customers are encouraged to pay the installments through various digital apps like Google Pay, PhonePe and PayTM also our staff has been touched with our borrowers and we are also undertaking tele-collection activities by CSS in COVID-19 containment zones.

In addition to this we are also in the progress of adding Satin on BharatBill Payment System which is a one stop solution by NPCI for recurring payments and also under process of taking customer activation for regular collections via NACH and e-NACH through bank accounts. Overall, our digital and cashless collection is seeing the good traction and approximately 37% of collection was done via cashless mode in March 2020 which is up from 27% in December 2019.

At Satin, we have always adopted a holistic approach with our customers being at the epicenter, and to continue with this legacy we have undertaken couple of initiatives to support them in these tough times. During the quarter, we have launched a new product called Pragati Loan. The main purpose of this product is to rebuild borrowers income generation activities impacted due to COVID-19 and Cyclone Amphan and also help them reduced monthly cash outflow on their loans.

Following these financial and socioeconomic approaches for our customers as well as our employees have helped us achieve few major milestones. We secured first place amongst all MFIs in the customer index evaluation conducted by MFIN for fair practices code policies



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and process, certified as 'Great Place To Work' for building and sustaining high performance culture. We have been awarded a certificate of Excellence in Clean Energy Finance for distributing 85,579 clean energy products impacting 4.11 lakh people's lives and becoming a part of UNFCC clean development program. We further endeavored to bridge this socioeconomic well-being of the low income households by financing them on a sustainable basis in order to improve their livelihood, establish identity and enhance health and safety.

Now allow me to share the financial operational highlights of our company. Our AUM has seen a growth of 15.6% which stands at Rs.8,174 Crores as compared to Rs.7,068 Crores a year ago.,As on 31st March 2020 we have a customer base of Rs.34.6 lakhs. Our Disbursements stood at Rs.8,045 for FY2020.

Net interest income for FY2020 stood at Rs.917 Crores registering a growth of 14% and for Q4 FY2020 it stood at Rs.271 Crores. For FY2020, our pre-provisioning operating profit registered a growth of 15.1% which stood at Rs.434 Crores as compared to Rs.374 Crores in FY2019 while PAT for FY2020 stood at Rs.155 Crores as compared to Rs.201 Crores in FY2019.

For FY2020 our standalone cost to income ratio stood at 49.9%. For FY20, our opex to GLP ratio stood at 6.1% whereas Q4 FY2020 it stood at 6.4%. As of March 31, 2020, our consolidated ROA for FY20 stood at 2.2% whereas ROE stood at 11.9%. Coupled with several challenging macro factors during the year we also undertook investment in complete process re-engineering and our digitization which increased our operating cost and that impacted our return ratios; however, with right systems and processes in place we believe that going ahead operating leverage will play out, which will help us control our costs and improve profitability.

Our collection efficiency for the year stood at 98.8% despite the challenging environment, 78% of our borrowers are engaged in essential services thus the recovery for them are expected to be much faster. Our GNPA at an AUM level stood at 2.9% as on March 31, 2020 while we have made adequate provisioning of 2.3% bringing our NNPA to 0.6%. Our NNPA has seen a reduction of 60-basis points on a year to year basis while on a sequential basis it has come down by 30-basis points.



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Our update on moratorium – with respect to borrowers we have also been supportive to our borrowers and have offered helping hand to sail through testing times. Borrowers who will avail moratorium will have to pay the incremental interest and the increase in loan tenure would be explained to the borrowers. As on May 31, 2020, 25%-30% of our borrowers are expected to opt for moratorium. With respect to lenders we have got a moratorium from 63% of our lenders on principal repayment while company will continue to service interest during moratorium to all the lenders. We also continue to work with our lenders to raise additional funds. The recent announcement by the RBI with respect to TLTRO with specific limits for the NBFC, NBFC-MFI is a positive for the MFI industry also the announcement of NABARD getting Rs.25,000 Crores and SIDBI getting Rs.15,000 Crores and NHB getting Rs.10,000 Crores is a boost for the sector. Satin and its subsidiaries have a strong existing relationship with these institutions.

Now coming to our geographic expansion, for the full year March 2020 we have added net 220 branches across regions while Q4 FY20, we have added 29 new branches. As of March 31, 2020, our total branch network stood at about 1,383 branches, spread across 397 districts. Our branch network grew approximately 19% on a year-on-year basis. We have a strong business and risk team in place which follows a very cautious approach in selecting newer geographies and opening up branches.

During the year we have expanded our presence to Sikkim which takes our total state and union territory count of 23 now. Our diversified presence across districts has also helped us mitigate portfolio risk to a large extent. During the year we expanded our operation to 38 more district bringing our district penetration to 397. As of March 31, 2020, 96.5% of our districts have less than 1% of portfolio exposure which we aim to bring it down further in the coming times. Exposure to top 4 states 58.2% in FY20 from 85.9% in FY16. DC arrangement with IndusInd bank stands at Rs.543 Crores as of March 31, 2020. During FY2020 we have been able to disburse close to 1,70,000 loans under the product financing categories which includes loans for bicycles, solar products, home appliances, consumer durables and water and sanitation.

On the portfolio quality, during the year we have made an additional provision of Rs.82.76 Crores on account of COVID-19 followed by lockdown and cyclone. Our CSS ensures uniform process across branch and provide backend support to credit appraisal quality and customer support along with post disbursement monitoring. Our cashless collection now stands at 37% after we were successful in implementing 100% cashless disbursement across



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all our branches. In continuation to this initiative to further digitize we will provide payment gateway facility on Satin's website also.

We believe all these initiatives are on the right track and will help us move in end to end transaction and driving system efficiency and reducing operating cost without hampering our portfolio quality. Our capital base has been strong with our CRAR of 30.49% and well above the regulatory requirement. We have a healthy Tier I capital comprising of 22.10% of the total capital base.

Long-term credit rating care A- stable and ICRA A- stable, short term rating care A1 and ICRA A1 upgraded from ICRA A2 plus and grading MFI 1 highest order. Liquidity has never been a barrier for us as a company and we have access to diversified lender basis 64 active lenders. We continue to maintain healthy balance sheet liquidity worth Rs.1600 Crores of surplus funds as on March 31, 2020. In addition to that we have undrawn sanctions of Rs.871 Crores as on March 31, 2020. Our structurally positive ALM also adds to our advantage.

An update on subsidiaries, all our subsidiaries have been making good progress. We infused Rs.30 Crores of capital in Satin Housing Finance Limited which has now reached an AUM of Rs.139 Crores with nil delinquencies and having presence across four states. Satin Housing has a collection efficiency of more than 80% even during lockdown. Total capital of Satin Housing stands at Rs.80 Crores with a capital ratio of Rs.125.9% and standalone credit rating of CARE BBB stable. Satin Housing has a 100% retail book comprising of 87% affordable housing loan at 13% of LAP.

Satin Finserv, our MSME arm also is in good shape post commencing operation having AUM of Rs.111 Crores. During the year, there was an equity infusion of Rs.80 Crores. SFL business aim to focus on secured retail MSME lending, wholesale lending to small NBFC MFI and others, total capital of SFL stands at Rs.102.5 Crores with capital ratio of 92.1% and standalone credit rating of CARE BBB minus. Our business correspondence services under Taraashna Financial Services had reached an AUM of Rs.704 Crores. As of March 31, 2020, the company operates through 213 branches at more than 3.7 lakh active loan plans.

With this I would like to open the floor for questions. Thank you so much.



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Moderator: Thank you very much. We will now begin the question and answer Session. The first question is from the line of Sudhir Bheda. Please go ahead.

Sudhir Bheda: Good morning Sir and congratulation on good set of number in unprecedented situation Sir. Sir couple of questions and one observation; my question is as I was listening to your TV interview and you were telling that 25-30% of your borrower have opted for moratorium so what is the collection efficiency in May and June so far that is the first question. Second would be you have done approximately Rs.82.76 Crores of provision after COVID so will this provision may be sufficient considering how situation will pan out as nobody knows but what will be the situation, what is your gut feeling about this provision whether we will meet the extra provision or this will be sufficient provision going forward? Third observation is there a reverse migration happening so will that benefit our microfinance industry as a whole because lot of people are migrating to rural and rural income is expected to go up because of good agriculture and good monsoon, so your comment on that? Thank you Sir.

HP Singh: Let me answer you the third question first. You are absolutely right because of the migration now happening to states like Bihar and UP the avenue for increasing rural incomes will definitely increase and we are seeing a good traction in our portfolio of collections where I revert back to your first question also if look at our collection efficiency, if we look at it lockdown started opening up from June 1, 2020, and our branches which were even in the red zone and everything started opening up, our collection efficiency on a day-to-day basis is now touching close to about 60% or so which bodes very well in terms of how the collections will pan out during this crisis or so. Coming back to your question on the demand, it will be very, very huge looking at the avenues for increasing the rural penetration and income generating activities so we feel that the demand has a lot of huge potential. In terms of opting of moratorium this is where our connect has been made with our customers when we are looking for collection. Now if you are saying that we are technically able to connect and have a 60% collection efficiency, depending on that we feel that close to about 35-40% of our borrowers right now will opt for moratorium and this is I am talking of mid June but since the moratorium is there till August end I think the figures will try and oscillate but the indications right now are very, very positive when we say that we are touching a collection efficiency of 60% on a day-to-day basis. In total if I give you a figure we have been able to collect close to about Rs.228 Crores in terms of our collection till now. April was absolutely negligible because of lockdown, May was again it was about Rs.95 Crores because of delayed end of opening up of branches and the voice reaching but



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we have been able to collect close to Rs.228 Crores up till now and June signifies a much better traction in terms of collections.

Sudhir Bheda: That is a great thing Sir. And Sir will our provisions be sufficient because the market is pricing our share at just 32% of our book, so it is pricing near wiped out networth kind of scenario. So will it be necessary to provide more going forward apart from this Rs.82 Crores?

HP Singh: See on what the market terms as prices is something which I would not like to comment on

Sunil Bheda: Just this is an observation?

HP Singh: Yes, but what I can probably say is that in terms of provisioning I think we have been able to clean up our balance sheet to a very large extent. You are right absolutely the times are very uncertain but we feel the way we are reaching a traction I think the credit cost will not be that much as what we provided in FY20. That is what our take is.

Moderator: Thank you. The next question is from the line of Vinit Rai from JM Financial. Please go ahead.

Vinit Rai: Good morning Sir. Thank you for the opening remarks. Just a couple of questions one is slightly macro question since you have been in this business for so long and you have seen plenty of crisis in India how do you think is this different like if you compare it with demonetization etc., you have proven it and you came out of it, one question is just some macro general thoughts on whether it is as bad as demonetization worse than demonetization any comparison and second specific question for in this period April, May, June are you also disbursing money as interim loans etc., or focus is only on collection?

HP Singh: Thank you. What you are looking at on the macro level if I can probably give an answer to that I feel that this is probably not going to be as difficult as what demonization was and I know probably I think a lot of people will not be able to really digest this at this moment but very frankly we are seeing that the income levels as well as the infection levels in the rural space is lesser than what we have in major metros like Delhi and Mumbai that gives us a very positive response so having looked at it very closely in the last three months we feel that I think the bounce back will be far more better wherein it was not that great during demon and the other factor which is probably added on is demonetization was probably more of when people used to talk about loan waivers and loan mafis this time thankfully it



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is only a moratorium it is a deferment and people do not talk about loan waivers so that is a very positive sign if you really look at in terms of how the macro factors will probably pan out and the other factor which probably is also very interesting is that our major portfolio is related to agri and agri holdings. There has been a very good harvest time this year. That will also have a very positive play in terms of how our repayments pan out so that is also one of the positive signals which we are looking at during these times. In terms of our disbursements we started our disbursements in June we are making near, which I talked about the Pragati loan this is technically to enhance livelihoods for people who might have impact on their livelihood and their income levels these disbursements have been started now, we did not disburse anything in April, May because it was not possible to do it but yes disbursement have started and we hope to pick on this moving forward so these are both the positive sign which we are trying to look at significantly.

Vinit Rai: Great, thank you.

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

Harsh Shah: Sir I wanted to ask a question on your moratorium so the industry moratorium has been in the northwards of 70% to 75% percent where as we have capped it at around 30% which is quite commendable so can you just explain what are you doing right that your moratorium is way below the industry level?

HP Singh: I do not know what is the industry level of the normal NBFCs or NBFC-MFI is, there could probably be a difference but what we can say is when I give you a figure of collection efficiency of technically 60% happening in June gives us that if you look at people who have not been able to pay in the first 15 days is technically close to about 40% which gives up an indication plus or minus 5-7% is where I think people will avail a moratorium. And plus moratorium is still till August so what indication which we are getting while talking to them is that if they are making an installment means that they do not want to avail the moratorium and that is where the percentage figures have probably come in.

Harsh Shah: Could you also give us break up of your provisions in terms of how much is towards FLDG, how much is write off and how much is provision which has taken to the balance sheet.

HP Singh: I can ask Mr. Jugal Kataria to give you an answer on this question. So Jugal can you?



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Jugal Kataria: On a portfolio level, our provisioning is about which includes the provisioning on BC as well as on book portfolio so the overall credit cost for this year is 3% and in our gross NPA is about 2.9% on a portfolio level against which we have a provisioning of 2.3% which includes both on book and off book whatever is our FLDG cost and the credit cost.

Harsh Shah: Last just a bookkeeping question. Sir your business income I am talking the standalone numbers the BC income it has increased from Rs.25 Crores to Rs.62 Crores Y-o-Y but your standalone AUM under the BC income has reduced by 20% so can you just reconcile these numbers?

Jugal Kataria: The BC income started building up last year so in the first few quarters it was slow and then it started building while in FY20 it was consistent throughout the year so that is why the BC income in terms of absolute number is more for this year.

Harsh Shah: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: Good morning Mr. Singh. Congratulations for a decent set of numbers. I had two questions. One is related to cost to income. Now that you have made a considerable progress in reducing the cost to income. I just wanted to understand if you can throw some color as to the specific steps that you have taken or what are the major costs to the cost to income that has been reduced and going forward how much scope do you see for further reducing cost to income, the areas of reduction?

HP Singh: See we always have tried to see that where does the cost to income will probably go down in terms of our operational efficiencies. I think what we have been able to really leverage on is the way we have been trying to increase our cashless collections to a large extent. We were doing process reengineering and I think that probably before the lockdown and post the lockdown also I think we are looking at various measures of increasing our cashless collections, we are looking at various measures of actually rebooting and reconfirming our branch strategy and our regional office strategy in the larger context. I will probably not be able to share the intricate details as such but we are really taking a very serious look at how do we are able to consolidate all these operations so that the cost to income ratio falls further. There is a large scope which we are trying to look at and definitely yes in terms of



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operational efficiency I can give it to you in writing that we probably having far more efficiency building in even during the lockdown and the post COVID-19 era to look at how we are able to significantly reduce our operating expenses.

Andrey Purushottam: You are not able to be little bit more specific on this Mr. Singh?

HP Singh: These are all work in processes. Andrey, I said we are consolidating a lot of our regional offices and branch offices so you can probably take the cue from there and cashless collections to a large extent. I think it was probably mentioned in my opening remarks. We have launched our customer service app so technically our microfinance borrowers will have an app from where they can actually make a payment and do disbursements from there so the whole process of moving ahead with manual interventions will take a backseat to a large extent so these are few measures which I can probably give you in the outer context but intricate details probably we can be shared offline with you.

Andrey Purushottam: My second question was related to the moratorium and the NPAs etc., My first clarification is that given that the moratorium till August will we get to know about the incremental NPAs only by September would that be right?

HP Singh: I think that would probably the right way because right now the figures which we will quote technically will not have much bearing because the whole thing will pan out after August but looking at the initial response of collections how it is coming in we were also not very, very hopeful in the way the response has come in for us. And the economic activity has already started in the rural region after the lockdown and the economic activity has picked up with the good harvest and everything which goes well for how the NPAs will technically pan out in the later stage but it is encouraging and it is positive.

Andrey Purushottam: Do we have granular understanding of those who are not paying, what kind of people of these and for what on a reason for which they are not paying, do we have understanding on what is happening in the ground?

HP Singh: We have cuts and we do data analysis and our teams are in touch with these institutions, a couple of places there would some interferences from the local leaders as such where they will probably say why do not you take a moratorium because they have been announced but it is only a question now you make your connects so I think we are still having sufficient



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time for us till August 31, 2020 to make those connects and look at the more positivity coming in even after this.

Andrey Purushottam: Thanks very much.

Moderator: Thank you. The next question is from the line of Surendar Kumar Gupta, an Individual Investor. Please go ahead.

Surendra Kumar Gupta: Good morning Mr. Singh. I have two small questions. One is how the shareholders are being rewarded, they are not being rewarded because their capital has been eroded to the extent of 80% during the last six months. Cannot the company now think of reducing its cost of borrowing by coming out with rights issue?

HP Singh: Sir I cannot probably comment on this because these are questions which I probably will not be able to answer. I think we have done every possible thing in terms of our operations of the company and I think that is probably our ultimate reward which will translate down to the shareholders and I think I would probably be refrained in answering this question directly.

Surendra Kumar Gupta: How will you planning to reduce our Cost of borrowing?

HP Singh: Just to give you an idea the cost of borrowing has no significance for us because we work under margin cap so the RBI has specified a 10% margin care for us, even if the cost of funds goes down. It will be passed onto the ultimate borrowers so the margin will always remain the same. It is only the operating costs which can actually deliver us much better results if our operating cost goes down. The margin will always remain the same.

Surendra Kumar Gupta: Thank you.

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

Gautam: Congratulations for good set of number. Sir my question is with regards to what process we followed for moratorium offering to our clients?

HP Singh: It is a process of connect with our customers. So we are technically connecting with all our customers, the customers who are willing to repay. We are taking installments, but for



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customers who say that they are probably affected by the COVID-19 and they are probably taking more time to repay we are telling them that we signed that you know, they can think about it and they can take a moratorium if they wish to do so that connect is already on the process of our boys meeting the customers, meeting the group leaders, having not exactly the center meeting because social distancing has to be kept so they are meeting center leaders and they are meeting group leaders and getting answer from them in terms of how the moratorium would really work on and that is the reason why when we say that we have been able to get on a demand collection basis the collection efficiency of 60% I think, gives us probably an answer how it is to be done. This is all work in process again, I think till August 31, 2020 we will keep on getting our collections whatever we can from our borrowers and then we will see how things pan out. Along with that, I think we are doing all CSR activities by maintaining connect so all CSR activities are happening. We are distributing masks, sanitizers and all other stuff to maintain that connect and also trying to see that we have setup a call center where you know the calling is going on with all the customers across and in fact, we have been able to maintain calling connect even of containment zones. We have been able to connect our customers to tune of about 95% to 97% that is how we are using this process.

Gautam: How many of our clients we will able to connect, we could connect to them in terms of percentage?

HP Singh: It close to about 95% to 97% we have been able to connect.

Gautam: Okay and why we are not able to connect to rest 3% to 5%?

HP Singh: There are challenges of reaching out across where the district administration is probably making that the containment zone is something like that so there is only challenge because of the logistic activity there is no challenge because of any other things.

Gautam: As things stand today as India is slowly lifting up lockdown restrictions = in a big way how do you see FY2021 in terms of credit cost and in terms of growth?

HP Singh: See credit cost, I have already given answer earlier but in terms of growth I think in what we were looking at first half of technically of this year FY2021 is going to be a consolidation phase, the concentration is going to be less on disbursement and more on collections and the second half of FY2021 will probably be somewhere where we can look



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disbursements and probably the growth so that is how this whole year is going to be panned out.

Gautam: That is all from my end. Thank you.

Moderator: Thank you. The next question is from the line of Rohit from RARE Enterprises. Please go ahead.

Rohit: Congrats on good set of results. I think all questions have been answered. If I have any I will come back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Given the fact that there have been issues that come up on microfinance sector, we wanted to know what would be your capital policy, leverage ratio not capital adequate ratio as well as your liquidity policy going forward that is the only questions I have?

HP Singh: So on liquidity, I think we have probably always been very conservative. We have been maintaining liquidity worth close to about in excess of three months of our disbursements, so we know we have been conservative and I think that will probably continue because that does constitute a negative carry on our balance sheet, but the looking at it I think during these times we would still like to maintain that kind of a liquidity so on liquidity I think that is what our scenario is. The other question was...

Vivek Ramakrishnan: On your total leverage ratio what would it be or there is any convent saying that debt equity cannot be more than that number?

HP Singh: No we do not have any such policy I think. I think leverage ratio is close to about 3.7 or so and we are very comfortable even on the leverage ratio.

Vivek Ramakrishnan: And are you planning to cap it at certain numbers?

HP Singh: See there is still room to grow and I think no lender technically has given any kind of covenant on that so we can probably even if we are able to increase it I think earlier used to be close to about 4.75. So even if you go down to 4.75, I think we probably will be good



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because no lender has probably flagged that issue or has come ever under running kind of covenant, so we are happy with this.

Vivek Ramakrishnan: Fair enough. Thanks a lot.

Moderator: Thank you. The next question is from the line of Abhishek Murarka from India Infoline. Please go head.

Abhishek Murarka: Sir three questions actually one on disbursement can you share some data on the amount of disbursement you would have done in the first 15 days of June, just to sort of get an understanding of the scale of the pickup? The second question is specific to cyclone Amphan if you can give some ground level feedback and what is the current status of the relief effort and whether customers have started repaying or whether it is just relief work is going on and the repayment will take some time to start? The third question is on this Pragati loan. Can you give its specifics and under what circumstances are you disbursing and also how is it different from your existing loan products

HP Singh: If I give you probably a ballpark figure of worth of disbursements happening in June. I think, we have done right now close to about Rs.5 Crores worth of it so it has been less but looking at logistics issues and all we think it's significant, but the product has been oiled in and now I think it was there be pick on from now. Looking at the Cyclone I think Orissa dint have a major impact of Cyclone Amphan so whether I think it was a disruption for a couple of days and then I think things are back to normal so leveler has been towards extent in West Bengal and West Bengal just been in a couple of our branches where the impact has been deep. The disruption has been there for a week I think in a couple of weeks. I think that is over now so the relief work and rebuilding exercises going on so I think that Cyclone Amphan whatever thing was there is now probably over so I think we are looking back at our collections coming back from there and starting normal activity. That is there. For Pragati loan I can only probably give you that this is a loan which has been given for people who probably are not looking at moratorium to a certain extent but who have been rebuilding and who really needed for their economic activities to be shored up. It is a small kind of an emergency loan which we are giving it to customers who are not in part and who would require it for their rebuilding of income generating from this loan.

Abhishek Murarka: But so are you giving it only to existing customers or new customers or also, what is their ticket size and tenure and those details?



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- HP Singh:** It is only to the existing customers and tenure is for two years and it is Rs.15,000 loan.
- Abhishek Murarka:** Does the customer have to sort of repay one EMI or two EMI to get this or that is not necessary because it is for rebuilding and emergency kind of loan?
- HP Singh:** So that the clarity is that they know someone who needs it for his economic activities and who is not in PAR that is what are the basic fundamental on this loan is,
- Abhishek Murarka:** Not in PAR as of February 29, 2020.
- HP Singh:** Exactly.
- Abhishek Murarka:** Just one more question when you said your collection efficiency, Rs.228 Crores that's what you collected so far and May I think you said Rs.95 Crores so that leaves around Rs.130 Crores in first 10 days of June, is that correct?
- Aditi Singh:** Like when we gave the breakup it was mentioned that the collection has started picking up in May only so May it was 95 Crores and in June first day and it was around Rs.98 Crores, rest were collected during March and April the balance.
- Abhishek Murarka:** Got it so if you have done roughly around Rs.100 Crores in June and if I look at your ALM disclosure, it says that you would have collected by way of principal and interest around Rs.140 Crores in June. Where is the disconnect because ideally then your collection efficiency is very, very high?
- Jugal Kataria:** This Rs.228 Crores numbers is on the AUM level, which includes on-book and off book portfolio while the static ALM which we have given is slightly behavioral and only for the on-book because the off book portfolio BC and direct assignment income which is direct assignment portfolio which is close to about 36% or so, whatever we can collect will pass it on so that number is neither there in the collection or in disbursement in the static ALM and then we are saying it is 228 Crores is a gross number including everything.
- Abhishek Murarka:** So out of roughly Rs.140 Crores which were scheduled to collect in June. How much would you have collected? So just your on-book amount?
- Jugal Kataria:** Broadly it is two-third on book portfolio so slightly here and here we are focusing only on the entire portfolio, we do not have any left out in DA portfolio, but we make all the sincere



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effort to do the collection there as well, so broadly two-third on book and one-third off book.

Moderator: Thank you. The next question is from the line of Rohan from Multi Act. Please go ahead.

Rohan: Thanks for the opportunity. Good results. Sir, two questions firstly you said that we are doing limited format group meetings, so if could elaborate on what that means do we meet only the group leader and group leader collects on behalf of borrowers how this format changed versus pre-COVID meetings that we used to have and secondly again following on the previous participant 60% collection efficiency that we were talking about in June so if would that be higher on account of few borrowers paying for April and May EMIs also now in June or this 60% in June daily collection against June daily dues only that we are talking to just understand qualitative colour of the sentiment about repayment?

HP Singh: The answer to your second question is that this is June payments so June demand as compared to the June collection, so we are talking about that when we talk about 95 Crores of May it is against the May demand and May this thing also June is what we are talking about the June demand and June collection as what we are talking about. On terms of the center meeting pre-COVID it used to be the normal center meeting where all the members used to be present. But since now we have to maintain all this, it is now a connect with the group leaders and the center leaders so the collection is happening where these center leaders and group leaders collect it from the other members of the group of the center and then they pass it on, but cashless is also one of the more which is being, looked at it very firmly now so both these moves are going on.

Rohan: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Kislay Upadhyay from Abakkus. Please go ahead.

Kislay Upadhyay: Could you share your strategy on disbursal going ahead, you mentioned certain aspects about Pragati loans overall what will be your expectation of disbursal number and would it be to existing customers or to new ones and if to existing would be eligible for this?

HP Singh: We are looking at only at disbursing to our existing customers because I think it is not right time for us to look at new customers or new geographies or new areas so that is for sure. The extent where we were looking at this disbursement is basically again, what I had



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referred earlier is somebody needs for their business to revive of their economic activities that is one and technically to non-PAR customers so it is going to be for them but as I said first half is definitely more towards consolidation, but we are looking at how we are able to really look at, probably making best use of the existing customer base so that the connect remains and we are able to follow probably dutifully by looking at disbursing to these clients.

Kislay Upadhyay: Your expectation on numbers for the year?

HP Singh: I cannot validate probably a number because I think it would not be viable for me at this point in time but definitely once this settles down till September once the moratorium gets over then we will see. I think then we can probably look at the growth within these geographies only in the second half probably where disbursal will take a major cue.

Kislay Upadhyay: Finally could you give some estimate of expectation of Opex in this year FY2021?

HP Singh: It will be downwards from what we have shown as ending on FY2020 that is for sure. There will be downward trend of what we have shown now.

Kislay Upadhyay: See absolute number will decline?

HP Singh: I cannot give you an absolute number but yes it will be declining trend that is for sure.

Kislay Upadhyay: Thanks. All the best.

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

Riddhesh Gandhi: Congratulations on your recovering collection efficiencies. Just had a few questions in terms of your effectively provisions how much of it is in lieu to Assam as opposed to ex Assam and COVID linked?

Jugal Kataria: I missed the voice in between, is it how much because of COVID?

Riddhesh Gandhi: How much because of Assam and how much is Ex Assam which I am assuming is because of COVID?



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Jugal Kataria: As we explained in the previous calls our Assam portfolio is coming down so we now have close to about 4.7% of our book in Assam which is Rs.381 Crores out of that roughly Rs.238 Crores on book balance and off book balances where we do not have any risk left out so we have making all this sincere efforts and equal efforts to collect that so gross NPA numbers on the own book is about Rs.52 Crores almost 90% odd that is already provided for.

Riddhesh Gandhi: Of the provision which we have done in Q4. How much is provided for which is linked to Assam. How much is the Assam provisioning in Q4?

Jugal Kataria: Actually, the provision that we have made for COVID event is created on Assam portfolio also so I think to break it statewise we can probably discuss that offline.

Riddhesh Gandhi: I understood and the other question is with regards BC relationships. Are they continuing to be open to connect would be disbursing loans or have they slowed down right now everybody has so I mean how should we thinking about the AUM growth, as the things will normalize I am not talking about right now?

HP Singh: Pragati loan the way we are doing it as for our clients it is probably same thing which we are doing with BC partners also so there has not been any kind of dilution in terms of disbursement being made so it is continent with even for BC partners.

Riddhesh Gandhi: Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Parth Agarwal. Please go ahead.

Parth Agarwal: So my question was have you seen any political interferences in terms of recovery in any particular geography?

HP Singh: There have been very small instances in Punjab and Orissa two places, but it has been limited to a very few districts over there. It is not an interference. It is where when we do this customer connector with the thing at the end has been the thing that what please opt for the moratorium since you know, is there if they do not want us to even connect with the customers but that is the thing which is probably been taken in outside but there has not been the way interferences used to happen during the demonetization time I think it is probably not there at all so just a couple of districts where I think there have been a local administration or a local leader which has probably been there but nothing of significance.



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Parth Agarwal: Second question was you mentioned in your presentation that we have collected Rs.228.5 Crores from lockdown till June 10, 2020 so my question was how much was actually due and to be collected have there been no lockdown

HP Singh: On an average if you look at it, I think monthly we should probably get about Rs.570 Crores odd that is what my number is the principal and interest both put together. So you can extrapolate for three months basically and that is what we have collected.

Parth Agarwal: June 15, 2020 you have collected Rs.428 Crores if I am not wrong right?

HP Singh: Till June 15, 2020?

Parth Agarwal: You mentioned in performance?

HP Singh: We disbursed close to about Rs.5 Crores?

Aditi Singh: from 1-10 June, 2020 we collected Rs.98 Crores.

Parth Agarwal: Thank you.

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

Manish Ostwal: Thank you Sir for the opportunity. My question on your comment about this crisis is much lower than the demonetization so first in terms of ultimate credit cost in this cycle compared because last time what we have seen that one of the leading microfinance players reported much lower credit cost compared to us. So when you say our collection efficiencies are much better than those players so what is our assessment on the ultimate credit cost in this down cycle?

HP Singh: You want to compare it demonetization with this time or you want to compare to both?

Manish Ostwal: I am referring Sir your comment about this crisis much lower than the demonetization that is one and secondly our collection efficiency versus the largest player in the sector?

HP Singh: I will not compare it with anyone else, but I can only give you about what we do. So the demonetization technically if you look at it, you know we were the major ones who were



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impacted with demonetization so I think the comparison probably is not not good in terms of what we do it as compared with someone else and I will be very clear on that. What I was trying to say and what I think is probably is the answer is the way the credit cost probably moved out in demonetization because of political interference, elections, raw material of new notes not being there as well as loan waiver etc., which was probably far more in demon than this crisis. This crisis has an impact on economic activity, but not to a very large extent in the rural space and that is where the difference between demonetization and this crisis probably lies. This is what I was trying to elaborate during my questions and answers

Parth Agarwal: Thank you very much.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir the first question is you mentioned that around 75% of the borrowers are in rural activity so could you give us some color on the remaining one-fourth of the borrowers what kind of activity they are engaged in and what has been the impact on their income levels that you see?

HP Singh: When I say 75% is in rural means they are pure, pure rural, which does not mean that 25% are not rural, they are the peripheries of rural and semi-rural towns, on a technical terminology basis they won't be considered as rural but the extensions are probably more rural and compared to more urban even on the balance 25%. Their activities will not be pure agri or agri related but it could be essential services like maybe a Kirana shop or may be something like that an extension towards the rural space and that is what microfinance is what typically we follow.

Sarvesh Gupta: Since you mentioned that on 60% collection efficiency so I think what you are doing is you are multiplying 98 x 3 and making it 300 and you are taking the denominator as around Rs.500-odd Crores which you are supposed to collect every month including principal and interest so that is how you are calculating that you have reached around 60% collection efficiency currently?



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HP Singh: Let me give you on this. If my total demand for the days let us say Rs.25 Crores if I am able to collect 60% of that and if you multiplied by the same the thing you will have the same answer.

Sarvesh Gupta: You have reached that and that is very well but the missing payment that we had in April and May plus 10 days of lockdown in March would also amount to almost Rs.1,150 odd Crores so what is the outlook and what is your thinking of that major chunk of Rs.1,150 Crores what can be done about it and what do you expect in terms of collection going forward?

HP Singh: Please do not forget the baseline it is an EMI business so the EMI will technically come in the EMI form only so when somebody is making a payment. They know he will not make bulk of payment if he missed four or five installments he will not make four or five installments so there will also be lag the point which we are trying to probably tell you is that 60% of our people of our borrowers have come back into the fold even by making a single installment. That lag will always remain because you cannot make five payments in a row, but they have been activated and we know the best part is that 60% of our borrowers have been activated and that is how the collections are panning out.

Sarvesh Gupta: What is your average tenure of loans this will basically we added to the tenure of loan?

Aditi Singh: 15 to 18 months is the average loan tenure.

Sarvesh Gupta: Okay Sir thanks a lot and all the best for the coming quarter.

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

Rajiv Mehta: Most of my questions have been answered but I have got remaining few. One is with regards to the customer base in microfinance so I see a percentage of reduction in customer base in the standalone MFI business whereas we have added about 170 odd branches in the last 12 months for the customer base has declined by 2% to 3% so just wanted to understand this?

Jugal Kataria: So, first cycle customers are going down we have been focusing in the first half of the year we are working on the process re-engineering etc., and the moment that has started stabilizing in some of the branches we started focusing only on the repeat customers so just



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to give you a numbers in March 2019 our first and second tranche was 52% which is down to 44% now which means our repeat customers are increasing and we are focusing on good clients and trying to retain them which has resulted into slightly higher average ticket size but we are dealing with the customers who have proven their repayment behavior and repayment history so that just to have better quality portfolio better collection efficiency as well as the strategy of that.

HP Singh:

Rajiv just to give a last cue on that. So we were following a lot of strict filters so rejections are still very high reason so that is the reason why the customer base is probably has gone down a little bit.

Rajiv Mehta:

Sir I have a question also on the manpower because since we have been following our various exercises that we are going in terms of cost rationalization and also we implemented centralized shared services we were expecting some rationalization in cost and even manpower but which has not been coming through because even if I look non-revenue generating staffs that number keeps on going up quarter-on-quarter so which is loan officer employee base so when would we see because we are also expecting that the opex will come down as a percentage. So would this be a big source in terms of rationalizing employee base and then could be a big contributor towards opex coming down?

HP Singh:

I really do not have the exact numbers in terms of non-revenue generating staff, but if we look at the mix we have always been had a mix of about the 70:30 in terms of our revenue or non-revenues staff that ratio probably has not changed anyway, so I will not have probably maybe the right answer this is the matrix which we work upon, but having said when I made my remarks on that our operating costs will go down that definitely is the cue which we are working on by rationalizing to complete staff level all across the geographies, so I think we have done a slight reduction because of whatever happened in the last month of FY2020, I think that probably will be there and just to share your numbers, right now, I think my HR guy I can probably say is we had reduction of close to about 1,000 people in our branch probably is step which we are taking in the direction to have optimum utilization of our manpower resources so you see drastically things coming down.

Rajiv Mehta:

Sir how do we see liquidity availability because now first question here is what percentage of lenders are also offering, or could offer moratorium the second phase I know first phase is we had a good response 60% plus lenders have offered so that is the question that in the second phase how many would offer and when I look at the mix of on book and off book in



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terms of AUMs so off book has been constantly climbing so now with a demand for securitization or direct assignment not being there in the market would that kind of curtail as to grow our even base because it is frankly on book growth has been quite low for us and securitization and direct assignment has been providing liquidity, but in the current scenario or in the current context do you think that with the banks not too forthcoming with taking more portfolios would that be constriction and growth?

Jugal Kataria:

We have raised about Rs.1,468 Crores in the month of March out of that more than Rs.400 Crores was raised post lockdown which includes money coming in the form of direct assignment and term loan, money coming in from public sector bank and foreign bank. We have further raised close to about Rs.350 Crores out of which some 50% has already being disbursed and 50% in the final stage of disbursement. With all the push coming in from government in the form of the TLTRO and partial guarantee scheme and so on and so forth, we have applied to lenders and with the long term relationship at 65 to 70 or lenders that we had, we are confident that whatever money is required and have closed the sub-debt in the month of March towards the end of it after all this was happening so we are confident that we will be able to raise the required funding. We have closed couple of DA transaction post lockdown it will take some time the bankers also understand, but I think they understand the challenging on ground and things will improve incoming quarters.

Rajiv Mehta:

Got it. Thank you so much.

Moderator:

Thank you, Ladies and gentlemen due to time constraint that was the last question for today. I will now hand the conference to Aditi Singh for closing comments.

Aditi Singh:

Thank you everyone for taking time to come on the call and I understand there were a few questions, which were announced. You can get in touch with me. My name is Aditi Singh. I look after the Investor Relations. You can also reach out to Strategic Growth Advisors, who are our Investor Relation Advisors, and we can understand your questions, and I hope we have been able to address all your queries. Once again thank you.

Moderator:

Thank you very much. On behalf of Satin Credit Care Limited, but concludes this conference. Thank you for joining us and you may now disconnect your lines.