



“Satin Creditcare Network Limited
Q2 & H1 FY2021 Earnings Conference Call”

November 17, 2020



**MANAGEMENT: MR. HP SINGH – CHAIRMAN & MANAGING DIRECTOR –
SATIN CREDITCARE NETWORK LIMITED
MR. JUGAL KATARIA – GROUP CONTROLLER – SATIN
CREDITCARE NETWORK LIMITED**



Satin Creditcare Network Limited
November 17, 2020

Moderator: Ladies and gentlemen, good day and welcome to Satin Creditcare Network Limited Q2 and H1 FY2021 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. HP Singh, Chairman and Managing Director of Satin Creditcare Network Limited to give his open remarks. Thank you and over to you Sir!

HP Singh: Thank you. Good morning and thank you for taking your time out and joining us today to discuss our Q2 and H1 FY2021 earnings performance. First of all, I hope you and your near ones are safe and healthy. The fight against COVID-19 has been a long one, but the recent news of the Pfizer’s COVID-19 vaccine of being more than 90% effective gives us strong hope that we will fight this out soon. These have been one of the most challenging and uncertain times for all of us economically as well as mentally.

Q1 FY2021 was majorly a washout for most sectors and companies due to subdued demand on account of COVID-19 and nationwide lockdown thereafter. However, we witnessed progressive recovery playing out across sectors due to COVID-19 related concerns moderating with each passing day. Also lifting up of lockdown restriction in major part parts of the country coupled with festival around the corner makes demand scenario look promising across the sectors. Microfinance being a part of this ecosystem is also expected to benefit from the positive momentum. We saw a significant revival in the sector with lockdown restriction easing out as most of the borrowers are residing in the areas where there was no major impact of the pandemic. Also majority of our borrowers were engaged in classified essentials, sectors of animal husbandry and agriculture and allied activities, so there was no major impact on their incomes. We believe that the company’s performance in Q2 has been decent as many KPI showcased a positive trajectory. We saw significant improvement both in terms of disbursement as well as collection activities. Our disbursements for the quarter stood at Rs.632 Crores as against Rs.54 Crores in Q1 FY2021, which is a big positive. Also our collection efficiency improved from 62% in June to 94% at the end of September 2020. We expect this momentum to continue in the coming quarters. At Satin we have always kept our fundamentals right and our focus on setting up



Satin Creditcare Network Limited
November 17, 2020

right processes and adopting this new normal work changes that have helped us to sail through these difficult times.

For the period gone by, we have undertaken several new initiatives to successfully aid our staff and borrowers when physical movement was restricted. During the first quarter, we had successfully launched a new customer service app to increase digital and financial awareness among customers and to help them connect with brand Satin. Also customers were encouraged to pay their installments through various digital apps like Google Pay, Phone Pay and Paytm. In addition, we have also launched a new product called Pragati loans with the main purpose to rebuild borrower's income generation activities impacted due to COVID-19 and also help them reduce monthly cash outflow on their loans. With such initiative we further endeavour 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 self esteem.

Let me now move on to the financial operational highlights of our company. Our AUM has seen a growth a 6.7%, which stands at Rs.7667 Crores as compared to Rs.7182 Crores a year ago. As on September 30, 2020, we have a base of 31 lakh plus customers, which is one of the highest in the industry. Our disbursements stood at Rs.632 Crores as compared to Rs.1819 Crores in Q2 FY2020. Disbursement growth got impacted on account of nationwide lockdown, which caused halt in operational activity. However, we saw gradual improvement in the disbursement activity and expect coming quarters to be much better. As of September 30, 2020, 100% of our disbursements are made through cashless mode where as our cashless collection stood at about 11%. Net interest income for Q2 FY2021 stood at Rs.185 Crores as against Rs.218 Crores in Q2 FY2020. For Q2 FY2021, our preprovisioning operating profit stood at Rs.80 Crores as compared to Rs.91 Crores in Q2 FY2020 while PAT for Q2 FY2021 stood at Rs.16 Crores as compared to Rs.54 Crores in Q2 FY2020. For the quarter, profits and return ratio is impacted due to higher provisions made on account of COVID-19 pandemic and other external factors. For Q2 FY2021, our cost to income ratio stood at 57% whereas Q2 FY2020, it stood at 58.3%. For Q2 FY2021, our opex to GLP ratio stood at 5.3% whereas for Q2 FY2020, it stood at 7.1%. We constantly endeavour to reduce our cost income ratio as well as opex to GLP in the coming quarters. As of September 30, 2020 ROA, is at 0.8%.

Coming to our collection efficiency, we have seen significant improvements in repayments and collections month on month. The collection efficiency was as follows. April, it was 3%, May 17%, June 62%, July 85%, August 86% and September was 94%. Our on book gross NPAs stood at 2.9% as on September 30, 2020. On account of COVID-19 outbreak, we



Satin Creditcare Network Limited
November 17, 2020

have made adequate provisioning of 3.9% bringing our net NPA to -1% in September 2020. This is substantially better than our NNPA of September 20, 2019 of 1.8%. We endeavour on achieving steady growth without damping our portfolio quality.

On geographic expansion, our total branch network now stands at 1,255 branches, which is one of the highest in the industry. Our strong branch network is spread across 377 districts. In continuation of our digital initiatives, all our branches and customer's houses are geotagged, which has significantly reduced our dependency on loan officers while optimizing the day to day activity. We have a strong business and risk team in place, which follows a very cautious approach in selecting the newer geographies and opening up and closing of branches. Recently we have expanded our geographical presence in Sikkim. This takes our total state and union territory count to 23 now. Our diverse presence across districts, states coupled with well penetrated large network has helped us become a strong pan India microfinance player in the industry. Our scattered presence across districts has also helped us to mitigate portfolio risks to a large extent. As on September 30, 2020, 96.6% of our districts has less than 1% of portfolio. Exposure which we aim to bring it down further in the coming times. We have seen a significant reduction in our portfolio at risks in terms of average exposure per district 0.27% in H1 FY2021 as compared to 0.45% in FY2017. Exposure to top 10 districts is 15% H1 FY2021 versus 0.27% in FY2016. An exposure to top four states continues to be 46.3% H1 FY2021 from 77.3% in FY2017. Further it has been constant effort to bring down AUM per state nearly to 20% to further avoid peril of portfolio default. We continue to be one of the leading micro financiers in terms of customer base well penetrated by basket for progressive 76% rural exposure. Our well thought diversification has helped our sail through testing times and also leverage our idea of cross sell products. Till now, we have been able to disburse close to 1,70,000 plus loans under the product financing category, which includes loans for bicycles, solar products, home appliances, consumer durables and water and sanitation.

On liquidity, our capital base has been strong with CRAR of 32.33% and well above the regulatory requirement. We have a healthy tier one capital comprising of 24.92% of the total capital base. Liquidity has never been a barrier to us, and we have a diversified lender base of 61 active lenders. We maintain healthy balance sheet liquidity with Rs.1962 Crores of surplus fund as on September 30, 2020. We have undrawn sanctions worth Rs.1063 Crores as on September 30, 2020. In addition, we have successfully completed rights issue, which will further help in augmenting the capital raise to meet future capital requirements and funding requirements for growth of the business and operation and general corporate purposes. Our structurally positive ALM also adds to our advantage.



Satin Creditcare Network Limited
November 17, 2020

An update on our subsidiaries, we are looking forward to growing our secured lending portfolio through our subsidiaries thus diversifying risks while achieving a better product mix to achieve next leg of growth. All our subsidiaries have been making good progress. Satin Housing Finance Limited, which mainly caters to customers belonging to middle to low income groups in peripheries of tier 2 and below cities has now reached an AUM of Rs.164 Crores having presence across four states. SHFL has 100% retail book comprising of 85% affordable housing loan and 15% of LAP. Satin Finserv Limited, our MSME arm has reached an AUM of Rs.120 Crores. CRAR as on September 30, 2020 stood at 90.53%, SHFL business aim to focus on secured retail and MSME lending, also lending to small NBFC, MFI and others. Our business correspondence services under Taraashna Financial Services Limited has reached an AUM of Rs.639 Crores. As of September 30, 2020, the company operates in more than seven states through 201 branches. The company has more than 3.5 lakh active loan clients. BC arrangement with IndusInd Bank continues to make rapid strides with AUM reaching Rs.473 Crores as of September 30, 2020. We endeavour to achieve a balance sheet between microfinance and non microfinance loans, we expect one third of our portfolio comprising non MFI loans. Thank you and I open the floor for questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Harish Kumar Gupta from Nirmal Bang Securities. Please go ahead.

Harish Kumar Gupta: Sir I have one question like in this quarter you have provisioned around Rs.49 Crores so like this kind of provision are expected in how many more quarters or we are done for the time being?

HP Singh: See we have a very dynamic situation month on month. The only answer I can give you on a positive note is that on a month to month to basis, our collection efficiencies are going up. Keeping that in mind, I think we probably look at may be the same thing or may be less than what we have already provided for, but I probably cannot give you a very correct answer, but the only thing, which I can leave you with is that we are having a positive collection efficiency as well as disbursements on a month to month basis from the September quarter onwards.

Harish Kumar Gupta: Yes so basically that is why I am surprised that you have given provision more than last quarter whereas your collection efficiency is much better than other microfinance companies? Other micro finance companies' collection efficiency is around 90% and in



Satin Creditcare Network Limited
November 17, 2020

September you were having 94% so why you are not confident on your portfolio and you are providing more than what your peers are doing?

HP Singh: The question is not being confident. I think that is probably not the right statement to make, but the fact of the matter is that we are very conservative as an organization so for us we have always felt that providing more as what was earlier is probably a better thing to do in these kinds of uncertain times.

Harish Kumar Gupta: Okay thank you Sir.

Moderator: Thank you. We have the next question from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.

Siddharth Oberoi: Sir we can see the trend in collection efficiencies very good till September, I wanted to know if the trend is actually continuing post September or was that like an aberration or something?

HP Singh: As I stated earlier so the trend is positive on the September quarter onwards. That is what we are looking at and that is what is actually happening on the field. We believe in terms of both the collections efficiencies as well as disbursements we have a very positive outlook going from September onwards and that trend continues till date you know I can probably say that, but again the point is the fact of the matter is that we are looking at increasing trend and looking at how we are able to be conservative in our whole approach rather than probably being very aggressive in our outlook so that is what we are trying to really look at.

Siddharth Oberoi: So effectively the collection efficiencies are probably getting better probably in October or November or something like that?

HP Singh: Yes so you know as what you rightly said, it is not an aberration that it was just limited to September quarter. The only thing is that it is positive from September quarter onwards also.

Siddharth Oberoi: Okay and also I have another question. Your capital adequacy ratio is very strong? The tier one is also very strong? In terms of lending are you being extra cautious or do you think now from this quarter onwards, you will probably be more aggressive in lending?

HP Singh: So to be very honest, we were only lending to our existing customers earlier during those very uncertain times. We did not take up the point to actually look for new customers, but



Satin Creditcare Network Limited
November 17, 2020

after the quarter of September, we have also now started looking at new clients also, which are now being disbursed by us. So earlier the reason why we were very cautious also because we really did not know how many lockdowns will come. How will the whole thing pan out to be and the way we were looking at in some efficiency levels and the income generating activities probably getting back into the normal shape, so for us the cautious trend was to only disburse to our existing customers. Now from September onwards, we started adding new customers also. So that is also one of the biggest positive, which is happening in the field also.

Siddharth Oberoi: Okay also regarding this provisioning that you have done, you have been like you have probably over provisioned more than what is mandated? May be you are cautious or whatever, so is there a possibility that may be few quarters down the line, there is a write back, you know back to the profits of this NPLs? Is that a possibility?

HP Singh: You know Siddharth traditionally, we are probably the only ones who have huge write backs after write offs also and this has amply been proved after demonetization. So for us demonetization happened in 2016, but even still date, we are still trying to look at write offs and clients who have reached 500 to 600 par so for us that is how our DNA has been there and what you have said probably is and if you look at the longer run, I can say for sure that the way we have handled demonetization and the write back after that we will be able to bring back also whatever has been write offs during this period of the pandemic and we are very confident and very sure. We have got separate teams, which just work on write offs. So we are very sure that in the longer run, yes definitely there will be a lot of write backs. I am emphasizing the word a lot of write backs because that is how we probably played out earlier also.

Siddharth Oberoi: Okay thank you.

Moderator: Thank you. We have the next question from the line of Rohan Advant from Multi-Act. Please go ahead.

Rohan Advant: Sir thanks for the opportunity. Sir if you could give us some state wise color on collection efficiency, which states are lagging and which are leading? The second was this calculation of 94% how is the numerator calculated? Is it all payments received or only payments for the current month and not including the earlier advance EMIs in the numerators and the last question Sir this 94% is it a combination of more customers paying, but some of them paying partly and some of them paying are paying fully and so by customer terms is it higher than 94% if you could give some breakup on that? Thank you.



Satin Creditcare Network Limited
November 17, 2020

HP Singh: So to give you an answer on the first question of as per state. See this is an overall percentage, which we have given you. There will be some states where there will be minor aberration, which will be there, which probably have to be taken into account overall. I can give you for example. Now the festival season was probably on now. Now there is probably around more festival activities in North as compared to may be somewhere else. That is one. We had elections in a few states. So technically we had something happening in Punjab where there were farm bill activity going on across over there. So there will be aberrations. That is the reason why the average overall pan India is 94%. On a state to state basis, we are on top of these states, which are probably lagging behind below the national average and we are looking at them very closely and we have deployed additional resources wherever it is below the national average, but definitely yes there will be some minor differentiations between different states as such and overall it is 94% and that is what is what we are looking at, but the other states which are below national average, we are putting in additional resources and additional staff and additional work force to probably look at how we are able to improve the collection efficiencies. The rest of the two questions, I think Jugal will just give you answer on that.

Jugal Kataria: So the collection efficiency, we have taken the total collection against past dues and the current month due and the denominator is total demand for the money. So this is how we have calculated the collection efficiency.

Rohan Advant: Okay. So if someone has paid for the past or has paid EMIs in advance that will form a part of the numerator right?

Jugal Kataria: Not the future EMIs. The current month or the past months not the future.

Rohan Advant: Okay got it and the last question on past paying customers if you could answer that? Thank you.

Jugal Kataria: So it is the total collection coming in from these customers whether somebody has paid part payment or full payment that we have considered, but we have not considered the future in case somebody has settled the loan or there are some prepayments, etc., that we have not included in the collection.

Rohan Advant: Okay. In your presentation, you said that most of our borrowers have started paying? So I just wanted to know by borrower count what percent of borrowers would be paying and by value terms it is 94%? That is what I meant?



Satin Creditcare Network Limited
November 17, 2020

Jugal Kataria: So we are focusing more on value right now. We are encouraging people to pay on time and those who have the ability to clear their backlog, etc., and most of the customers have started paying, but yes there are some non paying customers which we are following it up.

Rohan Advant: Okay thank you and all the best.

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

Sarvesh Gupta: Good morning Sir and congratulations on a decent set of numbers. So first question is 94% it is excluding the prepayment collections? Is that right?

HP Singh: That is right.

Sarvesh Gupta: So including that what would be the number for September?

Jugal Kataria: You know that has no meaning. We are not tracking that because somebody is coming and settling. They are giving the future payment, etc., taking a new loan because in micro finance you know the customer comes when there are a few installments left out, they settle the previous loan and take the new loan. So that percentage will have no meaning. We do not normally track that because the money has come back. The customer has taken new the new loan, so I think the right way to calculate is that somebody who is paying against the past dues or the current month dues, which is what is due because people have missed during April, May, June and July. This is how we are tracking.

Sarvesh Gupta: This is including the past dues and the current month dues.

Jugal Kataria: That is right.

Sarvesh Gupta: Now how many of your customers have not paid a single EMI till now?

HP Singh: So we would have close to about 10% of our customers who have not paid us a single installment and on a daily basis, we are trying to track them and try to get the installments from them. It is about close to about 10%.

Sarvesh Gupta: And how many would have paid all the EMIs or are basically more or less regular?



Satin Creditcare Network Limited
November 17, 2020

HP Singh: I think we do not have that figure handy at the moment, but what we are tracking on a daily basis is the non paying customers. So we are tracking them on a daily basis and trying to get the installments from them. So that is what we are following.

Aditi Singh: So basically anyway till September we had a moratorium till the end of August and September when we have seen like around 90% plus people are paying around 94% of collections. So that actually answers your question.

Sarvesh Gupta: And what is this number for October and now? I think even for your November month the cycle would be over so what is the equivalent number of 94% for October and November?

HP Singh: We do not have a very clear cut number, but because there is a festival advance, which also comes in during October, but overall what we have been able to identify till now is that yes there is an improvement from the September month also. That is the only thing, which I can probably tell you.

Sarvesh Gupta: Now Sir at the end of the moratorium you would have restructured the EMIs for all the customers who have not paid may be till the end of this financial year? So what is the total excess collection that you require to make because of this and against that what is the total provisions that you have taken?

Jugal Kataria: This to my mind has no meaning with due respect because we have offered moratorium to all the people. Now keeping track of that somebody who has paid it for an April, May, June and July probably has no meaning. What we have done is that the customers who were genuinely impacted because of COVID-19, etc., they have not paid till August 31, 2020. In line with what the industry in general has done is we have offered moratorium on that and now we are keeping track is that after moratorium what is due and whether the customers are paying or not. Somebody who has missed it in June there is no point going and asking him to make that payment. So this is how we are tracking because that probably will confuse our own team and to the customer.

Sarvesh Gupta: No problem. Now with this 10% of the customers who have not paid at all so what if you can give some subjective color what is happening on this book because we see there is a still sticky sort? What we realized that these customers sometimes because sticky in terms of not paying? So this 10% what are you hearing? What is your strategy here and what have you been seeing currently on this portion of the book?



Satin Creditcare Network Limited
November 17, 2020

HP Singh: So I think for that what I can probably tell you, you have to understand microfinance dynamics in a far more detailed manner. What happens during this pandemic and this is what we are seeing now? What you see as par 30 and par 60 and par 90, which was earlier pre COVID levels are not the same anymore. So anybody technically who has not paid you for about 60 days still pays you, which never used to happen before the pandemic open. So that is where the difference is. At the starting we had higher number in terms of our non paying customers, but in the last probably a month or so and we are now in the festival season so I will not take that into account, but yes that number has also started dropping down basically over there and so our sense is that we are looking at these customers who have not paid us. We are following it up from them and it will be only a question of time before they also start paying us, so you have to look at the stickiness and the portfolio quality is not related to what this pandemic brings because this is an extremely a different kind of volatile situation. This is a very uncertain situation and what you look at par portfolio at risk. Previous to this, it is different from the portfolio at risk, which you find it now. I hope that answers your question.

Sarvesh Gupta: Yes Sir and finally one more data point if I may. Sir what is the total COVID-19 provisions that you have taken as of now as a percentage of your AUM?

Jugal Kataria: We have made a total provision of 3.9% against a gross NPA of 2.9%. So there is an overall 1% provision in excess of our gross NPA number. If you see slide 26 in our presentation that gives a trend in terms of how the provision coverage ratio has gone up or the par numbers have moved.

Sarvesh Gupta: So total 3.9% COVID provisions you have made?

Jugal Kataria: This is the total provision. There is no specific provision for COVID. We have taken a conservative approach in terms of how we have increased our provision coverage ratio, which used to be around 77% odd in March 2019 and slowly we have increased it quarter-on-quarter. In March 2020, it was about 103% and now as of today we are standing at about 134%. So because of that overall situation we feel that this is a provision required on the overall book right now.

Sarvesh Gupta: Okay Sir thank you Sir and I will join back in the queue.

Moderator: Thank you. We have the next question from the line of Harish Kumar Gupta from Nirmal Bang Securities. Please go ahead.



Satin Creditcare Network Limited
November 17, 2020

- Harish Kumar Gupta:** Sir can you please tell me like what is the cost of funding right now?
- Jugal Kataria:** The cost of funding is consistent around 11% the marginal cost of borrowing. We have seen some reduction in cost there, but the overall cost of funding is at around 11%.
- Harish Kumar Gupta:** So basically, if COVID situation improves from hereon can we expect normal growth of 40% next financial year?
- HP Singh:** See giving a percentage is probably not the right way to really look at it, but yes definitely as I mentioned earlier in one of questions was that yes, we have started adding new customers also from this month onwards and it is a positive. Besides that, our existing customers who are due for their next loan of disbursement, but yes definitely there will be a growth. What percentage we cannot guess right now, but yes there will be growth definitely in the next year including this quarter. I think we are seeing a lot of traction happening during this quarter in terms of disbursement. So including this quarter, I think we are looking at a big positive in terms of our disbursements.
- Harish Kumar Gupta:** Okay and like somewhere I saw that our yield is around 17% so is my understanding right, it will be around 17% to 18% overall?
- Jugal Kataria:** We have 10% margin overall in the business, so we are maintaining that. The yield percentages are saying not sort of right reflection now because in the past we have done some direct assignments tractions and recently it is comparatively less, etc., but RBI prescribes a 10% margin in microfinance. We are maintaining that.
- Harish Kumar Gupta:** Okay thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Agastya Dave from CAO Capital. Please go ahead.
- Agastya Dave:** I hope everyone is fine at your end and one question I had. I am getting stuck on this 10% number where your borrowers have not repaid? That is a value or volume of customers?
- HP Singh:** This is the number of customers.
- Agastya Dave:** So if I look at your gross NPA stood at 2.9% and it amounts to Rs.133 Crores I believe? So would what you say if the worst case scenario plays out? What would be your gross NPAs and then as of now as things stand now, what your visibility is what would be your realistic peak of gross NPAs?



Satin Creditcare Network Limited
November 17, 2020

HP Singh: See again what I said we are concentrating, if you look the pockets of our 10% non paying customers, this sort of diminishes on a daily basis because these are being worked upon and we are getting installments from them on a daily basis. Now looking at this bucket and if you really talk about, the outer guess is somebody will say okay fine this 10%, I will pay, but that is not how the case is. People have started paying. In fact, the 10% I can probably may be a hypothetical guess that this will probably be less than 10% if I look at the November end month as such. So on the overall, I think the industry says it is about close to about, I can hazard a guess between 3% to 5% is that is what the industry says. I am not hazarding a guess because that is probably is not the right reflection of how things are done. Putting things in perspective again for us as I stated earlier is my remarks to a question also was that we have had traditionally a long a history of write backs, so that gives us comfort that we have got a specialized team, which only works on write backs from the write offs and in case we have hypothetically this also numbers probably, which is may be slightly higher that what it should be as compared to what the pandemic really brings on, but having a 10% non paying customer who are also paying on a regular basis. Now once we start engaging with them will also give us probably that kind of a ratio where we can say that the rate also remains in toto for a long term close to about 3% to 5%, but I can only hazard a guess. If we are able to get these down to may be single digits and very low single digits then probably I think the credit cost would also remain between the range of 3% to 5%.

Agastya Dave: 3% to 5% and so just a clarification here, the 10% number as you said was the number of people, but this 3% to 5% number again are you talking the comparable number, which is like 3% to 5% number of people or 3% to 5% of the loan book?

HP Singh: I am comparing apple to apple.

Agastya Dave: Right and Sir can you give on what this number is as a percentage of loan book?

HP Singh: This number is 10%. We have got about 30 lakh customers. So you can take a 10% of that. It is close about 3 lakh customers.

Agastya Dave: But the value would be like propionate business like on a pro rata data basis you can take let us say, this could be 10% of the portfolio as well or is it like smaller ticket items and hence it could be let us say instead of 10% of AUM, it is close to like 5% to 6% of AUM?

HP Singh: So the volume also will be closer to that range I am trying to tell you. There will be a lot of customers who would have may be just a few installments left. Some would probably have



Satin Creditcare Network Limited
November 17, 2020

would be in the middle of their loan, but average I think you can probably say may be same amount of practically the same percentage of value what it is.

Agastya Dave:

Got it Sir. Thanks for that Sir. Thanks for clarification. Sir one final thing as things stand now right are we 100% certain that we will not see a demon like situation where our NPA spiked up to like 15% to 17%? Have we avoided that as of now and the second question related to that is why has this panned out relatively better in terms of asset quality for the industry as such compared to demon? Why have not things gone for a toss or are we looking at this picture probably a bit sooner than we should because the moratorium was till August and we will see the NPA now? So any comment on that Sir? Sit that would be very helpful and thank you very much Sir?

HP Singh:

Agastya I can just give you may be some generalized comment because we have seen demon probably to the worst extent as an organization. I can only probably say that yes I think you should be happy that it is probably not the way it was worse what was in demon and I can probably go back into my memory and probably tell you we were 70% impacted in demonetization as compared to 20% to 25% of all our peers. Having said that probably everybody is to be very honest jumping on to the numbers right now. I think you know what you have to probably give it some time because you finally see. A simple example for you that this 10% customer of ours was probably when we started in September mid when we really came into being as such. This probably was 14%. It has come down to about 10%. So that is how things will start improving, but if you really look at it the initial hitches will be there. I think that will be there for some time before you finally things settle down because things have started coming back into shape. The meeting has started happening. The boys are now on the ground. They are meeting clients. There could be also clients who have not had possibly income generating activities being hurt to a certain extent and then coming back to normalcy. These things will not happen in probably you know in a quarter or may be a couple of quarter. There will be slight growth, which will be there, but I think the overall positive sense, which we also look at is that it is not that worse, which you rightly said as what demon was. So we have got a lot of hope in that and we are looking at the positive things, which are coming in and that are what we are all looking forwards and for us 10% is probably to be very honest if I give you that if we really work hard towards it and we have got teams, which are working on it. Probably this 10% number will also vanish.

Agastya Dave:

Right Sir. One final question, which I forget Sir. If you get all the money of the right issue what would be the capital adequacy that is my final question Sir thank you?



Satin Creditcare Network Limited
November 17, 2020

- Agastya Dave:** I am rightly getting stuck there that is why I asked. Its okay Sir. I will contact the IR later. Thank you very much.
- HP Singh:** It is more of Rs.1500 Crores tier 1 and tier 2. We add another 122 basically so it will be it will add another 10% to it close to about 10%.
- Agastya Dave:** Around 35% then?
- HP Singh:** Yes, sort of.
- Agastya Dave:** Thank you very much Sir. Best of luck.
- Moderator:** Thank you. We have the next question from the line of Dhwanit Swala from DN Trading Company. Please go ahead.
- Dhwanit Swala:** My first question is I wanted to know what is rate at which we are getting funded and it does not make sense for us to refinance if the interest rates overall as well? I know that I am interested on net margin is fixed at 10% above our borrowing rate so does that idea actually make sense for us and secondly I wanted to know in terms of loan book since we have not had any...
- HP Singh:** Your voice is not very clear. Is your first question about the cost of funding?
- Dhwanit Swala:** Yes, so my first question is on cost of funding and whether it makes sense for us to refinance knowing that we have a fixed margin above our cost of funding and the second question is with regards to the fresh loan growth? Since we have not had any fresh disbursements up till this quarter going froward what kind of growth are we expecting in new customer acquisitions?
- Jugal Kataria:** So you know cost of fund as I said that our cost of funding is around 11% and it is broadly stable. It should have gone down a little bit, but since we have 10% margin, so we are broadly borrowing money at this rate. As far as refinance facility is concerned it is dependent on the lenders preference whether they want to do an assignment do a securitization or want to give on book funding, etc., and we take a call depending upon our overall funding position at that point in time.
- Dhwanit Swala:** Sir sorry to interrupt Sir that is why question is that is refinancing actually going to make a material impact for us because since our lending rate, the rate at which we are giving out the loans is actually just a margin above the funding rate right?



Satin Creditcare Network Limited
November 17, 2020

- Jugal Kataria:** In refinance we get slightly better margins. So from that perspective in case we get the opportunity depending upon the overall funding needs, etc., we take those calls. The margins are slightly better, which is a capital benefit. The margins are slightly better than the on book borrowings and in terms of growth as we said on the call earlier that improvement of our Q2 disbursement was much better than the first one and the Q3 is going to be much better than the Q2 in terms of disbursements so things are improving and we will take the call as we move along, but disbursement surely are picking up.
- Dhwanit Swala:** I know you have said that you cannot give an exact percentage, but at least can you give an implication as to can we reach the level of growth, which we reached in FY2019 to FY2020 in FY2020 to FY2021?
- Jugal Kataria:** I think you should appreciate that as on today things are improving for sure, but there are little bit of uncertainty on the overall economy and we are focusing more on portfolio quality right now and of course focusing on disbursement, etc., but given a choice we want to create a quality book right now rather than focusing too much on AUM growth, but disbursements are picking up and we will take a call as we move along how these things will pan out. The numbers are still increasing in some geographies so we are taking those calls seeing the situation in specific geographies and disbursing.
- Dhwanit Swala:** Thank you Sir and all the best for the next quarters.
- Moderator:** Thank you. We have the last question from the line of Rajiv Mehta from Yes Securities. Please go ahead.
- Rajiv Mehta:** Good morning everyone. Sir if you can help me with collection efficiency in West Bengal and Assam and the context is that I see the proposition of these two states increasing in the overall portfolio while I have seen the overall portfolio also declining, but these two states have gained share and if you can help me with the collection efficiency in these two states?
- HP Singh:** West Bengal and?
- Rajiv Mehta:** And Assam?
- HP Singh:** Assam, I do not think so that there is an increase in the share. In fact, if you look at the AUM, that AUM has gone down. So if you look at the percent of share definitely then yes it will be more because the AUM has gone down. I can give you just may be a small example on terms of this, yes West Bengal the collection deficiency was probably hurt because of



Satin Creditcare Network Limited
November 17, 2020

the local trains to Kolkata not being running. Now since the last one week, the local trains have started running. The collection efficiency, which was previous to the not running of the trains, is much better in the last week once these trains have started running. Now by giving you this example I can tell you that whatever if you look at in terms of states efficiencies and collection efficiencies not probably the right way, there would be some reasoning or the other, which is there as I gave you the example of West Bengal where we are working where the local trains were not running. That will probably be there. Similarly, Assam because of the ensuing elections, which is going to happen sometime in April or May next year, there will be yes definitely somewhere where there would be aberration in terms of lower collection efficiency, but we are looking at it very deeply. Different states will be looked at by more respectively and compared to the other states where we have had normal collection efficiencies over the national average. So we are on it basically. That is what I can tell you.

Rajiv Mehta: One question for Jugal. I can see a direct assignment income of Rs.44 Crores in this quarter so what was the underlying transaction because the portfolio assigned has actually come down by 15% on sequential basis?

Jugal Kataria: So there are two reasons for that one of course we have done a securitization transaction of about Rs.100 Crores during this quarter. The other thing is that the tenure of the exiting DA book has also gone up so there is some additional income because of that. So it is a combination of both.

HP Singh: And the overall total assignment book has started going down because for us I see monthly it is diminishing so the overall book for the year will also be now going down.

Rajiv Mehta: Correct and Sir just the last question on the liquidity availability because now as you said things are improving? Disbursement has picked up in the Q2 and possibly month on month you would want to grow your disbursements in your portfolio, but can liquidity be a constraint for us in terms of growth because while we have liquidity on the balance sheet, but we have been maintaining those levels since a long time so what about incremental liquidity availability to the extent that you want to grow?

HP Singh: See Rajiv to be very honest liquidity in terms of the pool of lenders we have got, in terms of the products which we have got in the DA, securitization, IndusInd and all that put together we feel that we technically do not have any challenge in the liquidity even in the coming months. So even if our portfolio starts growing and we come back to the growth phase, which we would surely very soon, I think liquidity will not be a bigger challenge. We have



Satin Creditcare Network Limited
November 17, 2020

got more lenders whom we have been able to raise. I think we have been able to raise ECBs as well as in cities from foreign investors also in the past few months. So I think for us that is absolutely no challenge.

HP Singh: Okay thank you and best of luck Sir.

Moderator: Thank you very much Sir. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Ms. Aditi Singh, Head Investor Relations and Corporate Communications for their closing comments. Over to you madam.

Aditi Singh: Hi. Good morning everyone. I take this opportunity to thank everyone for joining this call. I hope we have been able to address all your queries and still if you want to discuss anything else you can always get in touch with me. You can always get in touch with our IR advisors as well who are Strategic Growth Advisors. Thank you all and wishing everyone a very Happy Diwali and a Prosperous New Year. Stay healthy. Stay safe. Thank you.

Moderator: Thank you very much madam. Ladies and gentlemen, on behalf Satin Creditcare Network Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.