



# “Satin Creditcare Network Limited Q1 FY23 Earnings Conference Call”

**August 04, 2022**



Management: Mr. HP Singh – Chairman cum Managing Director  
Mr. Jugal Kataria – Group Controller  
Ms. Aditi Singh – Head Strategy



*Satin Creditcare Network Limited  
August 04, 2022*

**Moderator:** Good morning, Ladies and Gentlemen. Welcome to the Satin Creditcare Network Limited Q1 FY23 Earnings Conference Call. 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 ‘\*’ and 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 cum Managing Director of Satin Creditcare Network Limited. Thank you and over to you, Sir.

**H P Singh:** Thank you. Good morning everyone. And thank you all for taking the time to join us and discuss our financial performance in Q1 FY23. I hope you and your family are safe and keeping healthy. I am hoping you have already seen our quarterly Results and Investor Presentation. Those who have not seen them can do so via our website and stock exchange notices.

The microfinance sector in India has diverse a turbulent journey; however, we are pleased to inform you all that the company have witnessed a turnaround and we are confident that the difficult times are behind us as evident in the performance of the quarter under review. Further, we are confident of having a very good year in terms of growth and profitability.

Now let me start with the key developments that took place during the quarter:

As a progressive institution, we have proactively envisaged strategies time-to-time and have demonstrated resilience in the challenging environment. Optimizing our business acumen post demonetization in 2016, we strategized to diversify out of unsecured MFI portfolio to secured product offerings through rolling out our subsidiaries. The strategy to diversify portfolio yielded results for the company and the subsidiaries have taken great shape over the years.

In order to better reflect the embedded value of the investments these three wholly owned subsidiaries, we have revalued our investment in the subsidiaries through our profit and loss and recorded an increase in fair value of Rs. 351 crore in the standalone financial results. During COVID-19 pandemic many of our clients and their family members lost their lives while countless lost their livelihoods. This couple with lockdown affected the marginalized sector and in turn repayments. As a measure to provide relief to the impacted clients, the company restructured 21.4% of the loans amounting to Rs. 1,151 crores and provided moratorium wherever was necessary.

Restructured book is reduced to 11.6% of on book AUM as on Q1 FY23 amounting to Rs. 584 crores with an ECL provision of Rs. 295 crores and collection efficiency of 72.1%. The company monitored the performance of this portfolio and realized that certain set of clients are still economically unstable and hence are unable to repay their loans. Therefore, the company decided to write off loans amounting to Rs. 275 crores which is 5.4% of the on book AUM during the quarter under review. Post write off the GNPA of the company has reduced to 4.3%



*Satin Creditcare Network Limited  
August 04, 2022*

as on June 22 as compared to 8% as on March 22. Despite this write off our gross AUM remain on similar levels as of March 22 at Rs. 6,389 crores on a standalone basis and Rs. 7,569 crores on a consolidated basis.

Furthermore, we have created sufficient provisions to address any contingency in our portfolio, maintained on book provision of Rs. 398 crores as on 30<sup>th</sup> June 2022 which is 7.9% of our on book AUM. The profit and loss account of the company now stands insulated from any additional stress that may come in. The profits for the quarter stood at Rs. 60 crore. Additionally, the company is well capitalized with a healthy CRAR of 22.6%. The company has maintained sufficient liquidity of Rs. 1,017 crores as on 30<sup>th</sup> June 2022 and has undrawn sanctions worth Rs. 350 crores as of quarter end.

However, as per the consolidation procedure set out in India, the increase in profit due to the fair valuation and investment in subsidiaries of Rs. 351 crores has been eliminated in the consolidated financial results. Due to this the consolidated results has net loss as per the accounting standards. The fair value has been determined on the basis of independent valuation report obtained from category one merchant banker. Also, we are related to share that all the group companies have reported profit during Quarter 1 of this financial year.

During the quarter under review with our conviction of being determined, definitive and decisive supported by our robust in house technology we were able to adapt the new RBI Regulation swiftly into our systems and started disbursing from April 2nd onwards under the new regulations.

As a responsible organization we are guided by our long-standing resolve of reaching the underserved sections of the society, cater to their needs and economically uplift them and going ahead the organization aims to ensure a healthy growth with the risk adjusted cornerstone and we as one of the industry's leading player are expected to regain our growth trajectory and advance strongly.

Now let me run you through the financial and operational highlights of our company:

Starting with the consolidated operational highlights, our AUM as on 30th June 2022 stood at 7,569 crore, we have a customer base of more than 27 lakh as of 30th June 2022. Our disbursement for the quarter stood at 1,709 crore as compared to Rs. 282 crore in Quarter 1 FY22, our assigned portfolio stood at 1,304 crores. We are seeing disbursement activity to pick up and we had one of the best first quarters in the last few years in terms of business. As of 30th June, 2022, 100% of our disbursements are made through cashless mode while cashless collections stood at about 6%. We have also adopted website payment option and UPI auto debit.

Now on the standalone operational highlights:



*Satin Creditcare Network Limited  
August 04, 2022*

Our standalone disbursement for the quarter stood at Rs. 1,554 crores as compared to Rs. 222 crores in Quarter 1 FY22. With disbursement back on track, we expect growth to come in the coming quarters. Our average ticket size of MFI lending for the quarter stood at Rs. 41,000. We have made adequate provisions of 398 crores including 295 crore assigned to the restructured portfolio. Our collection efficiency for the quarter stood at 97.3% excluding the restructured portfolio. The collection efficiency on restructured portfolio for Q1 FY23 stood at 72.1%. Collection efficiency for July 22 stood at 98.5% excluding restructured portfolio showing all the signs of improvement. We have a well-diversified customer base, a well-penetrated branch network across states and 76% rural exposure.

On book GNPA reduced from 8% as on Q4 FY22 to 4.3% as on Q1 FY23 from 412 crore to 217 crore out of this 105 crore pertains to Assam. New PAR addition of loan disbursed from July 21 onwards was 0.6%; representing 70% of our own book AUM as of July'22 which is very encouraging.

Geographical expansion:

As of 30th June 2022, our total branch network stood at 1,224 branches which is spread across 397 districts. We have a total state and UTs count of 23 which make us a well-diversified Pan India microfinance player.

As of 30th June 2022, 96.5% of our districts have less than 1% of portfolio exposure. Exposure to the top four states contributes 53.6% in Q1 FY23 as 77.3% in FY17.

Our well thought of diversification strategy has enabled us to sail through difficult situations and capitalized on our idea of enriching our client's lives through financing of various products which includes loans for bicycle, solar products, home appliances, consumer durables and water and sanitation.

An update on subsidiaries:

Satin Housing Finance Limited has now reached an AUM of 331 crores including DA of 27 crores having a presence across four states with 3,810 customers.

SHFL has a 100% retail book comprising 66% affordable housing loans and 34% of LAP. The company has 16 active lenders including NHB refinance, CRAR of 54.7% and gearing of 2.2x total equity stands at Rs. 101.6 crores, the quality of portfolio remains intact with GNPA of 0.09% as on June 22.



*Satin Creditcare Network Limited  
August 04, 2022*

Satin Finserv Limited our MSME arm have reached an AUM of 176 crore with three consecutive profitable years. Business correspondence services under Taraashna Financial Services Limited have reached an AUM of 674 crore as of 30th June 2022.

The company operates to 165 branches and has more than 3.4 lakh active loan clients and to update you on amalgamation of the two wholly owned subsidiaries Taraashna Financial Services Limited and Satin Finserv Limited the order against the first motion application was pronounced on hearing dated May 17, 2022, by the honorable NCLT. Further, both the companies have filed joint second motion application with honorable NCLT on May 25, 2022. The said joint second motion application was admitted by honorable NCLT in its hearing dated July 8, 2022, and issue necessary directions of serving notices and newspaper advertisement which are under process.

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

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Varun Ghia from Dimensional Securities. Please go ahead.

**Varun Ghia:** I wanted to know I have two questions one is if you could tell us about the slippages this quarter and secondly if there were any interest reversals?

**Jugal Kataria:** So, on the slippages as we mentioned that the new portfolio that we have created which is representing 70% of the portfolio that we have created from July 21 onwards which has run on one year kind of a tenure there the PAR-1 is about 0.6%. So, we are confident that the new portfolio is behaving well and there is no concern whatever was the issues with regard to the old portfolio on restructured book that has already being taken care of in the results. So, there are no major concern on the fresh slippages.

**Varun Ghia:** What is the amount of slippages this quarter?

**Jugal Kataria:** As I said that our gross NPA has come down from 8% to 4.3% so they are known either.

**HP Singh:** So, they are no fresh slippages and if I can give you 0.6% which is at par which is PAR-1 technically there is no GNPA technically from whatever we disburse since the last one year. So, if you can counter that you can probably look at that.

**Varun Ghia:** And interest reversal?

**Jugal Kataria:** So, we are doing it in line with the IndAS so wherever we are writing it off so to that extent interest has also been reversed.



*Satin Creditcare Network Limited  
August 04, 2022*

**Moderator:** Thank you. The next question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.

**Abhishek Agarwal:** Sir my question pertaining to cost to income ratio when we look at cost-to-income ratio our cost is quite high compared to other industry players in our same industry, so how we are looking to bring it down because if you have specifically take our employee cost is quite high compared to other players with the same AUM size, so in the future how we are planning to reduce it and secondly on the provisioning side also because with this kind of cost how our business will be profitable in the future this is the first question?

**HP Singh:** So, let me give you an answer to that. So, two things which you have to bear it in mind. One because of the write off and all our denominator has probably been flattened even for this quarter a so that is the reason why when you look at it the cost-to-income ratio probably is slightly higher as compared to what it was so that is point number one. The second is because of the COVID pandemic and whatever was recovery has been done we had to deploy additional resources now technically who were looking at getting money back from the PAR clients as well as from the write off clients as well as from the other clients. So, that is probably also one of the reasons, now with write-off happening across too a large level and we are just left with now a portfolio which is technically very clean and there is collection efficiency as we mentioned earlier in our previous statement which is close to about 99.4%. I think for us now this will start coming down and if you really look at it because of the latest guidelines of risk-based pricing, technically the profitability which never used to arise earlier maybe to a lower extent because of the margin gap been there I think that has been freed of so that will also look at in a positive way of enhancing our profitability in the future as well as in this quarter.

**Abhishek Agarwal:** Can you particularly guide about your employee cost as you said that one time kind of because of COVID employee cost has increased, so at the AUM percentage what percentage we can take as an employee cost?

**HP Singh:** So, I do not have reference on the employee cost whatever it is, but I think if we only look at numbers how we can probably bring it down. My own sense is I think out of the total OPEX of close to about whatever it is about 7% I think 70% is the employee cost and that is what the entire industry probably works on and it will probably be the same for us also.

**Abhishek Agarwal:** And second question like in the next four to five years what the AUM size we are targeting because we have already have Pan India presence right now which were earlier five to six years back we have mainly cater UP and Bihar, but now we have the Pan India presence, so how are we looking to shape up our AUM size in next five years?

**HP Singh:** So, what we are looking at is about a 25% growth year-on-year for the next five years that is what our benchmark is and that is what we will achieve and going forward because of the Pan



*Satin Creditcare Network Limited  
August 04, 2022*

India presence and all these things which have put together I think for us achieving 25% is not counting in full term capacity so that is what we are doing including the subsidiaries.

**Abhishek Agarwal:** My last question we have allotted some equity to some of new PE fund, so are they are only financing business or they will take some board seat or how it is?

**HP Singh:** So, that is something which is probably not there so right now there is not there in public domain so right now there is no board seat allocated technically. The warrants have to get converted and I think when they come in I think we will see.

**Abhishek Agarwal:** In future it will be possible that they will take some?

**HP Singh:** I cannot comment on that right now.

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

**Rajiv Mehta:** So, sir few questions from my side firstly if you can share the PAR-0 number because you have done good amount of write-off in this quarter and we know the reduction in gross NPL, but overall PAR-0 how should we look at the movement between two quarters and have you seen any reduction in the intermittent buckets because of better collections you can just give that flavor?

**Aditi Singh:** Rajiv, the PAR-1 for last quarter was 9.54% in this quarter and in this quarter is 9.2%. It has slightly reduced and the PAR-30 is around 7%.

**Rajiv Mehta:** And sir this when I look at our disbursement in the first quarter we have done really well in terms of disbursing significant amount of volumes and we have this implementation also of the new guidelines kicking in from first of April, so I mean was it not leading to any significant changes for us in the systems and we were able to kind of navigate that more smoothly as compared to others because when I reflect on other players disbursement activity in the first half they would have done much lesser disbursement or their momentum would have slowed down significantly, but for us that is largely continuing?

**HP Singh:** Rajiv frankly I will not be able to comment on the other players of ours, but we were very upfront the moment the guidelines had hit in. Our process policy team as well as the IT team were at certain motion and we have fixed up our target that we will not lose business technically because of this and thankfully so that we were able to disburse within a couple of days the moment this became there in our LMS. So, I think we have always taken and as we have said earlier we have got a very strong process as well as our technology team. I would like to give it to our teams basically to have done it in probably the shortest period of time.



*Satin Creditcare Network Limited  
August 04, 2022*

**Rajiv Mehta:** And sir any changes in rejection rate because I do not see because since the disbursement rate has continued so there was no major change in the rejection rate after the process change and before the process change?

**HP Singh:** The rejection rates have inched up, they have increased by about 5% to 7% they are higher now, but we are sourcing more in terms to have maybe the 25% growth which you are talking about for this year and that is on track for us.

**Rajiv Mehta:** And sir pricing related changes so whatever price increase we would have taken just to recollect we would have taken over 1.5%, 2% price increase and would that be firmly applied to all geographies and all customers or there is some differentiation?

**HP Singh:** No, there is no differentiation the same is applied to all the geographies basically that came in from April onwards.

**Rajiv Mehta:** And what was the increase in price that we took?

**HP Singh:** Up to 2%.

**Rajiv Mehta:** And sir with regards to so we have a restructured accounts of 580 crore and then we also have NPL of 220 crores, 217 odd crore. I am sure there will be an overlap here also because a lot of restructured would have flown to NPL buckets in the recent months because of non-payment, so what is that overlapping pool?

**HP Singh:** Technically what we are tracking which is probably the stressed assets which is the restructured pool of 584. We are working on that and as we mentioned earlier this 72% collection efficiency is still there though we over provided basically looking at not to be very frank we wanted to build up our and we wanted to insulate our P&L basically that is the reason why we showed up our provisioning to a large extent to really look up. So, our sense is once this pool because this got restructured last September, so by this September we will probably have a year ahead we could have probably also not been able to really look at it from that angle. So, the moment one year passes by September we will have a fair idea and that is the reason why we were able to built up that provision and insulate our P&L. So, that is where it is as thing stands. Rest of the other things are probably going as normal as I told you the new asset class is absolutely fine with probably no GNPA coming in. So, our sense is our aim is over, we have adequately provided as an institution we brought GNPA is down, we are profitable. So, I think whatever we possibly could do we have done it in this quarter.

**Rajiv Mehta:** So, you mean that if the current collection efficiency holds up then we may not require more provisions in the coming quarters?





*Satin Creditcare Network Limited  
August 04, 2022*

**HP Singh:** You are right we probably would be able to release provision and in fact not build in more provisions. So, that is the positive which we have been trying to let people understand.

**Rajiv Mehta:** And that would be because a lot of a bulk of the customer pool in restructured asset and even right now in NPL after write off must be paying because we used to typically give that breakup between paying and not paying?

**HP Singh:** We have taken a flat about 73%, 75% are paying and let us say about 25% would be irregular in paying. I am not saying that they are not paying they would be irregular in paying. So, they probably would remain in NPA for some point of time and after a certain time may also probably be come down to PAR-0 once their demand and everything finish off.

**Jugal Kataria:** One more thing 50% of the gross NPA are from Assam and as on today there is probability that money will come from government slightly early or slightly late. So, that is also to be kept in mind..

**HP Singh:** If you really look at the complete picture as such including 2% of Assam which is there, which we hope that the signs are that the money will come from the state government. Technically, we do not have practically we have huge provision now which is about 180% of our on book whatever the NPL are. So, if you really look at it is all positive down from here which has been captured in the results for this quarter.

**Rajiv Mehta:** Sir I have few more questions I mean if there is a queue I will come back or else I can continue if you permit. So, on this Assam situation I know it is a very small part of our portfolio, but so in the last couple of weeks have you seen any major improvement in collections in Assam and when do you think can it fully normalize?

**HP Singh:** Just to give you an update so whatever we have disbursed again in Assam we have started disbursing about 6 months back. So, that portfolio is behaving absolutely fine. What has happened is for people who were under stress because of the government whatever the Assam thing has been going on, there has been improvement though it has been slight. I do not have benchmark numbers as such, but it was of the 5% to 10% increase in the collection efficiency even for the Assam portfolio also over there. So, that probably goes on. We are just waiting for once whatever has been decided by the state government and everything that start is releasing I think then we will have some windfall also coming in.

**Rajiv Mehta:** More specifically I was wanting more color in the recent weeks because we had major floods in May end and June. So, July was a stabilization month so maybe towards the second half of July have you seen any improvement?



*Satin Creditcare Network Limited  
August 04, 2022*

**HP Singh:** There has been no disruption in terms of flood. So, that is very key there has been no disruptions because of floods in Assam.

**Rajiv Mehta:** And sir in terms of liquidity now that we had to kind of address the stress in the book and we took upfront provisions and which led to a loss. So, first quarter we started off with a meaningful loss in the book, would it kind of impact liquidity availability for growth. So, while we would want to grow at 20%, 25%, but with this loss do you anticipate some kind of moderation of liquidity availability or otherwise I think the division was taken into confidence the lenders and the liquidity should then come through.

**HP Singh:** So, Rajiv when you talk of loss which loss are you talking about the consol loss?

**Rajiv Mehta:** Yes consol.

**HP Singh:** So, consol has no bearing. So, let me give you a perspective I think Jugal will give you a very clean perspective about that I think people have really not been able to understand because you are also mentioning a loss there is no loss as such even if we take out the unrealized gains through the fair value of the investment. So, let Jugal clarify this to you with numbers.

**Jugal Kataria.** Rajiv there are two things that I think everybody should understand one that the valuation gain that we have booked is not theoretical it is actual valuation gains. We have been investing into these businesses for last three, four years slowly we have invested that money and then we have not specifically raised money to invest into subsidiary. So, that money has gone out of our borrowed funds/equity and the approximate cost of fund that we have invested into subsidiary over a period of time is close to 100 crore on cost and in case we take it on lending basis it is almost double. So, almost 100 crores on cost and 200 crore on revenue side has impacted our P&L for the last three, four years which is purely accounting. On the other side we have actually created value in those businesses. So, to that extent the value that we have created we have accounted for that to show the real picture as to what the actual financials are. So, if we are talking about standalone financials there is a 70 crore PBT, 69 crore PBT and 60 crore of PAT which is not theoretical and on a consol basis also that value has been created though because of the accounting standard we cannot reflect it there so that is the one point that you should be convinced that this is the actual profit which is being accounted technically what we stand for and financials and on the other side in case we eliminate both the credit cost and the valuation gain we are still operational into profit close to about 45 odd crore or operational profit is there in case we eliminate both the valuation gain and this 5 odd percent of loss. So, there is no loss as such, value that we have created we have brought in on to record to show a right picture.

**Rajiv Mehta:** So, Jugal how frequently we will keep on revaluing the investments in subsidiaries so this also was the first time we did to reflect the fair value of our investment, so would this be a annual



phenomena or so how do we go about taking incremental up or down in the value in the P&L going forward?

**Jugal Kataria:** So, we are still in the process of discussing it with the auditor as per standard it has to be done on every reporting date, but we are still in the process of finalizing that unless there is a meaningful up or down should we do it at every reporting date once a year and on we will have more clarity by the end of next quarter.

**Rajiv Mehta:** And I think sir spoke about 30%, 35% growth so sir even in this year are we looking at 25%, 30% growth FY23 and if it that comes through would we require capital by the end of the year?

**HP Singh:** I do not think so we are profitable technically or the other thing which we will probably do is the warrants have to get executed. So, if required we would probably prepone our warrant one is because the end date is sometime in July 23, but if require for growth I think we will prepone the warrants before that. So, technically we do not require any further capital demand.

**Rajiv Mehta:** And sir just last question about ROA in FY24 because I believe that the true franchise efficiencies will reflect in FY24 when the credit cost will normalize and when also our spare operating capacity will come into play because the growth coming the cost will not increase along with that, so in FY24 what should be ROA number that one can expect on a reasonable basis?

**HP Singh:** It is all positive the way I think if somebody reads the results truly I think it is all been positive. My own sense is it will be north of about 2.75% to about 3% ROA for sure.

**Moderator:** Thank you. The next question is from the line of Vishwanath Singh an Investor. Please go ahead.

**Vishwanath Singh:** My question is basically just wanted to know can you shed some light on the 5,000 crore funding which you recently mentioned, how is it going to be utilized and specifically now that you have subsidiaries also, can you also realize the breakup if you are going to raise 5,000 crore how are you going to utilize and what exactly will be invested in the subsidiaries?

**Jugal Kataria:** That is an enabling resolution, whatever money we borrow and whatever money we want to borrow through NCD route we need to have an annual approval from the shareholders. So, that was more like an enabling resolution that we want shareholders to pass that is the same amount your point in time our outstanding NCD can go beyond 5,000 crore as on today so that is more like an enabling resolution that we have to pass every year at the shareholders meeting, but to achieve this year's budget we have to raise close to about 6,500 odd crore of money. We have already raised 1,300 odd crore in the first quarter and have received another 500 odd crore till date post first quarter. So, we are on track and I am sitting on 1,000 crore liquidity on track to raise the money to achieve the budget.



**Vishwanath Singh:** And also within subsidiaries I think as an investor we are expecting more from Satin Housing Finance, it is as you understand there is lot of scope of growth from this business, so can you shed some light on I mean what is the expected growth in terms of percentage in terms of AUM which we can expect by the end of this year or maybe for next two years, how much growth do we expect in the Satin Housing Finance Limited loan book?

**HP Singh:** Housing has been giving at about 50 odd percent year-on-year our sense is I think they will continue to do that in the next couple of years too about 50%, 60% growth because the base has been small that will keep on continuing. So, I think whatever we require in terms of capital for them I think we will be able to put it across to the parent company.

**Vishwanath Singh:** Also sir like you mentioned 50% that is why tracking the financials or the numbers for the competitors I think as the portfolio where we stand should not we expect like 100% growth year-on-year or is it that we are being more conservative just to see how the market goes?

**HP Singh:** You are talking about housing?

**Vishwanath Singh:** Specifically for housing finance.

**HP Singh:** We have always been very prudent and conservative in how we put forward because you never know when crisis do arise and everything and thankfully during this crisis since we have built up a very solid portfolio in housing we had a 100% collection efficiency, there was absolutely no collection efficiency going down or GNPA coming in. So, I think that is probably the pure reason why I think housing has been one of our stars and which reflects in the valuation which we have done. So, I think going forward we would like to have more focus on portfolio quality rather than looking at numbers, numbers we will achieve in any which ways maybe two years hence or maybe hence, but portfolio quality is probably the best thing which we want to really at across all the subsidiaries as well as the parent.

**Vishwanath Singh:** Like 50% which mentioned on the conservative side?

**HP Singh:** While you can interpret it in anyway.

**Vishwanath Singh:** Just wanted to like you are saying it is a reasonable 50% growth which we can expect or it is the maximum growth?

**HP Singh:** 50% is something which will happen definitely I think you win on that and I lose on that.

**Vishwanath Singh:** As an investor I have high hopes from Satin Housing Finance because I have been tracking this business closely and I see lot of potential in the next few years, so I was particularly interested in how you are trying to drive the growth of this housing finance?



*Satin Creditcare Network Limited  
August 04, 2022*

**HP Singh:** Hopefully we would not let you down I think that probably can be seen in the valuation which is probably come in.

**Moderator:** Thank you. The next question is from the line of Raunak Singhvi a Retail Investor. Please go ahead.

**Raunak Singhvi:** I have a few other questions one is on this fair value revaluation which we have done or valuation we have done, from a regulatory and lenders perspective will they sort of look at from a positive perspective in terms of increase in networth because otherwise adjusted networth has come down considerably due to the write off in the 328 crores of provisioning which we have taken in the current quarter that is an important point which I just wanted to understand.

**Jugal Kataria:** You know our understanding is that the regulation permits that and as I explained in reply to Rajiv's question that this is the actual valuation that we have created and because of accounting the notional cost of that fund that we have invested just close to about 100 crore on cost and 200 crore on revenue. So, unless we do this kind of accounting we will continue to have negative carry in the standalone financials and to that extent the standalone numbers will always be understated and we have tried to explain that in our investor presentation and we communicate and explain that to all the stakeholders that this is the right way of looking at the performance of the company both on standalone and consolidated basis. The value has actively being created and we want to scale up the subsidiary out of our own resources for some more time. So, we feel that this is the right approach to do the accounting. We do not see any challenge from lenders side or regulator, we will explain that we will discuss it with the auditor and taken all the financial help to reach these conclusions. So, we will be able to communicate that to all the stakeholder's positively.

**Raunak Singhvi:** And just also wanted to understand the write off of 275 crores and ARC sale of 100 crore this year which is like close to 375 crore being taken off the book from practically, so just wanted to understand on this 375 crore how much has been from the restructured book or these are all from the GNPA?

**HP Singh:** I think on the restructured book out of this 375 is close to about 225 crores.

**Raunak Singhvi:** Because I was seeing that this slippages in the quarter from primarily from the restructured book would be then around net of 180 crores and some 45 crores would have sort of comeback. I am just doing a basic Math from 217 crores?

**HP Singh:** Exactly that is what the real Math works out to these right now basically.



*Satin Creditcare Network Limited  
August 04, 2022*

**Raunak Singhvi:** As the pre provisioning operating profit and I am just talking about operating profit because in the press release the pre provisioning operating profit also includes the fair value it is obviously not an operating profit per say is coming at around 47 crore is my Math correct?

**Jugal Kataria:** So, broadly yes our PBT is about 70 crores so if we exclude both the fair valuation of 351 crore and credit cost of 324 crore so this number is close to about 45 crore, 47 crore so your understanding is correct to that extent.

**HP Singh:** Raunak just to add up I think when you look at these numbers I think this is what we mentioned it to Rajiv and to you also this is exactly what it is so technically it is not an operation loss, it is an operational profit of about 45 crores practically pre operating profit about 45 crores. So, where people do understand that it is an operation loss, it's not that.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Aditi Singh – Head Strategy for a closing comments.

**Aditi Singh:** Good morning everyone. I take this opportunity to thank everyone for joining this call and it was a very intense call and I hope we have been able to address all your queries and explain everything to your satisfaction. However, should you still need some more information you can reach out to me. My name is Aditi Singh and I head the Strategy for Satin Creditcare. You can also reach out to my colleagues, Ms. Shweta Bansal – DGM, Investor Relation and we shall be able to provide you with whatever information we shall be able to within the permitted limits and any clarification you want we are happy to discuss. Stay healthy, stay safe, have a great day, bye-bye.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Satin Creditcare Network Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.