"Satin Creditcare Network Limited"

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Ms. Aditi Singh, Head-Strategy
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Mr. Amit K Sharma, MD and CEO, Satin Housing Finance Limited

Shweta Bansal: Good evening, ladies and gentlemen. On behalf of Satin Group, I welcome you all to our first analyst meet. We are highly honored and feel privileged to have all of you here present along with us this evening. We hope through this presentation, we will be able to run you through our organization's journey and core. Now, to move forward, I hand over the stage to Ms. Aditi Singh, who Heads the Strategy for the company.

She has a vast experience of more than 15 years in the financial services industry across various functions, and have been associated with the company for more than five years. More than five years, she has been recognized as Asia's 100 Power Leaders in Finance 2023 by White Page International. At Satin, her area of responsibility includes Strategy, Managing Key Stakeholders, Investor Relations, PR and Communication, CSR, and where she works on right positioning of the company. So Aditi, over to you.

Aditi Singh: Thank you, Shweta. And I welcome you all to this day and we begin our presentation now. Relentless. So we'll just take... it is not working. Okay, now it is working too much. Okay, so just running you through our background of how we began. So we began in the year 1990. So we are, I think, one of the oldest companies in the sector. As far as the leadership is concerned, it was started by a first generation entrepreneur, Mr. H.P. Singh, and ably supported by a management team whom today you will also have an opportunity to meet. We got listed in the year 1996, making us one of the oldest listed companies in India.

And of course, we got listed earlier on the regional stock exchanges and subsequently on NSE and BSE. As far as our strategic positioning is concerned, today we tell everyone that we are not just a microfinance company, but we are a diversified financial services company positioned in rural India, very well supported by tech and process. So that's how we are now, I'll say, positioned in the financial services market, carving a niche for ourselves. In terms of our subsidiaries, so while we began our operations in microfinance, now we are also trying to carve out and the same customer life cycle, we are supporting them through other products in housing and the MSME sector.

Some of the key points that we have is that we are having the largest presence across the pan India company present in 24 states and UTs. Number two in number of districts that we are present. So again, one of the most diversified company, fourth largest customer base we are serving in India and consistently we have been among the top 10 companies, the largest companies in terms of the GLP across India. And some of the key figures you might want to see, our AUM is 9,535 crores, serving 3 million clients. And we have a strength of 11,300 people and the presence I had just spoken about.

This is the diversified presence that I was speaking about. So our top four states, they are holding 54% of the AUM, followed by the next six states who have 29% and the balance states where we have newly ventured into, 17% of our portfolio lies there. Top four states are UP, Bihar, West Bengal and Punjab. UP being the largest at 26.7%, Bihar at 14.4% and Punjab at, West Bengal at 6.9%, Punjab at 6.5%. Some of the key figures in terms of the presence, that the vast presence that we have and how deep rooted we are in rural India. So we are almost in 100,000 villages in India out of the 600,000.

So you can see we are practically, we have covered 15% to 16% of rural India where the real India of aspiration lives. In terms of branches, 1,310. But what is more heartening is the districts. So 96% of districts have less than 1% of the overall AUM. That's how diversified we are. We do not define ourselves from a state-wise penetration, because the sector where we are, whatever matters they are, whether it is political, it is an act of God, whatever it is, it is usually concentrated and limited to a district. So that's how granular our book is, that's how we have diversified our risk.

And moving on further, a brief journey of how we have travelled last 33 years. So now we have spoken about how we started in the year 1990 and that time we were financing the small businesses. 96 to 98, we got listed as well as became an RBI registered, no, yes, NBFC. 2008 to 2010, so this was the year we had actually switched to the current Grammy model of JLG lending that we are presently doing and we also raised our first equity capital from Lope Capital and again, so the notional first 150 crores AUM is we crossed in the year 2010. From 2001 to 2013, we had also raised further rounds from DMP and NMI and we became an NBFC MFI from within the NBFCs and crossed the 500 mark.

2014 to 16 we crossed the 1,000 crores AUM and SBI FMO came in as an investor. We got listed on the NSE and BSE in 2015 and we also did a QIP. 2017-2019 is when we got ADB on board and we were their first microfinance investment in India. Then we also did a further QIP. We started our first subsidiary which was micro housing and affordable housing institution called Satin Housing Finance Limited during this year. And we also floated the second subsidiary of ours, Satin FinServ Limited, which does MSME, again the micro sector.

Talking about the not so eventful or too eventful period of 20 to 22, we did our rights issue and our press during this period, and as of today, our AUM has crossed the 9,000 crores mark. Satin Housing, the first subsidiary, has now crossed the 500 crores mark and two of our subsidiaries have merged. So we had another BC subsidiary which was not an NBFC, now it has folded under SFL. So now we have two wholly owned subsidiaries and this is what we are currently. So the listed company which is SCNL, which is the parent at top, and then we have two subsidiaries,

Satin FinServ and Satin Housing Limited. Satin SCNL does microfinance loans and we also do the impact financing in WASH, green loans, etcetera. Satin FinServ does, caters to the microfinance graduated clients, giving them small secured loans. And Satin Housing Finance, which does affordable housing as well as the micro housing piece for us. Of course, we will speak more about them when the people who are leading the CEOs will tell their story about their business.

Again talking about, so first we will cover SCNL and I would just request everybody, we are going to explain everything and we shall be very happy to take your questions towards the end of it. Just hear us out, maybe we will answer some of your queries during the course of our presentation. So as I was talking about, we are doing microfinance loans and so this is what we are going to cover. So this is a snapshot of the key numbers of SCNL, which is listed. So you can see our AUM, which is 8,400 crores roughly, and our other key numbers, the GNP of 2.5%, and the ROA of 4.3%.

The figures are as of June, when we last declared our results. And the ROU of 17.5%, having a very healthy capital of 25%. So these are the key figures that we are doing. Now talking about the cap table, of course. How is the business being funded and how is the composition like? So this is the cap table. The promoter group holds 40% into the company, followed by floor entry. And then there are other institutional investors, body corporates, retail. Market cap of 2,100. Our book value is INR180 per share. And we have one of the very large, again, very large shareholder base. As you can see, more than 24,000.

Talking about market confidence, we have done 14 rounds of capital raise till date during the course. And as I mentioned, we started raising capital in the year 2008. So that's how we have evolved. So far, we have almost raised 1,300 crores from the markets. So we have always been able to raise capital during crisis. Crisis, no crisis, the market has always been kind to support us. Talking about skin in the game, this is one company that has skin in the game. The promoters have invested at every round, at PAR with the investors.

And even in the last PREP that we mentioned, again the promoters committed 100 crores which they subscribed fully. So this is, talking too much of the promoters, this is our promoter. So about Mr. H.P. Singh, while Shweta will talk, so I will say, let us hear from him, while I have given you a very brief background, let us hear from him, how he has captained the ship and there were choppy waters indeed. So let's hear from him and sir, if you can please.

Shweta Bansal: Mr. Singh is a veteran in lending, notably in the financial inclusion and innovation. Mr. Singh is a law graduate and a Chartered Accountant. He holds over 40 years of experience. He has participated in Harvard Business School's Asian Program on Strategic Leadership for Microfinance in 2009 as well as the Leadership Program organized by Women's World Banking at Wharton Business School, University of Pennsylvania in 2011. Mr. Singh also serves as the Chairman of Sa-Dhan and is a member of the Banking and Financial Institution Committee in FICCI. His role involves around strategic thinking, motivating, mentoring and crisis handling. Over to you, sir.

HP Singh: Thank you, Shweta. And first of all, I think I should thank everyone for being here. And for us, yes, definitely yes, this is our first analyst meet and we feel really privileged and honored as Shweta said to have you over here. I just want to highlight the macro levels of what Satin is all about. And starting from where all, I just want to list out the key strength areas of ours, of what we are and what's been our journey. I think if I really want to say the thing, no institution can be built by a single person.

You really require a very strong team to manage what you manage in terms of operations, the way you have to manage the institution. So in all, I think if I should calculate and put it across, and I think that'll come as a way, the senior leadership team put together has about 250 years plus of experience of what they bring in into Satin across. And for us, I think what Aditi was mentioning is, it is very positive the way we really look at the various aspects of business of microfinance and our subsidiaries.

So we have as a strength which we learned during crisis that we moved into diversified geographical areas. I would probably and everybody, probably would know that we were, very strong in UP. And UP was our biggest state when demonetization hit in 2016. We had an AUM, which was about 54% in UP. And once the state goes bonkers, I think it really seems very difficult for an institution to come back. So that's again what one of our strengths is besides the management team that we are diversified into the various geographical areas in India.

We also learned from whatever crisis had come in across that we had to move away from microfinance which was typically an unsecured lending, even if you call it a JLG mechanism. It is a social collateral, but in any which case, it is not a collateral which is technically being enforced, you know. So what our answer to that was that we floated our subsidies of secured lending assets, which was MSME and housing finance. MSME, again, I think in a very simple language, it was a graduated Microfinance customer which actually wanted a higher ticket size.

And we had his credit history before us when he actually goes into the SFL business. Similarly, for housing, one part of it is also again a graduated microfinance customer, which has a requirement for a micro-rural housing loan. So that is what and how we move from an unsecured asset class to a secured asset class. One very key point which is a strong baseline for us is a very strong analytical capability of which we have. When I say that, the strong analytical capability of ours is actually translating into our underwriting ability.

If I can give you and share with you a couple of examples to tell you how this analytical tool is being used and dissected by us in the management team. We actually found out when we were acquiring our client that all KYCs, I'm just giving you a couple of examples for you to really relate to how it is done. All KYCs which were punched by our boys post 6 p.m. in the evening, had a slightly portfolio at risk ratio as compared to the KYCs which were punched before six o'clock.

Now that is the mechanism from where we did our data analysis. For us, anything which pitches after 6 o'clock was a slightly higher bar as compared to what was punched in before 6 o'clock. That led us to believe in that whatever action we had to take in based on that, I think we will be able to address that and that was addressed. Similarly, just to give you another example, for us, we were also, so I don't know if you're all aware of it. It's actually we make a center of women who get together in a form, a JLG center, which is called a group or a center. And when we actually make a center, so you have 10 women or 15 women who will get together and form a group and we lend to them.

So the collateral or the JLG mechanism works when these women get together. But when you actually add a client to a center, this means when you individually attach a client to a center, then you are actually giving her a loan. What we found out, again, through data analytics, is that when you actually acquire one customer, the power was, again, higher than what was when you actually acquire or make a center. Now, that's the difference in terms of an analytical tool which we use to differentiate, even in the acquisition of a customer.

So when you are acquiring a customer of 10 women, your PAR tends to be lower. And when you're just acquiring one single customer and attaching her to a center, the PAR dynamics used to be slightly higher than what you when you make a center. Now that led us to believe to take another action on it. So instead of attaching one customer to a center, we started doing two customers to a center. Now when it became two centers, the PAR came and even as what it happens for a new center it was there. So the role, what I'm trying to say is based upon the entire system is based upon the analytics which we really use in a very, very, in a very, very solid manner across there.

And that gives us, positive results. It also leads us to take actions, take calls, and look at things, how we are able to look at it. Besides that, I think, one of our key strengths again is we've got a very strong IT system. We are probably one of the, this is something in which I would like to not be challenged upon or this thing, but for us, we are probably the first one who developed a robust, our own customized software. When we say that making a software was probably the most difficult aspect of us to actually look at it for a small mid-sized company of us to actually build up your own software.

It's easier to have customized, or easier to find vendors, and there are a dime a dozen vendors across and we can do it. So it's a very hard capability to really look at and create your own software and we did that. Why we did that was because we were confident enough that whatever tools we actually generate during the entire lifespan of our journey, I think it'll be easier for us to do it if we have our own software. And we see it across in various facets of our life when we are doing business, that if we have to collaborate with someone, be it an insurance company, be it a partner bank, anywhere, it is so easy for us to create our own API and integrate them.

You wait days and days for any large partner who doesn't have his own customized software to actually create an API and integrate. That's the difference where it lies. So once you have a very robust software, along with a very robust infrastructure, I think you can probably do and customize a lot of things, which I probably will not be able to answer in detail in this thing. But I think we've got a very strong presentation, but I think, we've got a very strong, presentation, which will probably give you the idea of the software capability, which we have developed, you know.

Along with that, I think, another tool, which is very important for us is the process which we do. It's all about process, it's all about technology, it's all about data. I think, all these three put together, I think that is the standpoint which we have in terms of how we look at ourselves when we do our business. Process again is something which is very key to our business. And again to give you an example so that it can actually be there with you for you to understand it. We found out that our branch manager and one loan officer probably has to go to a bank every day to deposit the money which we get as collections from them.

Now, going and depositing in a bank takes about two hours of their life every day. Now, if you put across two hours for a thousand branches for two people basically, we are losing at least about 4,000 man days every day. What's the solution? We have to change the process, basically. That's how granular we look at our processes. So what we did was, we hired agencies which do cash drops. They pick up the cash from us. Today, for me, we have saved those 4,000 hours every day, 4,000 man hours every day for us to concentrate on the business rather than spending time going to the bank to deposit money.

That's how gradually we look at the processes which we try and understand and give it to the business. Besides that, yes, definitely yes, everything doesn't go without the risk management system. We've got, again, capabilities in terms of looking at risk in various facets, be it environmental risk, be it the way they look at branches, the way they look at loan offices. Everything is looked at in terms of how we look at risk management. And we've got key parameters which are constantly looked at by our risk department to give us that insight that do we slow down, do we increase, what action do we take across over there.

So it actually is a bundle of the strengths which we have as I enumerated above for us to probably be a bit different from the other institutions as such. We've endured all this, and I don't know whether I can say that, but in my 33 years of journey, I've encountered God knows how many crises, you know. And I can talk of crises which came as early as 1996, 94, of CRB scams, the deposit scams, the plantation schemes, the Lehman Brothers, you talk about it, I've seen it all, you know.

It actually gives us that ability to actually look at through the crisis and are able to look at positives, what we can arrive to that. The positives came from demonetization. For us, it was a crisis which led us to create these two subsidiaries, move from an unsecured you know class to a secured asset class. Our UP concentration as I told you earlier, was about 54%. We diversified. Again, diversified in states, but I think we went further than that. We diversified looking at granular details, how our exposure is as per districts.

So that's the learnings from our listing across over there. Every crisis throws up again opportunities. We've always maintained very high liquidity during crisis. And I can tell you with 100% certainty, during the COVID period of time, we did a static ALM of our, of the liquidity which we have maintained. You won't believe it. During the COVID crisis, our liquidity could have run us through for one and a half years without even getting any more money. So that's how we actually look at ourselves during the crisis.

And that's how we've been able to look at how we maintain this. Other things which we've been able to do it, we do it very differently on this. Again, for us to look at, I think, DPDs, we've got separate collection teams that look at various other DPDs down the St. Cross over here. People talk about that, yes, the moment you go beyond 90+, I think you've lost your money completely. We believe that it is still to be get, and we try and get that, we have again, the highest writebacks ever for any institution in the MFI space, and we collected just a number to share, we collected about 48 to 50 crores last year in terms of writebacks, you know.

So I think, for us, during the COVID, we took a very conscious call again, not to disburse to any delinquent client. We actually took a very conscious call not to grow because it was very uncertain times. Our AEM did not increase, but the satisfaction of us was that because we took all these measures of not growing, looking at the fact that we were not giving it to delinquent clients, we were not acquiring new customers. For us, we had the lowest credit cost in the entire sector during the COVID period of time. And that's a revelation which people still hard to believe it that how could we do that, you know? And this is a fact, and we've got substantial data which we can probably share it with you to look at that.

So I think for us, the whole idea is that we get more mature. It's not that we want crisis to ever come in, but yes, definitely I think we get more mature and we find ways and opportunities to really look at us to be more-stronger than that.

Yes, with all this, we are much more-stronger. That is a fact. As I said, we have, again, granular data in terms of diversification. We look at PAR 1, DPDs, several factors, collection efficiencies, again, very strong in terms of our dashboards, productivity ratio. I think we've probably been looking at all the data, working on it, and improving ourselves from there.

And this is the team which I was talking about. And today I would like to present, besides me, people see me quite often across over there and then you'll see the faces, same old faces. Today, I want this face to probably be at the last, and I want all these young kids to probably take over in there. And this is what our team is all about.

And let me call now the first person who actually looks at operations in a far more-deeper manner. Over to you, Anil. Thank you so much. Thank you everyone.

Aditi Singh: Ladies and gentlemen, the third speaker for the day, Mr. Anil Kwatra, Head of Operational Excellence and Innovation at Satin, an accomplished financial services professional with over 15 years of experience in the field of sales and operations. And he's been with Satin for more than six years. In organization, he leads the process reengineering, operational excellence and business intelligence. Mr. Anil Kwatra.

Anil Kwatra: Thank you, Aditi. Thank you so much, sir. And thank you, everyone. Very good evening. I think we've spoken briefly about what are our key strengths, what's our market penetration, what has been our journey for last 33 years and as Mr. Singh rightly mentioned, we have always navigated the crisis come what may.

What are we doing differently? What is Satin's success mantra. So when we speak about this, we say the business of lending is just not about lending but about collections as well. This may look like a small phrase but this has got a big essence. There is a deep meaning behind it.

When we speak about our collections, it includes the strategies that we make on the ground, the connect with our customers, the follow-ups that our people do, the underwriting guidelines that we make and the data analytics at such a granular level that we would want to track every single penny being collected every day. I think that is what differentiates us from others.

And when I speak about this mantra, it is important to even corroborate that what we say, have we actually done it. So let us look at this very important slide. This speaks about the portfolio that we have created post-COVID, say starting July 2021. If you see the numbers correctly, we have reported a PAR 1 of 0.9% and a PAR 90 of 0.5%. And we are almost 4x to 5x ahead of the industry. When I say the industry, it comprises of non-banking financial corporations, your MFIs, SFBs and the industry as such. So, this has been a big differentiator of what we have actually done in last two years.

We speak about this and would want to stay focused on this, reason being the entire hard work that goes behind bringing it here. We would like you to understand that what is gone behind for us getting these numbers. There are certain pillars which are actually upholding the business and the portfolio quality.

While you see this entire slide, you see lot of stuff written here. I divided it between pre-disbursements and post-disbursements. When you look at the initial two points, they speak about our stringent underwriting guidelines, the scores that we use, this is the data that we received from credit bureaus and credit bureau as of today, when I showed the last slide, it said 0.9%, 0.5% and are differentiated from the industry. This is a data which has been probably received and validated by CRIF Highmark, one of the leading bureaus as well.

So we take the data from credit bureaus, the data comes, the pin codes which are delinquent in nature are flagged, the pin codes where we see the saturation is little high is flagged in the system. Underwriting guidelines are so stringent that we do not only consider the MFI scores but as well as we do the customer profiling and develop our own application based scorecards.

When I say application based scorecards, it would capture every small detail about the client. The demographic details, what is the age of the customer, what is the geography the customer belongs to, how long has she been with the entire MFI industry, is there a retail exposure either with the client or the co-applicant or co-insurer that we say in the MFI industry, which speaks that granular about every data. Then it comes about as Mr. Singh rightly mentioned that we have not disbursed a single loan to any delinquent client, that becomes really important.

Moving ahead, then we speak about our authentication journey where we have incorporated all OTP based KYCs, using data from UIDI to authenticate our clients and ensure there is no adverse selection. But what is more important is the next four parameters if you look at it correctly, this speaks about the kind of data drilling that we do. Everything is linked to the follow-up that we do in the field, problematic center meetings. When we say what is a center meeting?

So as of today we speak about 3 million clients, but these 3 million clients are spread over close to 2.5 lakh centers. The center, you call it a center or a group comprises of 10 to 12 people and these women probably come in these center meetings every 14 days. So the idea is if there is a problem in the center, it has to be evaluated, it has to be reviewed on the same day. The supervisors ensure that there are mid-day reviews being conducted. If there is a problem in the field, he should address it there and then.

Because what we have seen in the industry is if the customer flows forward, it becomes really difficult for the customer to come back in the microfinance ecosystem. So our strength lies in these follow-ups. Our strength lies in creating a lot of data. So when I speak about data, every single thing that we do from morning to evening is all data generated. Has my CSO, has my Loan Officer reached the center meeting on time? Has the customer come in the center meeting on time? Has the customer paid her dues on time? Has the center meeting got conducted on time? Is he supposed to do all his five center meetings in a day? Are they getting completely scheduled on the same center meeting time? We speak about how many centers does the CSO handle? How many PAR clients are there in the center?

So if you speak about this, I can tell you about 100 of data points that we actually bisect and dissect and try and see wherever we see those levers, wherein we can attack and ensure that we can actually work on getting that collected. The idea is you do not let the customer flow forward. This data also helps us probably to create branch and a loan officer level grading. It is a clear cut system and today we have moved from not only a branch and loan officer but to a centre and client level grading.

Looking at the attendance in centre meetings, looking at the PAR clients in a particular centre, looking at the portfolio of particular loan officer handles, everything probably could be, could get dissected and bisected with data and basis this we have created strong systems around the center grading, loan officer grading, branch grading, client grading.

How do we use this data? This data probably gets used when we define the targets for disbursements. So my disbursement target is not about saying INR700 crores to be distributed equally among 6,000 people in the ground, no. How many clients does the CSO handle? Which geography does he handle? How many center meeting does he do in a day? How many PAR clients does he have? Every data would corroborate and come to a conclusion to build a logical disbursement target for each CSO, for each branch, and accordingly the regional managers and so on.

So the idea is to ensure that every data dissection happens and gives a certain amount of result. In case we see that the bucket is flowing forward, then there are certain dedicated teams. If the client is in say softer buckets, say 1 to 30, there is a separate team handling it, 31 to 90, a separate team handling it, say 91 to 420 a separate team handling it. So dedicated resources are there to handle each bucket because we understand once the customer flows forward from 90-plus, it becomes little difficult for a Loan Officer who is handling 400 clients to 450 clients not to focus on his regular center meetings, but to go and collect. So that makes the entire difference.

So going forward, these are certain vital pillars which are holding us strong. Comprises of two important things. One our human capital. Second speaks about our customers. When we say our human capital, we have got a well-defined thought through hierarchy. When I say hierarchy, it starts from the Loan Officers. Technically a branch would have a Branch Manager, Assistant Branch Manager and five to six Loan Officers being handled by a Territory Manager or a Deputy Regional Manager handling three to six branches, then a Regional Manager with a span of 80 into 20 branches, Zonal Managers handling two to three regions and then some senior resources in the industry which look and handle our states. We call them Circle Heads. These people are matured, have got an experience of 8 years to 10 years in the industry and do know the geography like anything because they have been working in those geographies for a long time.

So the idea to tell you is this, that there is a depth in the entire operational structure that we have created. Not only the depth, then comes our dynamic incentive structure streams. Incentive structures, if I tell you, as of today, Satin can write a book on incentive structures. We would have created close to 500 incentive structures in a period of last two years to three years.

Dynamics of this business keeps on changing and our incentive structures keep on evolving. It's not one incentive structure getting created and being replicated throughout the year. Every state could have a different incentive structure. Let me give you certain examples. And these are all successful examples where we could replicate them and try in different geographies. We said, it's always two better than one. We created certain teams in the branches, and we said, if the branch has got six people, let's make three teams. These two people would be responsible for the productivity of each other, would work together, and ensure that the numbers come in. Could be disbursements, could be KYC sourcing, could be working to get the delinquencies resolved, any and everything. The results were fabulous.

We said, why can't the entire branch be a total ecosystem and work with each other on everything? Why to only load a particular Loan Officer who's supposed to handle the PAR clients? Let other five also help him. We said, we'll give a kitty of, let's say, hypothetically 5,000 for the branch. Now, each one of you is responsible to disburse so many clients, each one of you is responsible to get your collections done, to ensure there is no new PAR client coming in, and anything which deteriorates, we'll cut, say, INR500 or INR1,000 bucks from that INR5,000. That kitty incentive worked.

An amazing USP that we created was an annuity scheme. We all know LIC, and we see a lot of agents, probably they've got stick to LIC for ages-and-ages just because they source insurance policy today and keep getting the renewals for next 20 years. This annuity scheme has been helping us like wonders. You disburse the money today, we would not want to do an aggressive disbursement incentive policy. You get INR20, INR30 bucks today but I'll ensure that you get INR5, INR10 every month just by ensuring that the client does not go into PAR. You ensure that the portfolio quality is maintained. This helps us in ensuring our portfolio quality is intact. This helps us in ensuring that the guy does not leave us. So that is the kind of annuity scheme that we have created.

Moving on again, our training sessions for our new joiners, it is a clear cut mandate, a 21 day induction program where every new joiner would go through it. We would want to ensure that he spends six days in an indoor training and 15 days on the field. Someone at a senior level becomes a buddy, helps him around, mentors him and ensure that this guy probably learns all the nuances of the business and then probably is given the center meetings.

Then comes the customers. Normally there is a saying called customer is The King. We deal with close to 3 million women. In our case, customer is The Queen. So for the customers, the idea is to understand that loan ticket sizes, tenure flexibility, every kind of product innovation that we can do, we probably keep on doing it. We are about -- we have already launched a product called mid-term loan. There is a flexibility of tenure around it. The customer can take a water and sanitation loans from us, the customer can look at various agenda of fixed utility loans. And then probably with this loan ticket sizes, these are made basis the customer customized needs.

In terms of customer connect, while in this entire model, our loan officers meet our 3 million customers every 14 days. But yes, it is important to give it back to the society. So we ensure that we do financial literacy trainings, we do health camps, we ensure we do services like DocOnline and HospiCash to ensure there is a certain client connect between all these people.

Very important, this is how our operational efficiencies probably have behaved. Our loan accounts per branch have improved quarter-on-quarter and have reached to close to 2,664. Our GLP has reached to INR7.3 crores per branch. Our loan accounts per Loan Officer have moved to 466 from 436 in the Q2 FY '23. Our GLP per Loan Officer has increased to INR1.3 crores.

Process we call it the core of Satin, certain important points, everything is stitched into pieces. We ensure that every process for us is a Bible. We try and ensure that everything is properly stitched. It is audited, it is checked by way of means adherence. We have got state lead process coordinators who ensure there is process and regulatory compliance. Centralized share services, close to 100 people sitting together to ensure that every KYC that gets entered in the system is processed timely.

Business intelligence unit, the entire data analytics I spoke about is probably the prerogative of these people where this entire unit ensures that your competition benchmarking, your data drilling, your grading of centers, incentive creation, so it is a planning and management team for us which does the entire work. Then very important is our robust branch opening strategy wherein we try and ensure that every risk is mitigated. We ensure that there is a complete checklist where to see using the data from CICs, how do we ensure that we are going into a right geography.

Very small, very transactional items but, yes, they make our system little robust. KYC dedupe logics in the system, basis data of Aadhaar and Voter ID put in the system. Bank account validations basis their mobile numbers and the bank account data validations. OTP validation on the client onboarding and the same OTP being used at the time of disbursements as well.

Branch hygiene, CGRM is our Customer Grievance Redressal Mechanism. The dashboards are there. Very important. We innovated. Another example, we could see a lot of customers getting migrated. We checked it with our guys in the field and understood what to do to ensure that whom to contact if the customer has migrated. We came up with a strategy. Why can't we take the details of some relatives while we are doing the disbursement of the client so that we have got certain details which can be validated at the time of disbursements and probably can help us in the follow-ups in case the customer gets migrated or the customer is not available for payments.

The idea is to keep strengthening it, keep tightening it to ensure that the portfolio quality is intact. Very important, as I said KYC authentication is very important for us. Journey of close to eight months, where in last eight months our e-signature journey, a journey authenticated by UIDI, a digital documentation journey, customer just comes in the branch either through a IRIS or a biometric authentication. Today close to 96% of our applications or disbursements get e-signed and the customer is going through a digital journey.

Disbursement and connection enablers, these are certain partners. So as of today, our disbursement and entire transaction happens through these banking partners. Our cashless collection, various modes, we have got all possible collection cashless modes available in our ecosystem. Our cash drop to cash pickup-up as Sir rightly mentioned that we have tried and saved lot of man hours in terms of this happening with us and these partners are supporting us like anything.

Going ahead, very important slide, where do we want to see Satin growing, what is the way forward? When I say penetration, these are say five bigger states. 14.64% is not our penetration. 14.64% is microfinance penetration in the industry on the marketable population. So as of today, UP may be one of our biggest states, but if we see in the industry front, only 14% of UP has been covered. Still, there is a scope of 85% where we would really like to go and tap.

While these are the biggest states, then these yellow marked are certain states like AP, Telangana, Kerala, these are certain states which have still not entered and this probably is the untapped potential where we would like to go, explore and this is where our growth will come in from. This is the state level penetration looking at a district level data. Total districts in India 766, industry penetration 95%, when I speak about Satin, we are at 53%. So 47% this is the entire districts available in the country, another close to a difference of 42% when it comes to what industry is doing. There is a huge gap, there is a huge scope where we can actually look forward. Our idea is to look at this data granularly, go to pin codes, dissect the data, understand, speak to our guys on the field and then take informed decisions where and where how we want to grow.

So this is our growth forward. While we would want to grow, we would want to work on those efficiencies, we would want to work on the state level and district level penetration. Four years to five years from, this is where we want to reach. In terms of our clients per branch, we are at 2,548 as of today, better than the industry, but our idea is to take this to 3,000. From clients to loan officers, we would want to take it to 510 to 550. On the GLP per branch, we are at INR7.36 crores, little lower than the industry, but yes, we are mitigating the risk. We would want to reach at INR10 crores to INR11 crores. And for a particular Loan Officer, we would want to take it to INR1.75 crores to INR2 crores per Loan Officer.

Technology, technology and technology, whatever I have spoken till now in terms of data integration, in terms of data mining, in terms of data analytics, the credit bureaus that we do, our e-signatures, e-KYCs, everything that we do, the fuel behind us is technology. So let us hear from the man who handles this entire technology piece. Let me call my friend and colleague, Mr. Sunil Yadav who heads the Information Technology for us. Sunil, thank you.

Shweta Bansal: So now on the stage is the man, who has brought a sea change in the way technology is leveraged in our business. Mr. Sunil Yadav, the Head of Information Technology, has an expertise in payment solutions, sourcing and analytics. Mr. Yadav has over 12 years of experience and has been associated with Satin for more than seven years.

Sunil Yadav: Thank you. Thank you for the quick introduction. So far we are talking about the process, data and about the company. So from here, I am taking over and for next maybe a couple of minutes, I am talking about technology and I want to show few of the screens live as well.

So I am start from the challenge statement. So till 2017, we are working on a very old technology. It is a stone-age technology, which is completely a decentralized and a paper-based solution we are using, which create a hindrance or a barrier for operation or a customer experience perspective.

So, if I am going on more granular level, so in that time we are collecting a KYC in an offline-mode. We are collecting a paper, that paper travel to the branch, branch to region and then there is a data entry operators. Those are converting these KYCs into the digital piece and then it is sent to the credit bureaus through a Excel files and then that file is sent to the HO office for a sanction or credit underwriting. It is all process took around 18 days to deliver a single successful loan, which is a barrier for a growth.

So, I am moving towards the journey how we start that journey. So in 2016, we went on the whiteboard and we have start discussing we have to upgrade our technology piece and that time we have start discussing, okay, we have to build or we have to buy a solution from the market. As there is a lot of players in the market, those are supplying solutions to the NBFCs. So we did RFP around Tier 1, Tier 2 and Tier 3 products and we got to know these products are fulfilling our needs by 60 or maybe less than that.

So we decide that time through our higher management took that call, okay, we have to build that solution online or in-house completely. So we start building our in-house team. I just give you a glimpse about the team. We have a 50-plus developers followed by five security guys. Those are taking care of the security of application and data center, followed by our data scientists, five data scientists, and followed by an infra team, as well as support team. All together, we have 100-plus guys in a technology team. Those are fulfilling that particular gap.

In 2016 and 2017, early 2017, we went on the whiteboard. We started working on the strategy, technology selections, and all such things. And we come up to the curve and we rolled-out our first phase of new technology, which is completely a micro-service-based architecture, which runs over a cloud, private cloud at that time, and that application is completely a SaaS-based solution. It can be accessible from anywhere, from any kind of device. You can access that technology through a mobile phone, tablets as well as from laptops. So, another big achievement as a NBFC microfinance, we are the first in the industry who achieved that particular ISO 27001 tag in a information security particularly.

So, I am focusing on 2018, 2018 up to a 2018, it is a big challenge, most of the disbursement we are doing around cash. So, it is creating challenges around frauds and all such things. So, we overhaul our entire process for that particular thing and 2018 onward, we are directly integrated with the multiple banks and we start pay out our loans to the clients account directly. So, from a 2018 onward we are not disbursed any single loan in a cash mode.

So, I am moving to the next. So, we integrated a cross sale up sale solutions as well as we enable our subsidiary Satin Finserv with the complete ERP. So, I am going to cover this thing later. So in 2019, we also integrated a life insurance as well as health insurance directly to our system so that there is a completely seamless journey while we are issuing a life insurance to a client as well as doing a health insurance to the client. So that, at the point of time of claims, they are absolutely a paperless journey and we can quickly settle that funds or a claims to the client's account.

In 2020 year, yeah, no one can I think, forget that this year, it's a time of pandemic and our business is a high-touch model business where we have to service our client at their doorstep. But due to the lockdown situation, we are not able to service our client. As we have a capability and as we have an upper edge of an in-house team, in a record time of three weeks, we are able to rolled out a customer facing application. That application, I am just going to point out the key highlights of that application. That application is a complete application from where a client can apply a loan, can press their credit bureau, their loan card and she can pay through that application.

Even she is directly can connect with our branch manager. I am just giving an example. There is a logo with the coal sign and it is written branch manager and then coal sign. She can tap it over that particular link and that directly dial to the branch manager. Same with the regional manager and same with the central team. That much of flexibility that app is providing and through that app, we can service the client loan as well. And every, each and every touch point of clients, for example, when we are disbursing a loan or when we are collecting a loan, digital receipt is sent to the client in a notification manner. So it’s a key enabler for us.

It is another interesting thing we did in the same year it’s a UPI 2.0. So yes, everyone is aware about the UPI, people are collecting through a UPI, but what exactly a UPI 2? UPI 2 is a 2.0 is a mandate-based payment for a client like us where we are servicing a client with the loan installment of INR1000. So, E-NATCH and all ECS is not going to work. If it is bounced, so it is a hefty penalty on that particular side and client are not comfortable for that particular thing. So, we are quickly integrated as quickly as NPCI rolled out that feature we integrated in our system and through this we can collect EMI installments through a mandate. So, we are the first in the industry for implement that particular piece, which story is published by the NPCI on the forms.

So we integrated the complete HR module, HRMS, so I am going to cover later. So, another interesting thing we are going to cover is, it is completely integrated expense and procurement management system. We are not posting any single request through an email or a manual voucher. It is completely integrated with our core ERP and we are able to send any, raise any reimbursement or any procurement process through that specific product.

While I am talking about the 2020 current time and current year, it is I am referring. So it is a 2020 year where we are start integrating e-KYC based solution for KYC as well as in 2020, it is there is a harmony bill presented by the central bank for microfinance industry. That notification is came around last week of 2022, March last week 2022. Within a record time over seven to 10 days from the 1st of April we are accommodating all the changes around the underwriting and all such things and we are not stopped our disbursement for a single day. That's the leverage we are taking from this in-house team. So, for a capacity building, we completely migrated from a private cloud to public cloud so that we can scale up our solutions. It is completely in-house helpdesk system. It is a board-based helpdesk system. Anyone can contact any department for such queries.

E-signature my colleague Anil has already covered. So we, it is a biometric based E-Signature, not just a fingerprint as well as we are covering Iris mechanism for that particular thing and we already achieved the 96 percent. And why I am talking about Iris? So as our clients are rural based clients, those are daily laborers and such, their fingerprints are not perfectly matched with the UIDAI system. So, we are quickly come up with the Iris based solution so that we can achieve a 100% authentication results around that particular thing. Again, we are the head start on that particular thing, we are the advanced phase for implementing for a e-KYC as well as we already covered for a E-Signature.

Our another subsidiary is a housing finance. While I am speaking, we are implementing a complete ERP solution or we are creating a complete ERP solution for them as well. By the end of third quarter, we are going to roll out a complete ERP for the housing subsidiary as well. So, by covering that particular part, I can say that product is a complete or a holistic solution for any NBFC not primarily for the microfinance, it is covering a microfinance loan followed by MSMEs and individual loans and followed by a housing loans.

So yes, another good project we are doing at point of time, it is a predictive modelling. As I am marked that particular thing, we have a vertical of data science team. So we are working on the, a lot of analysis, a lot of models. So I am just give you a quick glimpse of a few of models we are working on the customer churning patterns, early default indicators, early default ratios, all such kind of things we are doing through a ML based or analytics based data-driven models.

So while I'm talking about the down the line 2024 for upcoming year, so from here onward, we are start working on the two ambitious projects for Satin, as we already covered a complete ERP part. So we are building our Operation Command Center. We are calling as the Operation Command Center. Just I am give you a gist for that particular thing. So we are placing an AI-based camera in our 100% branches. And we are also deploying a content delivery platform. It's a big screen placed at a branch. So what exactly and how exactly it's worked. So this AI-based camera is capable to identify okay the branch is open and people are available at inside the branch or not.

It is able to identify or segregate the genders, okay male and female what exactly male or female ratio is available there. And for example, I'm just give you an example. There is a regional managers who handles the 18 to 20 branches. They can just log in or tap it over their mobile phone and can access any camera of any branch and these cameras are capable for a two-way audio communication as well. They can establish a direct connection with their teams at any point of time. And these cameras are AI based, calling as AI based, just I am putting some check, okay, we are disbursing alone in between of 2 PM to 6 PM.

And we are putting a check, there should be a people inside the branch. If no people are available in to the branch, system is automatically start sending the appropriate notifications to the supervisors so that they can take a quick action on that particular thing. In that way, we are saying it's a camera. Those are not working on the post mortems. Those are working proactively on such approaches so that we can build our, not we want to do a micromanagement, we want to build a capacity of the branch and more surveillance over our branch.

It is another thing, so as per the Central Bank, any NBFC who have a branch about 10 branches and mid-size of NBFCs who have to implement a core financial solution services basically. It is a CFSS, akin of CBS. So again, we took that call, okay, we are going to develop that solution as well in-house. We already completed a gap assessment around that specific thing and now we are on the advanced stage of our development by the end of 2024, we are going to complete that project as well. We have to achieve as per the guidelines by September 2025, but we are going to close that by 2024.

So here is a technology transformation journey. So we are not calling that solution as a LOS or a LMS, we are calling as solution as a ERP. It's a ERP. Why we are calling as a ERP? Because it is containing a module of the loan origination system, loan management system, complete integrated or integrated accounting and financial module. So it's we are in -- while I am speaking, so we are not using any single solution from outside world as a technology. We are fulfilling our needs in house only for the APIs we are dependent on the outside world. For a suppose we have to connect with the banks, we have to connect with the credit bureaus, we have to connect with the another authentication APIs.

So, expense and vendor module I have already covered. So I just give you a gist here. Almost 98% of our vouchers are straightforward, it is automatic vouchers. There is no scope of manual voucher on that particular site and as well as all the reconciliations are directly through a system only.

So here I am going to cover HRMS solution. So HRMS solution, while I am talking about the HRMS solution, so from start to end, it is an entire journey is digitalized. For example, from a budget to sourcing to interview or selection and then joining formalities and from a joining formalities to attendance, payroll, all such mechanisms are completely digital driven. And if I am talking about the exits, so up to the exits all things are covered as well as whosoever employees are left, they can access their data or access their documents through an Alumni portal.

So another thing is funding and borrowing module also again it is in-house. Audit and risk, complete audit and risk module is a system driven internal audit and risk modules, it is a part of that solution only. And last not the least, it is a support means helpdesk as well as a learning management system while Anil is referring for the trainings and all quiz and all while we are talking about the all exams we are conducted through this model only.

So, here is a just quick glimpse on which you can able to understand how authentication mechanisms work. So, it is our onboarding journey where 40 plus APIs with the multiple vendors, just for example, if we are using an API for a payout or a disbursement, there is at least two or three vendors from we are integrated to supply that particular thing. In case of any failover system automatically identified and keep another link up so that there is no hindrance and no challenge and no blockage on operation side. So I am just covering by a first point. So in a first point, we are saying it is o-KYC, e-KYC and Aadhaar scan. This KYC we are collecting.

In a second box, I am referring it is a client liveness check where we are capturing a client's live image system is not able to click a photograph of photograph. It is completely an AI based thing and we are capturing a client address means where we are doing that sourcing. We are collecting that particular thing. I am marked as a GPS based location. So each and every touch point of our client we are collecting a lat long so that we can geofence the particular thing as well and we are directly integrated with the UIDAI as well as ECI portal, so that we can get the authentic details. So means there is no possibility of any force around the KYC documents.

Followed by a credit bureau, credit bureau we are integrated with the credit bureaus and account validation, okay again we are as we are disbursement, as we are doing a disbursement in client's account, so it is very important to validate a client's account. How it is happen? So just client have to pass on their account number and detail, the IFC codes and we are able to fetch the state of the client's account, okay that account is dormant or its account is freeze or its active account, what exactly client's name inside the account. For example, client while I am fetching a KYC, client's name is Sunil Yadav and while I am fetching accounts detail, it is showing a Anil on that particular thing, then system is automatically going to reject that particular client for that particular aspect.

While I am moving to the next step, it is we called as a CSS. It is a third-party center where we are sending our complete KYC and KYCs. These are verify these are the checkers for us. As we are doing all things digitalized, but we are also sending that process to process a CSS service as well. We are verifying the client mobile through OTP, then we are start forming a centers and then we are doing a digital e-sign through a biometric and finally loan disburse to the client's account. So it is a journey. For achieving that, we are almost integrated 40 APIs.

So here, impact we made by implementing that particular technology. So in the first step, I am saying it's completely a mobile-centric platform. So now our loan officer can service a loan at a client doorstep on the real time basis. So, earlier he is just collecting a paper, but he do not know that loan is going to success or not, but now we are going to say it is quick. So in another say, earlier it is took around 18 days, now we are able to disperse a same day and organizational impacts, what exactly impact by that particular thing is accuracy, process control, go green approach, it is completely a paperless.

So I am moving to the next step. So geo-fencing and geo-tracking. So I am just give you an example, for example as per the company policy or process, if we are saying we are not servicing a client beyond 25 kilometer of branch, if any loan officer want to source a client beyond that particular periphery, system is not going to allow, just for this. Another real-time basis, a customer credit bureau and we are evaluating that credit bureau details and doing a customer profiling as well. Instant account validation I already covered. And next is e-KYC already covered and it is just one snapshot how we are doing through a Irish based device.

Cashless disbursement and collections, 100% cashless from 2018 onward I already covered and 28% of cashless collection we are collecting including cash drops. Core accounting and financials I already covered. It's a P&L and trial balances all are the real-time basis, 98% vouchers are again it's a system generated. All the reconciliations and just want to cover one example, for a CMS service, it is directly integrated with the CBS system. Suppose our branch manager is going to deposit a single fund in our account, it is automatically entry is landed to that system and at the day end, there is an account statement and automatically reconciled.

That much far we are going. And business dashboard and reporting while I am talking about, so it is 100% real time I am going to show live. So, these are the, it is a robust technology stack which process almost 1.5 CR transaction every month. So, these are the numbers I am moving on.

So, these are the challenge and the solution statements. So, prior to implement the solution, there is a we are collecting offline KYC, low network is available on that particular area. We resolve through a application based solution. It is a hybrid application-based solution which work on the online as well as offline mode. Then client and staff tracking, it is a major challenge for us through a geofence and geotagging we achieve that as well. Loan fraud itself as we are collecting offline KYC, there is a lot of KYC fraud and scoops are there. So, by implementing a e-KYC, e-Signature, credit bureau, cashless and liveness check, all such things and cashless disbursement, we are achieve eliminating that risk as well.

And next is scalability. So, while I am talking about any solution, if we developed any good solution, but performance is a challenge, then it is not going to work for any organization. So we are keeping that thing in back of the mind each and every point of time, what exactly we are building and what exactly it is going to impact the performance of system. So it is a microservice based solution. It is a scalable horizontal and vertically which is deployed over public cloud AWS. Cashless resolved through all cashless disbursement channels and the collection channels we have.

Okay, so while I am talking about the any technology solution, so technology solution is completely dependent on our infrastructure. Basically it is a robust infrastructure. So we achieved through our AWS, it is our data center which is scalable, horizontal and vertical for that particular aspect. As per the RBI guidelines, we have to achieve a data localization. Our single data is not resided outside India. Our primary data center in Mumbai and secondary data center in Hyderabad and we have a Commvault backup as well. So, I am just give you a more detail on that particular line.

For example, first link is down in Mumbai, another link is automatically come, it is multi-zone application running in the Mumbai. If both the links are down, then it is moved to the DR site which is located in Hyderabad. Just uptime I can quote for the year, it is 99.96%. We are achieved for this year and it is scalable. So any application is not complete with application development and hosting. Its security is a key aspect around that particular thing by implementing a proper firewall so that we can filter out data or correct traffic inside the system.

So proper firewalls as well as window application firewall for applications are implemented just for example, if we are not expecting a traffic from outside India, so I block the geographies outside India, so I block the geographies outside India. So no one can access or send a single hit to the system from outside India. So I just give you, tell you the one rule, thousands of thousand rules are implemented in that way. Then proper antivirus followed by a two-factor authentications and a system hardening where we are proper managing the patch management and software defense and IDS, IPS and malware thing.

And there is a security operation center. It is 124 into 7. It is not a man-based. It is completely again technology-based. So technology-based alert system who can fetch management, it is a threat intelligence system. Those are keep sending the, collecting the logs and sending to the appropriate person so that we can take action proactively on that particular site. And it is last but not least, it is an ADR, endpoint detection and response system. So we are detecting the things and system automatically start healing themselves.

For application perspective, we are also doing a lot of audit and all such things like vulnerability assessment and penetration testing, such kind of thing, so that we can achieve a high grade of security things. So by putting that particular slide on that particular time, I can say so far our systems are not compromised in any means and any way and means. There is no single attack, reported attack to our system so far. So, that is it from my end guys. I just want to show few screens so far, so that you guys can connect how deeply we can or how quickly we can access the data. Just I am going to take one five minutes of yours. Is it switching?

Yes. So, I just log in to the core ERP system and it is 100% real-time and it is showing our transactions of today. I am calling as a CSO. CSO is our field or loan officer and it is a live dashboard. It is a 100% live dashboard. How much on a deep level we can dissect that information in the lower bars it is showing a collection versus this collection versus demand for today and upper it is showing its disbursement as well as collection and demands thing. And that data is a 100% real time basis.

So every two minutes, we are refreshing the data, it work as a Cricinfo, as you are getting the commentary for a cricket, on the same manner, we are going to get the information here. I am just drilling down one information, just I am taking an example, one of our business head, we are drilling for a regional office, now I am moving to the branch, okay, these are the branch, okay, I am going to click on the branch, now these are the loan officer. So we can quickly dial a number of this loan officer, okay, why that collection has 90% so far, so he can take that particular thing. And while I am going to click on that, we can fetch the client's detail for that particular thing.

I am moving to the next screen. So all the information can dissect, bisect at the last level just for the, if I want to fetch some information at the regional level, branch level or a state level, so we can do over a circle level for that particular thing. It is a, we call it as a funnel. So here is a, what exactly a registered application for a MTD so far, credit bureau followed by a next step and then sanction and disbursement. If I want to, for example, just want to show, I want to fetch for one branch, just click on that particular area and it's in front of you. So how quick we can fetch or dissect, bisect real-time based information.

I want to show few more. That will going to take around 15 seconds. Why it is going to take 15 seconds? It is a location dashboard. I am going to fetch a Lat Long of each of client of ours. Means we are fetching a data of 30 lakh clients of ours and it is going to plot over the India map. So it is going to take 15 to 20 seconds for that particular thing. And again we can filter out that particular thing on a region branch and a circle level. I want to show that particular thing overall. Network is weak. So as a lot of data in processing, so we need a strong network for that particular thing and as I have admin access, so I am going to fetch 3 million around 30 lakh client's data. So it is taking time. Let me switch over to the next one. Then I will come back on that particular.

So it is an operation dashboard. It is a complete dashboard of ours, so all the information, we can dissect by putting a filter again and it is a company's pan India data and it is region wise or cost wise or cycle wise available and followed by a state penetration as well as collection versus demand, complete 30 days rolling collection versus demand.

So I want to show one more. It is a branch hygiene dashboard. So we can access any branch and we can in a single snapshot, we can get the correct information about the branch on a single click. So, what exactly I have loan load on that particular branch, things are doing a day end on the time or not, meetings are happening on the time or not and a lot of information and all the information are drillable up to the client.

So, I am going to click on that particular thing and lets move to the next level. So, all such things are all information that we have. So, that is it from my end. So, I hope I covered the things. Thank you. So, you can switch over the screen, presentation screen.

Shweta Bansal: Our next speaker is Mr. Dhiraj Jha, a Financial Risk Management Certified Risk Professional with more than 18 years of experience in banking and finance functions with organizations like State Bank of India and Allahabad Bank. Over to you, sir.

Dhiraj Jha: Good afternoon, everyone. So, I will start my discussion with the first line. That is the key to risk management is never putting yourself in a position where you cannot live to fight for another day. This is the essence where you have to survive. As our Mr. Singh has already explained that over the period from the 1996, he has tried over the different challenges over the institution and this is where the effective risk management plays a role.

Next slide. Now just I am giving a brief of our business model. That is basically we originate, we create a portfolio, we let it mature and some of it is being transferred to offload to the other institution and some is on our books. So accordingly, based upon the work, the business, for where we are placed, either it is origination, maturing or transferring, the risk has been mapped accordingly and being calculated through with the effective IT system in a manner that is there.

While originating the portfolio, we check the risk onboarding of the customer that is with KYC default risk, then environmental risk is at the branch level, transparency and basically then at the back office, we simultaneously calculate IT risk, funding risk, model risk, liquidity risk. So what I mean to say that all factor of those risks during the life cycle of the borrowers is that early warning signal whether the center is going to be deteriorate in its portfolio in quality. Then transition risk will be there whether the customer will be have more propensity towards default, concentration risk where higher concentration will be a particular district and then there is a life cycle value of the customer, whether the customer will move to the next cycle and next cycle and next cycle and being high profit profitable for the organization.

So these are the risk, we measure on a day to day basis and next slide please. This is where, we have utilized the analytics model and our strong IT base as the core of our strength and the statement of Peter Sondergaard that information is the oil of 21st century and analytics is the combination in here. When I say this is how we have taken forward the risk and process together to make a meaningful or you can say automated decision making system.

Next slide. Basically we select the geography and borrower selections at very deep down and very effective mechanism, early warning signal is there, then we measure our liquidity position on day to day basis in an automated way and system generated report is there. So, we can take a call, how to grow in the next, for the remaining period of the month or for the remaining period of the quarter. Then there is a credit loss forecasting, this is basically where we measure our, what are the expected loss over the portfolio.

Then there is environmental changes and our portfolio loss. That is unique to the satellite. We also measure how, whether if it is the rainy season, how our portfolio is going to be impacted. Or if it is the probability that there is a, suppose if our branch is or our portfolio is located in a particular area, where there is more chances for heavy rainfall, then there will be flood and flood related loss to the portfolio will also impact has been measured and our capital is being provided accordingly.

Next slide please. And this is where we are, in next 12 to 18 months, we will be doing all the either budgeting or selection of the geography and all requirement of the IT or fund HR and MIS reporting in a thoroughly integrated ERM framework that we will be explaining in the next slide. We have already achieved significant milestone in these things.

Environment as you see, environment has been the part of our decision making from the day one and we are one of the first entity in the industries to have integrated the ESG model in our ERM framework in a quantitative measure. That means, we measure how the flood or tsunami or earthquake is going to impact our portfolio over suppose next year, next two years to three years, next three years to five years.

Next slide please. And this is how, but for the growth, we must have the necessary capital and based upon the forecasted 25% plus growth for the next five years, this will be our capital level against the required risk capital as mandatory by the RBI. So we have never gone below 25% over the period our capital position has strengthened and these are the risk capitals that we considered while preparing our internal capital assessment.

And one thing I would like to add that we measure this internal capital assessment exercise on a quarterly basis and on quarterly basis, we measure how our capital has moved and how our risk factor has moved. This has been first of its kind in terms of that we have measured quarterly and we all not only measure quarterly, we take decision accordingly and this is where we are different from the other NBFC, we can say.

Next slide. This is where, this has to be associated with the audit. We have in fully independent audit system, our internal audit system 100 odd team is there, who looks after the branch, we cover 100% of our branches on every quarter. It means our branches got audited 4x in a financial year. And this, a scope of our audit is basically customer related, that depends on the KYC documents, center visits, statutory compliances, feedback from customers, internal processes are also covered and the audit selection of the branches or the accounts has been based upon a various statistically methodological sampling of the accounts.

And we have very robust system and we are also utilizing the dynamic factor based upon the perceived risk that this department advises to the audit and we are now, it is moving towards integrated approach for the risk and audit as our IT head Mr. Sunil has already explained. We have also integrated the early warning signal along with the auditing, where the auditing will prioritize the audit of those branches which are expected to show some signs of delinquency.

Then we are, in coming days we are migrating towards a system based offsite audit, where we will be more efficient and system based where the audit points will be checked by the system itself. Next slide please. This is basically we practice because risk is basically, we perceive the risk, we measure the risk and we prepare for the effective risk management process and to ensure that, any black swan event don't disrupt our growth path. That's all from the risk team.

Now, I will welcome Mr. Subir sir, who will take you journey through.

Shweta Bansal: Mr. Subir Roy Chowdhury, the Chief Human Resource Officer holds a vast experience of 23 years in HR function. A Gallup certified strength coach and a CII certified HR assessor. He is a part of the CII HR committee and member of National Human Resource Development. He has been associated with us for the last seven and a half years. Over to you, sir.

Subir Chowdhury: Thank you, Shweta. Good evening, ladies and gentlemen. So, we all talked about technology, but I think all of you understand people is also very important part of any business, right? So, quickly I will take you through the achievements of HR over the last few years. So, let us start with the first slide of what we have achieved so far and what has been the most significant achievement so far in the last one year or so. So we were ranked number 30th by Great Place to Work among the top 100 workplaces in India.

We were one of the best 25 workplaces in BFSI. We were the best in MFI. We were best workplaces for innovation, and we were also best workplaces in the millennials. So that has been something which we achieved last year. Apart from that, our CMD started to achieve the most, India's most trusted leader award conferred by Great Pace to Work.

Now, what has been the journey so far on this? If you see, we started this journey in 2017 of course, we did not get qualified for the first two years, then of course we get qualified in 2020 for the first time, then second time in '21, when we also got among the top 15 BFSI and the best in MFI. In '22, we were ranked 38th among the top 100 workplaces and of course as I said we were 30th ranked last year and we got all these awards in last four years or so.

Now how has this been so far you know? If you see the details of the journey, if you see that, these are the five aspects on which we were judged by Great Place to Work and this has been our scores over the last five years. We have, if you see, the trust in the score is all about those five parameters, and it talks about how people talk about the organization. And we have moved from a score of 81 to 93 over the last five years, which is a significant improvement over the last five years, and a continuous improvement.

About the culture of the score, we were from two, we have moved to 3.5 on a scale of 5. This speaks about our practices and policies that we have in HR. So let us quickly dwell upon what are the practices and policies that we have in HR. So our HR cornerstones, we have four cornerstones, 90% growth, learning and capability building, employee well-being, and of course, cultural trust and pride which has formed a DNA for us. And we, all 11,500 people of ours resonate with the fact that, they feel that they are proud to be part of this organization.

So, of course, these four cornerstones are driven by 4P agenda which is people, process, policy and practice and I will quickly take you through these four agenda. So as you see on the merit of increasing growth we have very well defined FOS, growth by FOS and BMs which Anil touched about. We have quarterly reviews for every senior people. We have monthly reviews for every FOS. And most importantly, 80% of our positions are filled up internally.

That speaks volumes about the capability building that we have done over the years. We have also a talent management process for all senior management people. We have a 360 degree appraisal process for everyone at any level and above. And we have a annuity program, which is called Young Leadership Development Program where we induct MAs and MTs every year. On the employee well-being, we have a very well drafted staying and food facility for every FOS that we have almost 8,000, 9,000 people in the field.

We are very well drafted, very well taken care of policy out there. We do mental health sessions for our employees on a regular basis and we also have employee children grants for people who are deceased with us. We have tied up on the inclusivity topic, we have tied up with a company called Value for Women and we are doing a lot of work out there. We have starting this for women employees, we are extending maternity leave, we have paternity leave, we have sabbatical policy and we of course are an equal opportunity employer.

Sunil showed the slide that the concentration of people that we have in the organization. So that's, yes. On the HR policies, we are probably one of the first companies in the BFSI space who has a model standing order. This is applicable for factories, but as a BFSI, we are one of the first companies to do so. We have Satin Sahyog, which is one of our best policies, probably the first ones in the industry, where people who have died in harness are taken care of, their families are taken care of, whether it's family pension or education grants for children, or even a job to the employees have been taken care of by us.

Satin Suraksha is a complete medical coverage policy for everyone. Atoot Bandhan is a 24-hour helpline for all our employees. Employees can call up and, the call directly goes to the HO and we have a TAT to resolve the claims for the calls. We have a dedicated FOS committee. We have loans and advances for everyone in the organization. We have internal job posting which fosters, growth for people and cross-functional exposure to people.

And, of course, we have very, very well defined recruitment and comp policy. Some of the key HR processes, HR automation Sunil spoke about, so I will not dwell on that. Payroll and compliance, 100% compliant on our all labour laws. We have introduced NAPS, National Apprentice Program. We have the most, and most importantly, we are 100% compliant on minimum wages.

On the recruitment and onboarding, we ensure that every person that joins the company, whether it is FOS or to the senior management, their background verification check is done, whether through Equifax or through a third party. We have online performance system for everyone in the organization and we of course, rate our HR team on a monthly scorecard basis and we have a very well defined manpower planning and budgeting process in place, we reviewed every quarter and 100% of our employees are on rolls.

On the key HR practices, we have regular engagement programs which we actually conduct for everyone in the organization. Whether it is the FOS in the branches or in the corporate office, you have continuous engagement programs. We have a variable pay philosophy. We have instant loan that we spoke about. We recently introduced a concept called eGurukul, where we are imparting BBA and MBA education to all our employees.

People who want to pursue higher studies, they are actually enrolling, and we are tied up with a university called Shoolini University, which is ranked the number one private university in India. We have been doing great place to work assessment for the last six years. Com survey we do every two years. Leadership training programs is on a continuous basis.

And of course, we do promotions. For every internal promotion, there's an assessment center that happens, and everyone is actually led through an interview process, then only gets selected for the next level. And we, of course, do our employee satisfaction survey every year. Coming to some organization demographics, very happy to share that, our average tenure of people at the middle level is 6.4 years, people at the senior management is 5.4 years and at the FOS 7 is

2.2 years. If you see the tenure of people reporting to our CMD, sir, is 7.9 years, almost 8 years.

At the same time, people reporting to the CEOs is four and a half years. If you see, we spoke about internal promotion. It's around 79% internal growth, and we hired 21% from outside. If you look at the diversity, there is a room for improvement out there, mostly in the regional offices, because the nature of our job doesn't permit us to probably look at employing females, but we are working on the value for women and we want to increase there.

Our corporate office, if you see, it is a healthy concept, 80%- 20% out there. And if you see the leadership, the grid, we have almost 80% people, who are at individual contributor level, probably a perfect pyramid that any organization would like to have. 19% managers and 2% at a senior management level. So we touched upon the technology. These are some of the modules that we already developed over the last three years or so.

We are completely on app, on digital app. So everyone can log in through the digital app and they can actually see whether their pay slips, their attendance, everything can be seen on the app. Our recruitment, onboarding is online, attendance is online, employee sales service that we spoke about, performance management system is online. We are probably one of the first in the country, in the BFSI space, who have launched an Alumni portal. So what that means is that, everyone who leads the organization, their records are there throughout their life.

They can log into the system and they can fetch the records at any point in time. Whether if a person has worked for 10 years, his 10 years payslip, his 10 years increment letters, whatever is there, a training certification will be there in that portal. As I said, we have zero compliance on all the labour laws and compliant. If you look at the attrition, we have done comparatively well than the industry, while there is also scope for improvement.

If you look at the industry, industry is at almost 60%, 61%, we are at 50%, but there is a scope for improvement, attrition has been going higher, as you all understand, the grade designation has not only impacted the IT industry, but has impacted the MFI industry also. Yes. So training forms a very important and integral part of our business as part of our people philosophy. If you see induction happens for 100% of our people, people induction is for 21 days as CMD, sir, also pointed out, six days is on classroom and then followed by 15 days in the field.

We do corrective training, we do refresher training at regular intervals and we also do upscaling and promotional training. That means everyone who becomes a BAM or ABM, they are also taken through a training program. We have already -- we do a lot of leadership training programs, this year itself, we have already done, we already have 96 people, who have already gone through leadership training programs.

And the best part of it is that, probably you will not see in MFI industry, the average mandate days for training for us is around eight days per year. So we invest a lot in training our people because capability building is one of our very important key drivers for us. So that is from my end. This is some of the brands that we have associated with over the years. Thank you very much.

Shweta Bansal: Our next speaker, Mr. Jugal Kataria has a total experience of 32 years and has been associated with Satin for 23 years. As the group controller of the organization, he looks after the entire finance and other related functions of Satin and its subsidiaries. Mr. Kataria is a part of the industry forum, MFIN, as a member of the enforcement committee and credit bureau task force. Over to you, sir.

Jugal Kataria: Thank you, Shweta. Good evening everyone. Before I start talking about some of the financial performance of the company, let me introduce you my colleague Mr. Manoj Agrawal. So, Manoj is a new colleague joined about a month back as Deputy Chief Financial Officer. We have already reported to the exchanges as part of our succession plan for all the key positions. We have taken this call, Mr. Rakesh Sachdeva, our present CFO, will superannuate on 30th June, 2024 and then Manoj will formally take it over after that.

I am very sure that our team will further be strengthened with his addition to the team. He has worked with JP Morgan Chase and ICICI Bank for most part of his long career. He is a Chartered Accountant, merit holder by profession. Thank you. So you have heard all my previous colleagues talking about the business, technology, other aspects. Business has improved over a period of time, post July 21 quarter-on-quarter on all the parameters, disbursement, collection, portfolio quality etcetera.

And this is the summary of our performance for the last four quarters. If you see on all the important parameters, the business has performed well and improving and last column is showing the journey for rolling four quarters. Our names are broadly stable at 12.48%. Operating costs is about 6.13% and improving quarter-on-quarter. Loan loss ratio is close to about a little over 1% and improving.

ROA is broadly at 3.66% and ROE of 15.77%. We are broadly three time leveraged and cost-to-income of 49%. So, all the numbers are improving progressively on a quarter-on-quarter basis and the new portfolio, as we have depicted has performed well. Our performance on the overall portfolio quality during COVID and after COVID is much better than the overall industry average and it has now started reflecting in the overall numbers.

Talking about some of the other important numbers, this is on overall portfolio quality for the last four quarters and the ECL provisioning that we have made. So, overall, GNPAs have come down from 3.9% to 2.5% over the last four quarters. And NPAs are 1.1% and this is without an exception, including all the portfolio pre-COVID, post-COVID, and all the geographies without an exception.

We already disclosed that, and then some of my previous colleagues have talked about the portfolio quality of the portfolio that we have created post July 21, where PAR 1 is 0.9% and PAR 90 is 0.5%, which is much better than the industry average. Our ECL is quite sufficient. It is being validated by one of the big four consulting firms. It is much above the overall RBI requirement that we are expected to make provision on.

We have collected 48 crores out of the write-off pool during last financial year and about 9 crores this financial year and we are still expecting some collections to come from a Assam government because of the challenge in the state of Assam in view of the MoU signed with the government. So, all those things will further help us to report better numbers in terms of portfolio quality and ECL over a period of time.

Talking about capital adequacy, you know, we are well capitalized with present capital adequacy of 25% as against 15% required as per regulation. For the last five years, we have always remained above 25% capital adequacy. As a policy, we want to remain at all point in time over 20% capital adequacy. We have raised capital as and when it is required for growing need of our business and for our subsidiaries.

And then we will further raise the capital in the best interest of the organization and our stakeholders at an appropriate point in time. This is about rating. We have got ICRA A minus stable rating. We have got C1 COCA rating, MFI grading of MFI 1 and CPP rating at gold level. C1, MFI 1 and CPP gold level are the top notch rating in their respective categories. So, on the overall liquidity and fund positioning, we have raised about 31,000 crores in the last six years and one quarter.

I have absolutely clean repayment track record since the beginning of our company for the last 33 years. This financial year, we have already raised about 25% of the money in the very first quarter and first quarter is generally the lowest, but as per the budget, we have already tied up 25% of the money and there were further sanctions of INR897 crores in hand as of 30th June. 81% of the money was raised for the on-book borrowing including term loan and PTC and 19% was through direct assignment transaction.

There's no ALM mismatch. The average maturity of assets is much lower than the average maturity of liability. The overall cost of fund I will talk about, but the increase in overall cost of fund is lower than the overall increase in the base rate that's the overall hardening that has happened because of the overall ecosystem and we have raised money through multiple products and multiple lenders, which includes public sector banks, private sector banks, foreign institutions, DFIs, etcetera.

So at present, we have about 70 active lenders. Top 10 lenders have given us 60% of the money. The marginal cost of borrowing is about 11.7% right now. The top 10 lenders have a good mix of public sector banks, private sector banks, foreign institutions, DFIs, etcetera. And we have a good combination of various products of term loan, PTC, NCDs, direct assignments are broadly at 25% and then we have raised money primarily from banks, NBFC, DFIs and other institutions including overseas fund.

As I mentioned earlier, there is no ALM challenge. The static ALM is showing a very comfortable position over a period of six years. The liquidity coverage ratio is at 103% as against 60% statutorily required at this point in time. So, we are well under control in terms of ALM. This has already been covered by some of my previous colleagues. So, we are a compliance focused company. There is no non-compliance with regard to various regulations being a listed entity regulated by RBI, etcetera. We give a lot of importance and weightage and there is zero tolerance on non-compliance.

We have integrated LOS, LMS and accounting ERP system in place. ECL calculation is totally automated. We have in-house treasury management system. We carry a lot of liquidity. So, these software help us have very effective control on the overall money that we manage. We have a robust expense management and vendor payment system, exceptional reporting from MIS.

Sunil mentioned 98% of the vouchers are straight through process where there's no intervention in terms of reconciliation, etcetera. And most of the reconciliations are done automatically. So, this is broadly on numbers. We disclose our number every quarter and host a call and explain that to all the stakeholders. With whatever you have heard so far from all of us, we are all set to achieve our guidance that we have already given for FY24 of 25% plus AUM growth and 3.5% plus ROA. I would not request our Chairman to please join us to present our report card on various parameters.

HP Singh: Thank you. Just for everybody's consumption, just a brief, since we have discussed a lot of things, these are the numbers. So, are we doing it right? For us, the idea is that, is our disbursements. So, if I can tell you, probably lending is all about acquisition of a customer, which is disbursement, collection, which is again a mechanism and the back-end process. These are all three things which you look at.

So, we are now focusing on acquisition of new clients. And if you can look at the graph, basically the year-on-year change, quarter by quarter I think there is a consistent growth which goes forward. Are we looking at the right quality? As collection efficiencies and everybody talked about our PAR numbers, I think this is where we stand. GNPAs have started to come down and they are there from the peak of COVID where it was.

This is being discussed, basically I do not want to repeat it again, we are probably doing it right. This is where our thought process is now working out. The operational efficiencies are slowly measuring out in a stable environment as such. From our opex from 6.96 we are down to about 5.81, cost-to-income ratio is about 48%. Now the AUM per loan officer again in efficiency, optimized liquidity with the statutory norms of qualifying assets being there. I think we will have to treat it on some of our liquidity in terms of to qualify the qualifying assets normally.

And this is what we want to look at for the next five years. I think this is something which we want to do it. So, in terms of our guidance which we gave it for this year, I think if the stable environment and the environment remains stable, that's the disclaimer I just want to use. So, this is what we want to grow 25% plus year-on-year. NIMS, again in the same range as such, in terms of how we are able to get the revenue inside the company. Cost-to-income ratio, again room for improvement, definitely with optimum efficiency, credit cost and everything petering out.

I think for us the idea is to reach about 40%to 45% and that is what our broad range is where we want to reach in the cost-to-income ratios. Again, opex, the idea is to bring it down from the levels where we are right now, down to about 5% to 5.25%, that is what the range bound which we are looking at and ROA again, right now we have given a guidance of 3.5% plus.

We have done better than that in the first quarter, average about 3.66% is where we are right now. Hope to have that and emulate that and reach probably about 4.5% to about 5% in the next five years. ROE, again a function of what ROA and what it is all about. I think, you know, I want to reach where I think it gives actually equity impetus to our stakeholders to really look at about 23% ROEs based on that.

Capital adequacy, as mentioned, last five years it's been about 25%. We want to not go below 20% and by doing so many rounds of capital, I think we have the ability to raise capital at any point of time, I think we have the ability to raise capital at every point of time whenever the business requires to be raised forward to. And debt-to-equity again, for us, we are right now at about 3x. We can leverage the capital more further and be there at about 4, 4.5 in the next five years or so.

So, this is what we want to look at as our outlook and wanted to share with you. Basically, this is what we feel that we will be able to achieve in a stable environment going forward for us. I think ESG, Aditi, you can take over. This is your favorite topic. I think this is becoming favorite for everyone. I think you can take over.

Aditi Singh: Thank you. So talking about ESG, so, of course, we are a responsible organization. We talk about sustainability, inclusion, impact. And it is never complete unless it is self-sustaining, which we are doing with our financial performance, but I would also now like to run. So, what happens is usually the likes of us in ESG space we say we are S or the social aspect which is more heavier, but here also as a responsible institution what we are doing for the environment, so we are going above and beyond whether it is the green building that we are having, whether it is the impact or the green loans that we are funding, the paperless branches. Thank you Sunil for the digitization that we are having.

So, we are actually also trying to do our bit on the environment front. So, we are of course, if you can see, instrumental in reducing almost 45,000 tons of carbon dioxide emission that is through the impact financing that we do. We are also registered with the UNFCCC Clean Development Mechanism Program, again being the only institution, the first institution so far. So, that is how we are actually trying to do our bit as an environmentally responsible institution.

Talking about the social aspect, of course, the very, I will say element of our business is we cater to women. They are based out of rural India, maybe they are not the most literate, maybe they are not the most richest, but of course they have ambition. So, we are actually taking every box, whether it is the BPL category, whether it is the religious minorities, whether they are caste-wise backward, whether they are geography-wise backward. So, these are the people we are catering to and when we say the 3 million households, it is 15 million to 16 million lives we are touching and that is the fortune that we have while working in this sector.

We also get the impact studies done. So, whether it is from cities, whether it is from 60 DB and always the results are very encouraging and which make our resolve even stronger to serve this sector. Talking about of course, it is never complete without the right governance. So, here also we have been 100% compliant. I will leave it at here.

And now of course, SDGs are the core of our business, what we do, and we take it very seriously and as you had seen that even in our risk analysis, we have actually ingrained ESG as the core while assessing the business group. Some of the awards that we have done, so whether it is for education and employment creation in the country or in the technology front is how we have actually evolved as an organization. Then of course, as they say in Hindi picture abhi baaki hai mere dost.

So, while we have spoken about SCNL, which is the listed company or the parent, I also briefly mentioned that we have two subsidiaries and many of you we keep meeting one on one and we tell you things about them, you ask questions, sometimes we say we will get back to you. Today we have the people who are running these shows among us and I would first call my colleague Mr. Bhuvnesh Khanna who is the CEO, who is not the CEO yet for SFL and he will tell about our MSME vision and how we plan to take it forward. Over to you Bhuvnesh.

Shweta Bansal: Mr. Bhuvnesh Khanna is the President of our MSME arm, Satin Finserv Limited. Mr. Khanna has worked with leading brands in the banking industry including Kotak Mahindra, HDFC Bank, Deutsche Bank and HSBC. He has also held pivotal positions across multiple markets such as India, Hong Kong, Shanghai, Bangladesh and London. He has a total experience of 25 plus years. Over to you, sir.

Bhuvnesh Khanna: Good evening. It is my pleasure to introduce the SME business to you. Before I get into the macroeconomic environment and the demand, first question is why SME? Why do we want to be in SME and what is the right to win in this space? So, as you would all be very, very conversant with, acquiring customers is the most challenging aspect in this space and once you've got customers and they've done two cycles, three cycles of loans with you, what happens after that?

As the requirement and the need grows, they will try, they will have to move out at some point in time when you cannot meet the needs. And then they'll again go back to the informal lending environment, back to where they started from. So, that is where we come in. It's a part of our journey of customer life cycle management. So, if you look at the whole universe, and even we talk of very large, the whole industry talks of really large numbers in terms of having almost 60 lakhs crores of unmet demand. But we won't start there.

Let us start at much narrower space where we are directly meeting the needs. So, if we just talk about the MFI lenders in India, 218 of them, with a customer base of 7 crores. If you look at these customer base, all customers will at some point in time migrate to larger needs. We focus on what we call the two cycle plus customers, which means customers who've already gone through two rounds of loans with the MFI.

Now, if you just look at that base, and our base is roughly around 40% of that number, based on our ticket size of two lakhs, that itself turns out to an opportunity of 6 lakh crores, right? And another 8 lakh crores will come in as the other customers who are not yet 2+ plus mature to a 2+ cycle soon. So, in itself that is a huge opportunity. What do we do? So, in terms of our products, we focus on the micro MSME segment.

Our loans are for income generation activities for working capital, 1 to 3.5 lakh up to five years. Some of the examples of the segments we lend to. So, again, just to understand we spoke about the space where we lend to. Now, it's really, as I said, the micro portion of the MSME. So, how do we lend to the space and how do we do it successfully? Again, linking in our strengths.

So first and foremost, as we said, it is secured. These customers, since I spoke about two-plus cycle, they already have a good credit history. Now, when we look at these customers, typically you will not have too much banking data for them or income documents, but we've built our own analysis in terms of studying the cash flow in terms of what we actually see over there and we have a centralized system based on score cards, which works in around 31 parameters, which has been refined over a period of time to arrive at something where we know we get a robust mechanism.

Very interestingly before any disbursement is made, we have three levels of checks. So, first the sales person will go in, he will do the verification, post which there is a credit team which does the field investigation and after that we have a third party vendor which also does the check. So, just to try to convey to you the fact that in this segment there are lots of checks and balances which are built in to ensure the right credit quality and finally the industry segments we are focused on are built around essentials.

It is very important when there is downturn which industry segment we are focusing on. We incorporated in 2018-19, we started our business, four years of profitable operations. We spoke about the merger of the two subsidiaries previously. Currently, this is the AUM INR650 crores of which our SME book is around INR250 crores. I spoke about the credit-tested products and writing process. Two things extremely important here.

As we scale up, and we'll talk about how we're planning to scale up, the focus on people front, getting the right hiring, doing the right training, managing attrition, extremely important as we scale up and we cannot underestimate the importance of strengthening governance. So, before we scale up we are really working on enhancing our compliances, internal audit etcetera. What will make us succeed in this business?

Again I repeat the 2 plus cycle of customers, they already have a established credit history. The key parameter PAR 90, less than 2.5% for our small ticket loans, we source directly in the field, that is extremely important to maintaining the quality of our customers. Digitization, which our colleagues spoke about, that really helps us reduce the TAT and improve the efficiency of our sales force. And our diversified, even with a small AUM today, we are diversified across 10 states and will further continue as we keep growing.

We've spoken about the importance of collections and we do it, we've got a separate team, so soft and hard bucket, and given our structure is secured, we have good resources in terms of recovery. This is the most important slide on which I want to spend some time. I started with talking about the 7 lakh customers across the MFI, 7 crores customers across the MFI base, and the opportunity of 14 lakh crores. Look at us in terms of an immediate opportunity. So, a parent has about 30 lakh customers, right? Of which we are talking of how much of them are 2 plus cycle is about 12 lakh customers.

Now, if you just look at this 12 lakh customers and how many of these customers are actually wanting or needing to move to the next level. Every month even if we are working number of about 30,000 customers in a month we are talking of 600 crores portfolio sitting there for us on a monthly basis. And this is a part of life cycle management journey, which is where you see the subsidiaries coming in.

The customer comes in as the parent, does a couple of cycles, his needs grow, we come in with the financing for the next stage. So, that is the huge opportunity which I have the pleasure and the honor to be able to lead the company through. Some numbers which you all would have seen in the March data, which is already there. I would rather spend some time over here. So, if you look at in terms of what we want to do and this is the opportunity. So, 600 crores is sitting there. Why don't we do 200 crores, 300 crores a month? Right now we're doing around 15 crores a month.

We, as I said, we're putting the whole infrastructure process in place. We've tested our product now. You saw we've had four years of operation. It takes us three years to go through the whole cycle of the products we've built. Now we know which of the products are really scalable, which have the best performance, and we are now on the journey to grow 60%, 70%, 80% and stabilize it around 50% and the parameters for the group, we are operating within the group parameters which have been set with this for capital adequacy, all of them. Thank you, I will hand it over now to my, let us say my twin for the next business.

Shweta Bansal: Now I like to welcome Mr. Amit Sharma who is an expert in the housing finance. He has over 22 years of experience across the BFSI sector both in domestic and international markets. He got associated with Satin in 2017 to stir the housing business in the rural market. Over to you sir.

Amit Sharma: Thank you Shweta. Good evening, everybody. Well, as I always say that creation is the best feeling and sharing it with such a lovely audience is also quite good. So, I have the honor of representing what Satin Housing is all about. So, when we were forming this company, the only thought that we had was we should hire because I feel that company is all about for the people, by the people and of the people.

So, we thought that the only asset that we can create is that we should recruit the right kind of people. So, when we formed Satin Housing, we invested into the people, process and policies and then actually we started the business. I think this thought has paid us nicely to us and the entire submissions of what we are today is because of the strong management team that we would have built up since the inception.

Some of the important highlight points for Satin Housing is that maybe because of the credit quality that we have built up because we were very clear that the foundation needs to be on the quality rather than the quantity. So, we invested a lot into that. And I think these are certain things which speaks of that because we were one of the few companies which have got a National Housing Bank refinance in just 18 months of operation.

So, which was quite a good achievement for us. And then we have a very diversified borrowing profile. We were able to get in a lot of these top public sector banks also at around five years of operation basically, maybe because of the credit quality. Since we invested in the first point, so these are all the byproducts of the first point, which is like we are a zero non-compliance company as of date.

We don't have any restructured account in spite of testing the COVID cycle. We were a nil NPA company until four years and maybe because of the RBI guidelines and since we are serving to the lowest end of the pyramids, those people have certain problems if they go on to higher buckets. So we have a very marginal NPAs in the five years of operation.

Since we are into pure retail funding, we don't have any willful defaulters or large defaulters. And this is the last point, which technically should have been the first point, is that this is the sweet spot which we are going to target over a period of time for building our business. So we built up a high-quality portfolio of around INR45 crores with a ticker size of around 3 lakhs, average lending rate of around 22% and LTVs of 30%.

In spite of testing the two COVID cycle, I think it is a zero NPA portfolio which has given a lot of confidence that this is the market whereby we can balance our portfolio, yields, returns and other things also. So when we were building up the business, so we thought of certain things which were very, very important for us to lay the foundation. So we followed the three C's of credit in the true sense, not that most of the players must not be following it, but I think we followed it in a very strict sense.

So we said Character, which in technical terms means banda, which means if the guy is good, that is the first point for us to take care of lending to him. Then the Capacity, so we emphasize a lot on the cash flows of the business. And third is the Collateral, because we are a company which has got surfacing. So we do not do any properties which do not have a legal title.

So these are the three important Cs which we have followed in a very, very strict manner and because of which the portfolio quality is pretty good. Then of course, we have certain business building themes which I call as a business building blocks, whereby we emphasize only on the direct customer acquisitions over DSA account was practically nil. We never focused on that.

We have 100% retail home loan books and from the day one, I think, thanks to the promoter also, they supported us. We invested into the IT, so all the LMS and the LOS process were automated from day one. So, I think we have a seamless process also from day one and apart from that now the internal team is making our software. It can be more customized also.

Any business have concentration risk, so we try to basically de-leverage the business and hedge it naturally by de-risking strategy. So we have a decent amount of portfolio into rural markets. We are spread into semi-urban and we are also there into urban markets. And what we have not done consciously and what we will never do over a period of time is we do not do any builder financing, we do not do any approved project financing, we do not do any high ticker funding, we do not do any big risk lending and we do not do any investor financing.

So if you have two flats and you are coming for another two flats for financing for us, we are not going to do that. So it was a very, very conscious call and that proves all of these combination I think reflects on the quality of the portfolio which is there in the numbers also.

Then of course, there is a natural hedge because we are doing into various markets. So, middle income customer will come, then the high income and then the lower income customers will also come. We have a customer segmentation also I would say that 50-50. So, 50 is divided into self-employed, non-professional, which have a decent part into rural entrepreneurs also and the urban side also. And then we have a salaried customers also.

So I think the portfolio is also based on these various parameters. Now these are very, very important points which we have followed as a credit principles and we have not compromised on that and because of which maybe the opex was a little bit high for us, but we invested into that. So when I say that just to give you an insight, so what we do is we have a physical branch model.

So we feel that a customer connectivity is very, very important because we are working into assessment markets. So we have a branch network which is catering to a customer base of around 50 kilometers from the branch. So, we do not do lending to 100 kilometers customer away from the branch which gives us a great connect with the customer. Then we hire the local experienced credit professionals with a mandate of not more than three physical PDs in a day.

So, we do not believe in five PDs or six PDs in a day because that gives them a good insight into understanding the business also. And we never hide the what we call as pressures, maybe because of the cost burdens, because we wanted our money to be given by experienced people. So, this has paid us nicely. Then in the case of Satin Housing, even if you are a banking customer, the physical PD is mandatory.

So, this gives us a lot of insight into the banda first and then the business on the second side. We never believe in LTV funding. So, cash flow assessment is an important parameter for us to give the loans. Obviously in these markets, maybe because of the number pressures, people may go overboard on the FOIAs and LTVs, which till date we have not done and we have a system of a graded FOIA. So every customer depending upon his earning abilities may be eligible for the right kind of credit. So we do not go overboard on that.

Then of course checking the borrower's work experience and funding to the end users is a very, very important criteria and monitoring of the end use of the fund though it is difficult, but still if you are on the physical PD platform you are able to assess those things. Woman borrower and co-borrower mandatory in the case of rural and we also emphasize in the case of semi-urban and urban also.

And one thing that we have seen after financing all these rural customers is that they do not know what is the right kind of credit also to be taken sometime and we have to limit the EMI burden also depending upon their earning abilities. So, what we have analysed is that if you have not exceeded INR6,500 for a 5-year loan in the rural markets, we have been pretty good in terms of the portfolio performances.

So, these are certain important parameters which we have practiced actually in the business and we are not going to compromise on it. Then of course, it is like roti, kapra and makan. So we are on the housing side. So there is a lot of macro environment and regulatory support also to push housing because I feel housing is not only purely business, there is a social cause also related to that.

So, off late I am sure most of you must be aware that government focus is also for housing for all. So, they keep on giving lot of these subsidies and other things. So, that is there which is going to increase the pent-up depend apart from the IT relaxations for the first time home buyers. Of course, there is a huge demand and supply gap in the informal segments and in housing finance sector there are entry barriers also.

So this may give us a lot of later demands also for our business. Business leveraging potential I think it is a combination of two. So we have an outside opportunity which is few lakh crores. And then we have an inside tapping potential from the Satin Credit Care graduating customers for INR3 lakhs and above.

So, we are good enough for our growth, internal and external both. These are very self-explanatory numbers. So we are a INR500 crores company right now with a net worth of around 146, a PAT of around INT6 crores and a GNP of around 0.27. So this is the bus point on which our focus will always be there and we will always be a credit-driven company rather than a sales-driven company.

Now what is the outlook for 5 years? So we are saying we are going to grow at a pace of 50%. The market average range from 15% to 30%. But what I feel so is that apart from the market opportunity, the inside opportunity is going to balance this extra growth for us. So, 50% is what we are looking for.

Net interest margins because of the home loans, we are going to be in the range of 7 to 7.25. Cost income ratio, obviously as the economies come, is going to be reducing trend. Operating cost is around 4% on the higher side, 5% on the higher side. Credit cost, obviously, we are going to be very focused on that. ROA around 2.5% to 1.4% to 3%, it will range over a period of time. And we have a healthy ROE around 10.5% to 15% in affordable space. Then we are, I think, decently on the leverage side because capital is coming at the right time and that shows in the capital-adequacy ratio.

So this is from my side and thank you for hearing us. Thank you.

HP Singh: Thank you everyone for listening to us patiently and I would like to now open the floor for questions and answers if you have any and we would like to answer them. Can I call the team if you want to address it to someone very specific, I think we will be able to give you an answer on that? We are all at your disposal.

Darshan Deora: Thank you. Can you just talk a bit about the asset quality outlook given the rainfall that we have been experiencing which has been quite erratic, especially across some of the regions that you are very active in like UP etcetera. So any early warning signs that you are seeing or any concerns that you have on the asset quality side?

HP Singh: Just to clarify, this is the deficient rainfall which you are talking about? Yes. So to tell you, off late basically, I think that deficiency has probably gone away in terms of the last few days which we are talking about. Though I think the experts in the agriculture space say that this is not typically which will take care of the Kharif sowing crops and everything.

But what has happened, if you look at the reports which are being generated right now, the Kharif sowing crop has been fine. The effect is going to be mainly on pulses. Now pulses is technically something which is will be a challenge for you know areas which will be taken care of. And these deficient areas are typically north in north.

You know this is deficient areas in south and these are deficient areas slightly on the western side as such. Rest of all the country basically are not deficient in terms of the rainfall. This is what the statistics are talking about. And our sense is that I think whatever the deficiency in terms of the reservoir depth which they have been talking about would be taken care of by the recent rainfall.

If I would probably give you this thing, since we have practical handling of the ground, we have had incessant rainfalls in practically every area across in the northern and the western belt. UP has had a huge rainfall in the last four days. Bihar has had a lot of rainfall. Punjab was earlier not deficient, but they still have this thing.

So I think my sense is that this probably will not have any negative effect on the income generated capabilities of our borrowers. And till date, the stress has still not been visible and I hope, not hope basically, and I am very sure that this will not impact any of our collections for us going ahead.

Bhuvnesh Garg: Thank you. Hello. Yeah. Hi, sir. This is Bhuvnesh from Investec Capital. Just a question on your ROE path. So you have mentioned, we have shown that by FY '25, ROE will improve to 18%-20% and large part of it will come from improvement in opex to AUM. So, just want to understand what will drive that improvement in opex to AUM because in last 2-3 years, our opex to AUM ratio has not moved much and then what will lead to that improvement in next two, three years?

HP Singh: So typically, if I can answer you on that, you know, see what happens is during the COVID, you know, and this is a given norm, we had to deploy extra resources in terms of how we look at, you know, collections in various, you know, segments and the various pockets as such. That probably has taken a slight toll on our opex. That's one.

Number two is, I think, you know, for us, we were not growing the way we wanted to grow across and that also leads to the denominator base not cutting through in terms of how we are able to look at the revenues as well as this thing across over there. The credit cost remaining stable as the denominator base increases and as your percentages increases in terms of this thing, I think for us to drive a lower opex is going to be there.

Not to talk about the various aspects of what we talked about today in terms of deploying our IT, our systems on process, where we are able to cut down, as I gave you just one small example in terms of how we optimize our efficiency in terms of by reducing man-hours or non-revenue generating or non-collecting generating activities.

So I think all these factors put together will lead to where we think we will be able to generate this kind of a ROA and the opex which is going to be there.

Bhuvnesh Garg: Got it sir. Just a follow up on that, so our attrition rate while it is lower than the industry average, but is on the higher side compared to some of our peers. So how do you see that and what are your plans to improve on that?

HP Singh: See our functions are always again, this is a very high touch and a very, I would say, you know, for all of us, you know, who are not, you know, privy to the way, it's a kind of a very high, you know, rate of job, you know, which starts at 7 o'clock in the morning, goes out in the evening, you know.

The idea for us to stem this is, you know, of various initiatives which we are trying to really look at. One of our first program, which e-Gurukul, by giving MBA and BBA, this thing tying up with a university basically to give them that kind of a feeling. Train the trainers for us basically to look at various ways how we are able to motivate them and keep them in time in terms of this thing.

I think all these policies of internal growth, of looking at their comm, annuity schemes in terms of incentives, I think it is a whole box which has to be brought in terms of how you are able to stem the attrition rate. And we are slowly and steadily trying to increase that focus so that we are able to keep our boys to be there in the field.

Again I would like to point out the difference lies between the frontline loan officer, where the attrition rate is higher, and the supervisor level, which is the BM and the RM and the ZM. You won't believe it, but over there, our attrition is down to just basic percentages, which are there. So once a loan officer graduates internally through the next level of managerial capacity, the attrition rate drops phenomenally down across over there.

We are looking at ways and means how we are able to address the first line, which is probably the only thing which we really have to work upon. We are working on that to probably stem that.

Bhuvnesh Garg: Thank you, sir. All the best.

HP Singh: Thank you.

Nikhil Rungta: Sir, two questions, one on Satin, one on industry. On Satin, you spoke about internal scorecard, which we have. So what type of rejection rate difference have we seen, say, pre-score, internal scorecard and post and how is it different when compared to the industry peers? I mean is there any specific unique things in that which cannot be implemented by them or how should we look at that?

HP Singh: See, my sense is I think it is not the rejection rate which per se I think it is quantifiable in terms of when we look at it. The idea is that for us, it goes beyond slightly a scorecard also. Once we are able to generate a scorecard, for us the idea is that can we take a shorter or maybe a smaller duration of loan if a scorecard is not measuring up to a level where we want it to actually.

So like if a client is eligible for a loan with a particular score, to come up to let's say we have to pay her about 50,000, the idea for us always is that with the scorecard which is emanated from her dynamics and the profiling which we've done, you know, we offer her maybe 25,000 or a 20,000, which is a lower this thing across over there.

Now, if that works, it's fine. Otherwise, that goes through the furrows of getting it rejected or this thing. Plus, we also try and involve the center leader in terms of when we feel that there is an existing customer who has cleared the foyer and who has probably been there, but there are discrepancies in her scorecard.

We now are the reason why we are developing this SFL mechanism in terms of taking it on board once it has been rejected over here. It is a good customer, has a credit history, has done two cycles with us. I think it is right for it to probably take a longer period of loan, which is about four or five years, and have a collateral also based on that.

So I think these are mix and matches across the area. We will not track actually the difference in terms of the rejection rates between us and the industry whether they are, but yes, we have a slightly higher target in terms of our rejection as compared to the industry and that probably is reflecting in our portfolio quality. That is what probably my answer to this is.

Nikhil Rungta: Perfect. So since you also chair Satin, so one question on the industry side. If I look in the last 14 years, say 2010 to ‘14, it was South India which was prevalent in terms of growth for MFI. 14 to 18, it was East India. And 18 to 23, it's North India. Where do you think the next 4-5 years of MFI growth for India could come from?

HP Singh: I think everybody is clambering to come down to like, you know, we hear it from everyone, we want UP. Because everybody talks about, you know, for me my next destination is UP, my next destination is MP. My sense is, I think, we will always remain very clearly and this is, we will remain very clearly regional focused players.

For a CAG or anybody, South will always be their dominant territory. For Satin, I think North will always be our dominant territory. We will make inroads. We were probably the last entrant when we went south. And when we went south, people said, how will you get business there? Everything is empty.

But we still built up a INR400 crores, INR500 crores portfolio. It took us maybe a longer period of time to do it. It will happen for the other people also. They will come down to penetrated states, which was shown in the slides. UP still has 15% penetration. There's room for all these people to come in.

So I think they will come in. This is where the whole thing will end. I think you will have to probably look at it more from the states' point of view. If the states are lesser penetrated, you can probably enter that and have your growth from there. But again, the idea is what is my regional strength. My regional strength, if it is North, it will remain North. I will never become a dominant player ever in South or anything across over there.

So I think it will be a mix and match which will happen. But yes, definitely North will take probably the center stage now as compared to South. South has already penetrated 45%-50% Tamil Nadu and Karnataka. That is how it is going to be.

Nikhil Rungta: Perfect sir. Thank you.

HP Singh: Thank you sir.

Rakesh Arora: Good evening. This is Rakesh Arora from Go India. First of all, congratulations to the team for a very impressive presentation.

HP Singh: Thank you.

Rakesh Arora: And a very promising outlook that you have played. What are the risk factors that you guys are worried about? I mean, one of the things which come to my mind is that elections are nearby and the credit culture normally takes a hit during that time. So are we differently prepared this time for this kind of risk? And anything else which keeps you awake at night? Which are the risk factors you think one needs to be aware of?

HP Singh: So on your asking the question, what keeps me awake, and I've answered this to everybody, I sleep like a baby in the night. So for me, nothing keeps me awake. Why I'm saying this is, to be very honest, and I don't want to sound arrogant across over there, we faced multiple crises. This is not probably the first election which will come in.

We've had multiple elections across the years. We've had state elections across the years. We've had political activists. Assam is one key answer to what happened in 2019. Our thought process is as the state administration and the government machinery is maturing year on year, I think they have realized the importance of micro finance in terms of how it actually helps rural income, how it helps actually the GDP growth in the rural space and how it actually helps the unbanked and the underprivileged to get finances to shore up their income levels as well as their businesses across over there.

My sense is, I think that that whole issue which used to be there earlier about loan waivers, of people talking about all that, I think that's probably died a natural death. So that's what our viewpoint is. There would be small things which, and that's part of our life, which comes up day in and day out. It will be like one district will have one small interference from maybe a local politician or maybe a local person across over there.

That comes in our life every day. So we are not concerned about that because there are ways we explain our borrowers, how we motivate them, that this is where you get your money from, this is how you build up your business, this is what actually helps you. So my sense is, I think the way it was earlier, elections do not hold that kind of negative connotation now.

Rakesh Arora: So one last question. How do you perceive the threat from this new age fintechs? Many of us are seeing huge growth numbers for companies like Paytm who are doing unsecured loans to merchants. And the proliferation of UPI and this kind of payment is increasing. So is it any threat to us in terms of our cost of operations or growth?

HP Singh: See, I'll be very clear on this. Microfinance and the related business which we have, these are very high-touch business. You can't actually sit on the portal and actually, as we said on the first line itself, it's not only about disbursement, it's about collection also. This whole infrastructure of outreach, this whole infrastructure of people who are meeting the client every 14 days, looking at the center leaders, looking at having a conversation with them, looking at their dynamics of how you can help them in their next loan.

This is a very high-touch business. You cannot actually work purely on a mechanism of virtual or digitization to a large extent and do it. And let me just give you a very small example. For us, cashless collection is one norm which we face and we are trying to face it across over there. What happens is, it's very easy. We have a centre meeting when a customer has to give their collection.

Now when the customer actually has given the collection, if she has made the collection through mobile or any other means, she doesn't come for the centre meeting. Now for her, not coming to the center meeting means that tomorrow also the next center meeting will come, she will say, I could not make you the payment so I don't want to come to the center meeting also.

That essence of attendance, of coming to the center meeting is the essence for microfinance. Or the essence for any kind of a rural retail that unbanked customer of ours. Tell him that we you will get the money virtually and everything. Probably at some point of time, they just wake up and, its okay if payment is not done. So that difference will always be there. Fintech is, I think that segment is different. This segment is completely different and this is a very high touch point business you know where this is probably required if you have to make it work you know.

Rakesh Arora: Thank you all the best.

HP Singh: Thank you so much.

Anand Dama: So I have a question Anand from Emkay. So look basically your credit cost guidance which is there roughly about 1.75% is what you have guided. When we look at some other players basically actually they have talked about creating contingent buffers. Even recently Mr. Misra said that the players need to maintain some kind of contingent buffer.

Suryoday was very vocal basically they want to create about 250 basis point provisions particularly on the microfinance book and particularly looking at our track record in terms of

NPA's in the past looks like our credit cost guidance seems to be little liberal. So, any thoughts over there?

HP Singh: So, credit cost what we have given a guidance is for the actual credit cost but yes, you know as everybody else is talking about we are also started building up our buffers in terms of our ECL mechanism and our provisioning. So that we have taken a conscious call. How much we are able to do it, I think it will be supported by the balance sheet and across over there.

But yes, we will do and create buffers for ourselves. The second point which we would like to again emphasize is that for us capital adequacy is probably one of the key factors which we also want to do it. So both on the capital adequacy front where we do not want to go below 20%, plus on the ECL part where we want to create additional buffers, both are something which we are now going to do, looking at from probably this quarter onwards and going forward across over there.

The third aspect for us is, the reason why we said that we want to create again buffers for our graduated customers to move away from here to the other two subsidiaries again is to move again from somewhere from an unsecured to a secured.

That's again creating some kind of buffers for us as as complete group so that we are not just left with the unsecured lending which typically Microfinance talks about, but move over to even the secured lending part of housing as well as this. So three aspects which we are probably looking at in terms of how we move further ahead in terms of credit costs and provisioning.

Anand Dama: And in terms of growth guidance that you have given about 25%, what kind of customer growth and the ticket size growth that you are actually looking at?

HP Singh: So it is a hybrid of both. So we currently have about acquisition of about 40 odd percent -- per cycle customers. So it's going to be a hybrid of that plus the existing customers, deep diving into the existing geographies and also slowly and steadily opening up new geographies. So it's a combination of all that which will give us the growth of the guidance of about 25% plus.

Anand Dama: Sir, any plans maybe in next 3-4 years to convert yourself into a small finance bank?

HP Singh: I don't think so. It's not in our horizon right now. We want to concentrate, you know, that's the reason why we presented, you know, the three aspects of our life, you know. We want to concentrate on that because we see there's a huge opportunity for MSME as well as for housing, along with microfinance. We want to grab this opportunity first and then probably think about something which is not in our, avatar right now.

Anand Dama: So the problem basically is that in the good cycles that most NBFCs think that it's better to be NBFC and to grow fast, but I think SFB gives you that cover in terms of liquidity, cover particularly from the RBI as such, which basically you will miss when the times turn bad. So one needs to really give a serious thought on that front?

HP Singh: I beg to differ from that, basically. You have all these large NBFCs who have come up the stages of crossover and they have been NBFCs as such. It's how you do your business that's one. It's how you look at the broad parameters of capital adequacy, provision coverages and all that.

So, our idea is that if CAG, Bajaj Finance has reached that level, I think we probably will be that. Yes, definitely, I think, and I would probably not look at from that standpoint that maybe banks are viewed differently and the NBFCs are viewed differently. I think it could probably be there, but our sense is that there is still somewhere where we will be able to do justice to what we do and I think even the regulator probably looks at that also.

Anand Dama: Thank you sir.

Analyst: Yeah, hi. Just two quick data points. One is the, what is the recovery expected on the Assam government MOU? And secondly, if you could just tell the marginal lending rate across the three asset classes that we have?

HP Singh: So, Assam, I think, you know, the data has been shared, you know, and it's probably working in the wings for, you know, maybe about 15, 20 days, 30 days now. We were very hopeful that, you know, this first tranche of outstanding money which was being paid by the government could probably come in by August.

We are still waiting for it, we still not let out this thing. My sense is the money will definitely come in. When is probably the time which we are not very sure of because we are dealing with the state government. But our sense is the money definitely will come back. We are hoping that before 30th September, the first tranche at least comes in across. But again, I probably will not be able to say with certainty.

The idea is, and with the conversations we have been hearing and what we have seen, the state government says that they will pay. So that is probably one of the big positives. Nowhere in this they have ever said that we will not be paying.

So that is a bonus which will happen across over there. And in terms of our lending rates, for MSME, we charge about, 25% to 26% in terms of our customers across. That's what the question is.

And in the housing space, I think, you know, 15.5% is our average lending rate, which also has the rural micro-housing portfolio attached within it, which is again at about 21%-22%. So, the blended comes to about 15.5%.

Analyst: Thank you.

Kush Tandon: Thank you team for the comprehensive presentation. Just quickly, sir, I was just surprised at 15% penetration in UP and UP is our home territory. So from that perspective and everybody now wants to come to UP and we are already there. I know we are 27% of our AUM is UP.

So how do you think that can you take that concentration to 35% you know lot of people will have negative connotations to that, but I am just saying from a governance perspective in the state and the economic activity in the state, I think it is looking like a stable state to be in where you can actually have a first mover advantage for, you know, going a little aggressive on growth?

HP Singh: Of course, I would love to do what you are saying, you know, but again, you know, I have various stakeholders, you know, who view it very differently. The rating agency will come up with, you know, a norm, you know, which I will not be able to defend. The lenders will again come up for us, you know, we have to balance all that, you know.

And to be very honest with you, we as an entity are not working in 50% of the districts of UP. In spite of that being our homegrown state, you know, basically. But, you know, that's how it works, you know, because I think, you know, for us, granular district-wise concentration is what we want to focus upon, because that gives us the fair idea in terms of any kind of a risk which can arise from that.

Demon happened, Demon was like one live example of us having a tough time having a 52% to 54% portfolio across over there, but conscious call, yes, I think looking at the dynamics that we, but there's room for growth in possibly every state. You know, if you look at, you know, even West Bengal, you know, we are talking about, you know, we are talking about Bihar, we are talking about, you know, other areas, there is room to grow here.

Kush Tandon: And so, if I take a three-year view, in terms of our geographical mix, any thoughts that you can give right now, how will the AUM mix look like in terms of the states?

HP Singh: I think, you know, we want to be stable in, you know, UP. If UP is the answer, basically, I think, you know, around 26% to 28%, I think, you know, it will remain because it's a large base again, you know, for us to look at. But we don't want to be that 35 percent, to be very honest, you know, if I really want to.

We'll try and avoid it. My sense is that we have got too many other states and I think to be very honest, Kerala and Telangana are – sorry, AP and Telangana are again opening up. A lot of players are actually going on across there because the penetration levels are far, far lower across there. So there are a lot of ways where we can object, but I think this is how the mix is going to be.

Kush Tandon: Thank you, sir.

HP Singh: Thanks.

Pratik Jain: Yeah, hi. This is Pratik here from Solidarity. I have a question on this MSME lending business. So typically, even if your loan has been written off because of not, has been technically written off, you have a recovery after certain period of time. So, just wanted to understand what is the actual IRR loss on the total loan value. Even if you are writing off your loan post two years or three years. But you will be getting that money after a certain period of time, right? There should be a recovery. MSME business.

Bhuvnesh Khanna: So, if I may answer. So, if you look at the estimate, we've said, you know, we've got a couple of levers over there. First is, you know, when there's a cheque bouncing, you proceed under that. And then you have the collateral, you know, so you get, and we have current states where we see we are able to get orders in our favor, whether it's a non-billable warrant or it's a arbitration award.

At the end of the day, if you look at the 90 plus, if a question is on the 90 plus, how much do we recover? Is that what you're trying to understand?

Pratik Jain: Yeah, I just wanted to have a sense, what's the IRR loss for us after recovering all the amount?

HP Singh: See for us the penal charge once the defaulter technically gets an award and we get an award also I think you know you cannot have too much on penalties and everything you will have to settle it at some point and I can tell you the real life example which happened is, if somebody has to give him about INR15 lakh of rupees or maybe INR5 lakh of rupees back as this thing, and if I keep on the IRR rate which has been charged, it amounts to a lot of money which probably is there.

So you'll have to settle at some point of time, basically with a borrower which is delinquent and which is not able to pay. So I don't know, the IRR loss typically would be, it probably will be settling at, maybe it would have an IRR of maybe not exactly 22%-23%, it probably would be lesser than that. But again, it depends on case to case basis.

There is nothing which is like a fixed rule as such. But you can't charge higher amounts in terms of penalty as well as this. Because whose capacity is not there to give money, how he can give higher amount. So, there will be some loss which will happen.

Pratik Jain: Thank you.

Darshan Deora: One more question. In terms of our overall book, as we grow the housing finance business and the MSME business, which is secured, what percentage of our overall book will become secured? What will the split be between unsecured and secured?

HP Singh: So our fair idea is that the next five years, for us the non-MFI book should be about 25% of our overall consolidated AUM. So that's what the fair assessment of ours is that that is where we want to lead ourselves to.

Jugal Kataria: We are at 12% right now.

Aditi Singh: Are there any other questions? I think then we are good.

HP Singh: So thank you so much, I think for all of you giving us a patient hearing and looking at our viewpoints. And hope to see you again guys. Thank you so much for being there with us. Thank you. Thank you so much.