“Satin Creditcare Network Limited
Q1 FY '26 Earnings Conference Call”
August 11, 2025

Management: **Dr. HP Singh – Chairman cum Managing Director**
Mr. Jugal Kataria – Group Controller
Ms. Aditi Singh – Chief Strategy Officer

Moderator: **Mr. Mayank Mistry – JM Financial Institutional Securities**

Moderator: Ladies and gentlemen, good day, and welcome to Satin Creditcare Network Limited Q1 FY '26 Analyst Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank Mistry from JM Financial Institutional Securities Limited. Thank you, and over to you, sir.

Mayank Mistry: Thank you, Palak, and good morning, everyone. On behalf of JM Financial, I welcome all participants on the call and thank the management of Satin Creditcare Network Limited for the opportunity to host this call. For today's call, we have with us the members of the management and the leadership team of Satin Creditcare Network Limited. From the management team, we have Dr. HP Singh, Chairman and MD; Mr. Jugal Kataria, Group Controller; and Ms. Aditi Singh, Chief Strategy Officer.

I now hand over the call to Dr. HP Singh for his opening remarks, post which we can open the floor for Q&A, Thank you, and over to you, sir.

HP Singh: Thank you, Mayank. Good morning, everyone. Thank you for joining us to discuss our company's performance during the first quarter of the financial year '25-'26. As we hear the news of floods and heavy rainfall in a few regions, I hope you and your family are safe and keeping healthy. I believe you have had the opportunity to go through our quarterly results and investor presentation. They can be referred through our website or the stock exchanges.

I'm pleased to share that we have released our sixth annual integrated report for the financial year '25, and it's available on the official website of our company. I warmly encourage all stakeholders to explore it. This year's team legacy, leadership composing the unwritten offers a comprehensive lens into our organization.

It presents an in-depth view of our resilient business model built over the years and showcases our integrated performance across financial statutory, non-statutory and ESG dimensions. I must say, when I look back at the journey we have taken, the path we have walked and the mark we have left on countless lives, I feel a deep sense of pride in how far Satin Creditcare Group has come.

For us, inclusion has never been just a term. It has been our way of life. Our path has been anything but linear. It has been shaped by vision, curiosity, willingness to question ourselves and courage to take the road less travelled. In our effort to unlock the potential of India, we have constantly asked ourselves what's next? What else is possible?

And this mindset has led us to explore new ideas, challenge assumptions and step into areas, where others often hesitate. We gave ourselves the freedom to try to build to innovate boldly. This willingness to go beyond the conventional is not incidental. It is central to who we are. Each one of our subsidiaries reflects this mindset.

They have emerged through purposeful exploration designed to solve real problems and address unmet needs. We have created differentiation through diversification, whether it is stepping into affordable micro housing, which still remains a niche yet essential space or addressing the needs of the missing middle through our MSME offerings.

Those who are too large for micro credit and too small for traditional lending. Our approach has been thoughtful and future-facing. We call it creating value through purposeful diversification. Our investment in technology and the knowledge we have built internally gives us the confidence to go a step further than merely supporting our business.

We saw the potential to share our capabilities so others too could benefit from practical locally relevant solutions, which gave birth to Satin Technologies Limited. Now carrying that same spirit forward comes our newest initiative, Satin Growth Alternatives. A women-led AIF debt fund, this venture marks another forward-looking move.

The fund will focus on enabling access to capital for underserved MSMEs across India, particularly in rural and semi-urban regions with a strong focus on enterprises led by women and ESG. Now some may wonder why pursue such broad diversification. And to that, we say, why not?

In a nation of over 1.4 billion people, where every community has its own needs, its own dreams, and its own challenges, we believe our solution must be just as diverse because real inclusion is not one size fits all. It is about recognizing the uniqueness of lives and responding to them with intention, with courage and with care, and that's what Satin Group stands for.

Now coming to the performance of the parent, the listed entity, SCNL. We continue to demonstrate strength, where it matters most, consistency, resilience, and value creation. In an evolving economic landscape, we have not only stayed grounded but also stayed ahead of the curve through the efforts made.

Over the last 6 years, we have maintained one of the highest average ROA at 2.1% and ROE at 9.1% amongst our listed peers. We have also managed risk prudently. Our average credit cost over the same period stands at 3.3%, the lowest in our listed peer group.

Our capital adequacy has remained well above the regulatory requirement, consistently staying above 25% in the last 6 years, providing us with ample headroom for growth and innovation. And none of this would be possible without the people who drive this engine.

One of our biggest strengths is the consistency and commitment of our leadership team with an average tenure of nearly 10 years of our CXOs. In an industry, where leadership changes are not uncommon, this level of continuity ensures a clear long-term vision.

Coming to the performance of the quarter, we have begun the financial year with firm steps and maintain consistent momentum in both our operational and financial numbers. However, since a significant portion of our portfolio is linked to agriculture and allied sectors, the first quarter typically experiences a slowdown due to the harvesting cycle and heat waves, which naturally makes this period more challenging in terms of credit demand and operational efficiency.

Despite these factors, we are pleased to report our 16th consecutive profitable quarter. This is a great achievement, particularly in a quarter marked by seasonal headwinds, ongoing cyclical pressures and in sector reported degrowth of 21% based on the average of peers, who have declared their results.

Talking about our operational performance during the quarter, we continue to expand in a calibrated and sustainable manner. On a consolidated basis, in terms of growth, our AUM grew by 6.8% Y-o-Y to INR 12,499 crores. On a standalone basis, our gross loan portfolio stood at INR10,956 crores, reflecting a growth of 4.5% on Y-o-Y basis.

We also maintained consistent disbursement momentum with INR2,242 crores disbursed on a consolidated basis, up 6% on a year-on-year basis and INR2,065 crores on a standalone basis, marking a growth of 3.4% year-on-year.

Our network continues to expand its reach and strengthen our presence across the country. On a consolidated basis, we now operate through a network of 1,599 branches, reflecting a growth of 10.5%, covering 519 districts across 29 states and union territories. On a standalone basis, the branch count increased by 14.3% to 1,487.

I would like to apprise you that our growth strategy continues to focus on deepening our presence in high performing regions, while identifying new markets that align with our financial inclusion goals. Building on this approach, we marked our strategic entry into Mizoram in July 2025, further strengthening our leadership footprint in the Northeast, a region that has consistently demonstrated strong portfolio quality and customer engagement.

This extensive geographical presence gives us a strong distribution platform to better serve economically disadvantaged and remote markets, further reinforcing our commitment to financial inclusion. As of the quarter end, our consolidated client base stood at 32.9 lakhs.

We would now like to draw your attention to Slide Number 19 in the investor presentation on the asset quality update. Our PAR 90 levels remained stable at 3.7% as of June '25, in line with March levels. This stability is a strong reflection of our portfolio quality and the continued discipline in our risk management practices. It also underscores the deep client engagement that has long been a strength of our operating model.

We did observe a slight uptick in PAR 1. It stood at 5.8% during the quarter. This was expected given this was driven by seasonal factors, particularly the harvesting period, heat wave and unusually heavy rainfall in some geographies. There was also a base effect at play given the relatively slower disbursement during the quarter.

Despite these conditions, we remain well buffered. As of June '25, we hold on-book provisions of INR316 crores, which is 3.6% of the on-book portfolio, significantly higher than the RBI requirement of INR177 crores. In addition to this, we have created a management overlay of INR8 crores during the quarter.

Our Stage 3 coverage ratio has improved to 63% compared to 61% in June last year, which again reinforces our focus on prudent provisioning. During the reporting period, we have recovered around INR8 crores against the written-off pool, another marker of the strength in the system.

We also took proactive steps this quarter to further strengthen credit quality. Following the implementation of guardrails 2 from April onwards, we tightened our credit evaluation framework, which led to an increase in application rejection rates to 67%, up by approximately 300 basis points since March '25.

As of June '25, only 6.1% of our clients had exposure to more than 3 microfinance lenders and just 0.1% had loan exposure of INR2 lakh or more at the time of disbursement. These indicators clearly reflect the strength of our credit controls and our ongoing commitment to prudent lending.

Moving to the financials for the first quarter of the financial year '25. Our revenue grew by 10.3% year-on-year to INR642 crores and by 14.3% on a quarter-on-quarter basis from INR562 crores. Net interest margin remained stable and consistent, standing at 13.48% during the reporting quarter compared to 13.38% in Q1 '25 and 11.81% in Q4 FY '25.

Our operating expense ratio stood at 6.80% on a consolidated basis and 6.68% on a standalone basis. While the ratio remains elevated when compared to the same period last year, largely due to sector-wide challenges, it has shown sequential improvement. This improvement is a result of our ongoing cost rationalization efforts as operational conditions begin to stabilize.

Loan loss ratio on a standalone basis stood at 4.84%, slightly elevated due to the inherent seasonality of the period, along with a reduction in AUM on a quarter-on-quarter basis caused by muted disbursements and write-offs. That said, we are actively managing this through strengthened collection and tighter portfolio monitoring to ensure stability in the coming quarters.

On a consolidated basis, return on assets and return on equity stood at 1.50% and 7.06%, respectively, while on a standalone basis, they stood at 1.51% and 5.97%. We reported a PAT of INR45 crores on a consolidated basis, whereas INR43 crores on a standalone basis for the quarter, reinforcing our ability to maintain profitability even in a stress first quarter, establishing us as an outlier.

Coming on the borrowing front, we continue to operate on a strong and well-balanced funding base. The company's financial position remains strong with CRAR of 26%. During the quarter, the company has adequate liquidity of approximately INR2,000 crores, coupled with undrawn sanctions of INR401 crores. This financial strength reinforces our stability and further strengthens stakeholders' confidence in the company.

On our targeted credit cost for the financial year '25-'26, we are targeting a reduction compared to FY '25, where it stood at 4.6%. While we remain mindful of the evolving environment, we are committed to strengthening both our financial and operational performance through disciplined execution, deeper field engagement and a continued focus on serving our customers responsibly and sustainably.

I'm also pleased to share a significant development during the quarter on the governance front. We further strengthened our Board with the induction of 2 highly distinguished professionals, Mr. Ashok Kumar Sharma, former Executive Director of the Life Insurance Corporation of India; and Mr. Anupam Kunal Gangaher, a seasoned chartered accountant as Independent Directors.

We are certain that their expertise will add meaningful value to the Board and support the organization's long-term strategic vision. Our commitment to responsible business also extends beyond compliance. It is deeply rooted in our approach to environmental stewardship. By understanding our carbon footprint, we are driving targeted actions to reduce emissions and contribute to global climate goals.

Furthermore, in financial year '24, '25, we conducted our first formal materiality assessment. This exercise enabled us to identify 21 material topics that highlight the key areas we need to focus on based on a rigorous 4-step evaluation process.

Coming on the recognition front, we are proud to share that Satin was ranked 57th amongst India's Great Places to Work for '25 and was honoured as the Microfinance Institution of the Year at the FinVision AI Excellence Award. These recognitions reaffirms our values of innovation and inclusion and reflect the collective efforts of our team and the trust placed in us by our clients.

Speaking of the industry, we strongly believe that microfinance is not just a promising sector, it's a critical one. With nearly 70% of India's population living in rural areas and a significant portion still outside the formal credit system, the demand for small ticket need-based financing continues to grow. Microfinance fills this gap with purpose and precision.

As highlighted in the Avendus Capital report, the sector is currently navigating a transitional phase, but the groundwork being laid today is expected to yield resilient and profitable operation in the coming cycle. We fully resonate with the view and remain confident in the role the sector will continue to play in driving inclusive and sustainable development across the country.

Now sharing with you financial and operational highlights of our company, starting with the consolidated highlights. We have a customer base of around 32.9 lakhs as on Q1 FY '26 with presence spanning in 1,599 branches across 519 districts in 29 states and UTs of India. Our top 4 states contribute to 56% of total AUM, as at Q1 FY '26, and the states are UP, Bihar, Assam, and West Bengal.

Standalone highlights, our average ticket size of MFI lending for the reporting quarter stood at INR56,000. We have a well-diversified customer base of 32.2 lakh clients with 76% rural exposure. Pan-India presence with 1,487 branches. The shareholders' equity stood at INR2,870 crores, as on June '25.

GNP as on June '25 stood at 3.7%. The overall provision coverage ratio increased to 97% in June '25 versus 91% in June '24. Total borrowings stood at INR8,328 crores as of June '25. Debt-to-equity ratio as of June '25 stood at 2.9x. As on June '25, 97.7% of our districts have less than 1% of AUM.

An update on subsidiaries. As a one-stop diversified financial services provider for rural India, our subsidiaries work collectively to expand financial access, leveraging our strong management outreach, we provide affordable housing and retail MSME loans to clients, who have completed 2 or more loan cycles with us and require higher credit support.

Satin Housing Finance Limited has now reached an AUM of INR961 crores, which grew by 25% Y-o-Y, having presence across 20 states with 9,432 customers. SHFL has a 100% retail book. GNPA of 3.1% as of June '25. The company has 34 active lenders, including NHB refinance, CRAR of 48.3% and gearing of 2.3x. PAT for Q1 FY '26 stood at INR57 lakhs, credit rating of A- stable from ICRA.

Satin FinServ Limited, the company's MSME lending arm has reached an AUM of INR582 crores. We are running down the business correspondent book and focusing on building the retail MSME book. MSME on-book portfolio grew by 56%, CRAR of 36.8% and gearing of 2.4x. PAT stood at INR1.9 crores, 21 active lenders, including banks, back funds, et cetera, trade rating of A- stable from ICRA.

Lastly, thank you for joining us today and for walking alongside us as we build a stronger, more inclusive and more purpose-driven future. With this, I would like to open the floor for questions.

Moderator: The first question is from the line of Shubhranshu Mishra from Phillip Capital.

Shubhranshu Mishra: Two questions. The first one is our concentration in the top 4 states, which is UP, Bihar, West Bengal, and Assam, together, they are roughly around 56% of the AUM. So what is our plan to de-risk from these states, which also have nascent pool credit customers as well as very particularly active states and there can be significant event risks, which can create disruptions in our portfolio every 2, 3 years.

Second is with the qualifying assets coming off to 60%, how do we think of the opex? How do we model for the newer products? Will there be more of secured products or more of unsecured products? So if you can take us through the product roadmap and the related opex that will is coming after income tax?

HP Singh: So, let me answer your first question. I think for you, if you look at the past 7 years, I think from demonetization, if you look at our percentages of delinquency in UP, Bihar and the 4 top states. I think they have been negligible. So I think for us to comment on deleveraging ourselves on the states, where we are very strong as compared to anyone in the industry, I think that's probably a myth which we would not like to take.

And we would like to concentrate our whatever it's been steady at about 56% to 60%. This has been steady across the last, I think, 5, 7 years. And we would like to concentrate on these states only. No reason for us to de-risk ourselves from there, but we are growing in other states also. So having said that, I think for us, we've put our ways of how we look at concentration risk across over there.

The second point of looking at secured lending products, I think we are very well aware of the subsidiaries, which we have. For us, it doesn't make too much of a difference to look at the qualifying asset portfolio norms now because we already have 3 subsidiaries, which are now working through, 2 in the financial service space and 1 in the nonfinancial services space.

And I think we are going ahead by looking at credibly increasing our portfolio over there. Housing having reached about INR960-odd crores and SFL looking at about INR560-odd crores. So I think we are well geared to look at our operating performance through our investments in our subsidiaries to bring them over across to deleverage ourselves also from unsecured to secured lending.

Moderator: The next question is from the line of Mayank Mistry from JM Financial Institutional Securities.

Mayank Mistry: Sir, my question is largely on the borrowing front. I mean, we have seen some increase in cost of funds during this quarter. So, is it like banks have actually increased their rates largely to the NBFC MFIs or I mean, what is driving this increase?

Jugal Kataria: So Mayank, it is not the increase. It is because of the hedge accounting that there's some increase of about INR27-odd crores in the top line and INR28 crores in the finance cost. Otherwise, the marginal cost of borrowing is slightly going down. We are close to about 11.1% or so in terms of marginal cost. It is because of the hedge accounting that both the top line and the finance cost is slightly showing as a higher number. But if you see the NIM, they are broadly stable, and we are close to 13.5% NIM.

Mayank Mistry: Yes. So you said marginal cost of borrowings is 11.1% or blended stands at around 9%. So I'm not able to connect.

Jugal Kataria: So finance cost, what we have shown in the Dupont is that finance cost to average AUM, not on the borrowing.

Mayank Mistry: Okay. Okay. My second question is on the increase in average ticket size. It has moved up from INR53,000 to INR56,000 now. And even on the year-on-year basis, it seems like it has been consistently increasing.

So I mean, even on the ground, we are seeing that a lot of NBFC MFI especially are trying to find the higher chunk of the INR2 lakh indebtedness, which is allowed for each customer. So are we also aiming for the same? Or what is driving this increase in average ticket size?

HP Singh: See, for us, we are looking more at of our existing customers basically who have a better credit quality and a better score. And that is the reason why I think that has jumped up from INR53,000, which is pretty negligible in terms of if you look at the average EMI, which comes every 14 days.

So it's probably not very significant for us to really look at from INR53,000 moving to INR56,000 because our concentration more is towards our existing good clients to look at portfolio quality in a much better holistic approach rather than just looking at new to credit or new to segment clients basically. That's what our approach has been.

Mayank Mistry: Okay. Okay, sir. And just last question. When do we see the book being cleared out of these Satin plus 3 customers?

HP Singh: It's hardly anything. Mayank, it's just 6%. If you look at the entire industry, we probably have the lowest kind of lowest, this thing. So I think that's how we probably configured ourselves. If you look at the composition for us, close to about if I have the figures, only Satin customers are technically 48.53%.

These are the numbers. Satin plus 1 is 29.66%. Satin plus 2 is 15.6%, which means Satin plus Satin plus 1 and Satin plus 2 are close to about 94%. There's hardly just 6%, which is at Satin plus 3. And this technically would be more of our existing borrowers rather than the new lending.

I also gave you a figure that after guardrails 2 has been imposed, this has now been done. So this is out. This was previous to that. And now it's absolutely 0. So it's only Satin plus 2. And I gave you that number of 0.1% of any client indebtedness beyond 2 lakhs. That is what not we are doing. So basically, there are a lot of filters, which we put in across.

And that's the reason for our portfolio quality being better than a lot many, you know.

Moderator: The next question is from the line of Naman Barjatya from AUM Capital.

Naman Barjatya: Yes. So my question was that if you look at on a quarter-to-quarter basis, the company reported approximately 6% drop in its active client base. So just wanted to understand why it did happen? And how are you looking at it going ahead.

HP Singh: So Naman, as I think you couldn't hear at that point of time. So first quarter is always a very muted quarter.

Moderator: Naman, can you hear us?

HP Singh: Can you hear us, Naman?

Naman Barjatya: Yes, I'm able to hear you. Am I audible?

HP Singh: Yes, you are. So as I said, first quarter is always a muted quarter. But we have done better as compared to Y-o-Y. Basically, last year, it was about INR930-odd crores. This time, we disbursed close to about INR2,065-odd crores. So it's been better. Secondly, there's been a write-off of INR 112 crores. That is also one of the key reasons why there's a dip in that. And as I told you earlier, basically, the first quarter is always a muted quarter.

But having said that, we are going ahead with our plans of our growth. And just for your consumption and for everybody's consumption there on the call, we are now opening close to about 188 branches this quarter to move forward and continue with our growth plans.

Naman Barjatya: Okay. And like you mentioned that because of the higher write-off, we saw a drop during the quarter. So what exactly led to the higher write-off like was it because of sanctioning loans to customers or what exactly led to?

HP Singh: Write-off is basically because of a cleaning up of our portfolio quality. So ours, in fact, is one of the lowest write-offs, which is happening.

Moderator: The next question is from the line of Prabhudayal Sharma an Individual Investor.

Prabhudayal Sharma: Namaskar Mr. Singh. Today joining the concall a little bit late. So, may I know the ROA, ROE guidance and growth guidance?

HP Singh: No growth guidance, no ROA guidance. We are only giving you the present picture of what where we are right now. And I think where we stand right now, I think it will probably be stable enough. We said the ROA was about 1.51% and ROE was about 5.6%. Overall consolidated growth was about 9%-odd.

So I think and we gave you in the investor presentation. If you look at the 6 years listed also, we have maintained an ROA of 2.1% and ROE of 9.1%. I think looking forward ahead, this remains stable within that range.

Moderator: As there are no further questions from the participants, I now hand the conference over to Aditi Singh for closing comments.

Aditi Singh: Thank you, Palak and Mayank, for helping us organize this call today. And on behalf of Satin Creditcare, I thank each one of you for taking out time on a Monday morning and listening to our call. I can understand the questions are limited because our growth is very stable and we are very consistent with our profitability numbers. So on that note, we conclude this call. We thank everyone and wish you a great week ahead.

Moderator: Thank you, ma'am. On behalf of Satin Creditcare Network Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.