“Satin Creditcare Network Limited
Q2 FY27 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to Satin Creditcare Q2 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pratik Matkar from JM Financial. Thank you, and over to you, sir.

Pratik Matkar: Thank you. Good morning everyone and welcome to Q2 FY27 earning conference call of Satin Creditcare. First of all, I would like to thank the management of Satin Creditcare for giving us the opportunity to host this call. From the management team, we have Dr. H.P. Singh, Chairman cum Managing Director, and the senior management team. I would now like to hand over the call to Dr. H.P. Singh for his opening remarks, post which we can open the floor for Q&A. Thank you, and over to you, sir.

H.P. Singh: Thank you. Good morning everyone and thank you for joining us for Satin Creditcare Network Limited's H1 FY27 earnings call. When we spoke in May, we said that FY26 had tested the sector and separated the institutions that were structurally sound from those that were not. In July, we said that the test was behind us and that the question that matters now is who is positioned to grow in a way that holds up when the next cycle turns.

Q2 is further proof that we were -- we are not just emerging stronger from the last cycle but building the resilience to grow sustainably through the next. H1 FY27 marks a defining milestone for Satin with a standalone PAT of INR292 crores, the highest ever, closing in on our FY26 full-year standalone profit of INR302 crores in just six months, alongside our 21st consecutive profitable quarter.

On a consolidated basis, H1 PAT stood at INR299 crores, against INR98 crores in the first half of last year. This performance reflects the philosophy that guides us, dream big, deliver bigger. The first half of FY27 reflects the progress we have made in strengthening our underlying business and positioning Satin to capitalize on the evolving microfinance landscape.

Following a challenging period for the sector, improved borrower indebtedness, industry guardrails, and greater credit discipline, they have contributed to a more conducive operating environment. However, we remain conscious that the sustainability of this recovery will depend on prudent underwriting, responsible customer selection, and consistent collection performance. At Satin, we have remained focused on these fundamentals while pursuing our growth opportunities.

We want to address two important points which were discussed in earlier quarters. The first is the monsoon. We had earlier indicated that the revised outlook warranted caution on rural cash flows over the subsequent two to three months. That period has now passed and the recovery has now been very encouraging.

Assam, where four districts were severely impacted by floods, has almost fully recovered with no discernible impact on our credit cost. 42,394 borrowers were granted a moratorium, and

nearly 90% have resumed repayments during the moratorium period itself, reflecting the gradual restoration of livelihoods. This is also a very positive indicator of our robust underwriting, thus resulting in negligible impact on credit cost.

As a genuine customer-centric gesture, we have decided to pass on the entire insurance payout that will be received under our NATCAT insurance program to the affected customers. Importantly, we didn't need to utilize any portion of the management overlay for this event, reflecting the resilience of our portfolio and the effectiveness of our risk management framework.

The second point is geographical diversification. We want to address concerns around Karnataka and Maharashtra, which have both been viewed as stress states this year, owing to the drought conditions. Our exposure is negligible. Karnataka and Maharashtra account for 1% each of our on-book portfolio.

This leaves us well protected from stress in these markets and allays concerns about the possibility of asset quality being impacted. Also, as of now, we have not witnessed any stress in repayment in these states. Consolidated AUM reached INR16,589 crores, growing 31% year-on-year. Standalone AUM stood at INR13,608 crores, up 23% year- on- year.

Consolidated disbursement for the quarter stood at INR3,697 crores, up 41% year- on- year, taking first half disbursements to INR7,192 crores, up 48% year- on- year. Consolidated profit after tax for the quarter was INR176 crores, up 231% year- on- year, and 43% sequentially. Standalone profit after tax was INR172 crores, up 231%.

Consolidated PPOP grew 53% to INR324 crores in the quarter and 43% to INR590 crores for the half year. Consolidated ROA for the quarter stood at 4.5% and ROE at 22.8%, and on adjusting the buffer, adjusted ROA was 5.5% and ROE at 27.7% respectively. I shall discuss this in detail in a while.

Our operating expense ratio was 6.6% against 7.2% a year ago. Cost-to-income improved to 41.6% from 49.8%. Standalone return on assets for the quarter was 4.9% and return on equity 20.6%. For the half-year reported, ROA stood at 4.3%, and ROE at 17.8%. ROA after adjusting the management overlay stood at 6% and ROE at 25% for the quarter.

On the asset quality, we delivered a very strong quarter in terms of asset quality. What is remarkable is the phenomenal reduction in slippages. Slippages in H1 FY26 were INR317 crores and it has drastically reduced to INR103 crores during H1 FY27. There is a decline of 68% year-on- year, that is about one-third.

Standalone GNPA improved to 1.9% from 2.2% in June and 3.5% a year ago, which in absolute terms is INR197 crores. PAR 1 stands at 2.9%. Ex-pocket collection efficiency was 99.8%. Coverage has strengthened sharply across every bucket. Stage 3 coverage is now 91% against 85% in June. Phase 2 coverage has gone up from 21% in June to 62%.

Our on-book provision stands at INR263 crores against gross NPA of INR197 crores and against the provision requirement under ARPI norms of INR152 crores. In other words, our provision

exceeds our gross non-performing assets and net NPA on this basis is negative. Our overall provision coverage ratio is 133%, up from 115% in June.

We also recovered INR16 crores against write-offs during the first half of this financial year. On credit cost, our reported figure for Q2 FY27 was 2.47% against 4.83% a year ago. For the half year, it stands at 2.77%, and excluding the overlay, 2%. Both are below the 3% to 3.5% range we guided for FY27, and we feel confident to maintain this momentum.

Now, the part that matters the most in July we told you that we intended to keep building our buffer through the good quarters. We have taken the management overlay from INR36 crores to INR50 crores this quarter. Excluding that overlay, our credit cost for the quarter would have been 0.99%, and our standalone ROA and ROE would have been 6% and 25%, rather than the 4.9% and 20.6% we have reported.

Our consolidated ROA and ROE for the quarter would have been 5.5% and 27.7% for the quarter, and not the reported 4.5% and 22.2%. We have therefore absorbed roughly 100 plus basis points of ROA into the balance sheet, and we had every opportunity to declare more stellar profits. We said in July that we would keep on doing this, and we have done it.

We will continue to disclose both the reported and the adjusted numbers every quarter so that you can see exactly what we are choosing and appreciate our prudence. We are aiming to build a cycle-proof return profile and a buffer built when credit experience is benign, the means to achieve the same.

First, there are two operating developments this quarter. First, we have adopted the Grameen Score for credit evaluation of our microfinance customers, alongside PIN code level risk scoring with early warning indicators. This gives us a bureau-validated, rural-calibrated view of borrower quality at the point of underwriting, layered on top of our own internal policies.

Our sourcing- to- disbursement ratio stands at 34%. Secondly, cashless collections have reached 25% of total collections, and we want to be precise about how. This has happened organically through customer adoption rather than through any mandate or incentive from us. Disbursements remain 100% cashless.

Non-MFI portfolio now stands at 20% of consolidated AUM against 15% a year ago, and we are on track to achieve the target of 30% by 2030. Satin Finserv continues to be the standout with AUM of INR1,761 crores, up 184% year-on-year and 29% sequentially, now across 140 branches in 116 states with 19 branches added during the quarter.

GNPA improved to 3.07% from 3.49% in June, with CRAR at 26.94% and net worth of INR461 crores. Disbursements for the first -- for the half year were INR967 crores. Satin Housing Finance stands at INR1,219 crores, up 19% year- on- year, with CRAR at 57.67% and gearing at 1.70x across 59 branches in 22 states and net worth of INR370 crores.

We have slowed origination in housing for 2 quarters while we rebuild the sourcing and underwriting process end-to-end. And we have grown the field team from 370 to 512 during the quarterly preparation. Satin Technologies continues to commercialize through the quarter with

its core banking platform progressing through customer UAT, and QTrino Labs , in which we hold a 68% stake, advancing its quantum-safe cybersecurity offerings towards certification.

The HRMS platform remains live in production with an expanding customer base. Satin Growth Alternatives has achieved the first close of its Category II AIF in a record time of 4.5 months after getting the license, with institutional and high net worth LPs being onboarded against a strong deal pipeline, and the first deployment has already been done.

The benefits of diversification are becoming clearer. Our subsidiaries are still scaling, with each carrying a fixed cost base before reaching optimal portfolio size. SFL has nearly tripled in a year and is approaching the scale at which operating leverage should become visible. Our current consolidated returns therefore reflect the investment phase, not the steady state.

Capital adequacy strengthened to 27.89% from 26.74% in June and 26.5% a year ago. Net worth stands at INR3,437 crores, up from INR3,243 crores in June. Total on-book borrowings were INR10,033 crores with a leverage ratio of 2.9x down from 3.2x. We raised approximately INR2,630 crores during the quarter and INR5,630 crores across the first half, and we hold undrawn sanctions of roughly INR4,600 crores with liquidity of INR2,235 crores as on 30th September.

Our marginal cost of borrowing reduced by 65 basis points year-on-year to 10.28%. We also continue to be supported by a broad lender base of 69 active lenders, with our 10 largest lenders accounting for 55% of borrowings. The promoters have committed INR100 crores through warrants, and the first tranche of INR25 crores has already been received by the company.

This investment was made at INR260 per share, which was 17% above the SEBI pricing formula of INR222 per share. On guidance, let me set out where we stand against FY27 guidance we gave you. On standalone credit cost, we guided 3% to 3.5%. We are at 2.8% for the half year, and that is after adding to our overlay rather than releasing it. We are ahead.

On standalone return on asset, we guided 3.5% to 4%. We are at 4.3% for the half year on a reported basis, which is above the top of the range even after absorbing the INR50 crores buffer, we are ahead. On consolidated AUM growth, we guided 20% to 25% for the full year. We have grown 9% in the first half, which annualizes to roughly 19%.

We are approaching the range rather than inside it and we want to be straightforward about that. The second half is seasonally a stronger period for disbursement, and on the basis of our current pipeline, we expect to land within the guided range for the full year. Our long-term target of INR32,000 crores of consolidated AUM by 2030 is unchanged, with 30% from non-microfinance business. We have now achieved 50% of that target.

We serve 34.1 lakh clients across 2,075 branches, 27 states and 5 union territories, 608 districts, 4.1 lakh centres, and 1.14 lakh villages through 18,978 employees. We added 1.9 lakh new clients during the quarter, taking the first half to 4.2 lakh new client additions. This stellar performance is delivered by a stable leadership team with over 10 years of average vintage and our field leadership of 200% at regional manager, zonal manager, circle head, and business head levels with nil attrition.

As always, our priorities remain unchanged. We will continue to focus on profitable growth rather than growth at any cost, further strengthen portfolio quality, expand our diversified lending businesses, improve operating efficiency, and deliver sustainable long-term returns to our shareholders.

Thank you, and I will now hand back to the moderator to open the floor for questions.

Moderator: Thank you very much. We will now begin the question- and- answer session. The first question is from the line of Deepak Poddar from Sapphire Capital. Please proceed.

Deepak Poddar: Yes, I'm audible, sir?

Moderator: Yes.

H.P. Singh: Yes, sir, you are.

Deepak Poddar: Yes. Okay. Thank you very much, sir, for this opportunity and many congratulations for good set of numbers. Sir, just wanted to understand, in terms of geographically, I mean, is there any micro market? I mean, you alluded to some of the points in your opening remarks, we just wanted to dwell more. Any micro market that we are facing any issue as such in any of the states? Yes.

H.P. Singh: So Deepak, I highlighted the drought conditions state which are there. And as I told in my remarks, that these are states, which has got a very negligible portfolio. Also along with that, we are not facing any stress up till now in the repayment which is there. So I think, there is currently no microstate or a major state or anyone where we see a stress.

Assam floods, we've already indicated to you that we are already very positive on that. During the repayment period, we've got 90% of the repayments which have already started, which is a very, very encouraging sign.

So I think, it's boding well, in spite of the fact, there are a couple of hiccups which is there, drought as well as monsoon which is there. But there's absolutely no reason to fear any kind of a stress in any state.

Deepak Poddar: Understood. And the Karnataka and Maharashtra also, you mentioned, that we are not facing any issue in repayment, right?

H.P. Singh: Yes, it's not there. There's no stress in the repayment right now.

Deepak Poddar: Okay. And across the state, I see your ex-collect -- ex-bucket collection efficiency has been about 99.5%, right? Among even Assam also, right?

H.P. Singh: Yes, yes, it is there, all across.

Deepak Poddar: Okay, understood. And on management overlay, I mean, already our PCR is at 133%, right? And hardly we have any net NPA. So management overlay, we have provided additional INR14 crores this quarter, right? So that's how it has increased from INR36 crores to INR50 crores. So,

what's our policy going ahead? I mean, given our PCR is already at 133%, we will continue to provide some management overlay or we are done with it?

H.P. Singh: See, right now we feel that we still want to create a buffer which is significant enough for us to insulate ourselves for any kind of a crisis or any kind of a problem which occurs for microfinance. Because the narrative which we keep on hearing from a lot of people is that it's a very cyclical business with things coming across.

And that's the reason why as a management team, we took a very prudent decision to have a buffer during the debt period of our time. And that is what the whole thought process is that we will start creating buffers for ourselves. We've reached probably midway. Our internal target was that we'll probably close at about 100-odd crores.

But, it'll probably be for us -- if we feel that, we need not make more. But that's what our initial thought is, that we would like to create a INR100 crores buffer for ourselves to insulate ourselves for any future events which might happen.

Deepak Poddar: Understood. Got it. And on the guidance front, I mean, we are already ahead. I mean, this 9%, you -- 19% annualized, you're saying year till date, right? But on a Y-o-Y basis, our AUM still grown by about 31%, correct?

H.P. Singh: Well, yes. See, Deepak, what happens is, the last 2 quarters are always the best quarters. So for us, if we've been able to do a 19% practically in the first half, we probably will be able to achieve a better over there. So the guidance remains the same. Our endeavor is to hit the upper bracket of that guidance of 20% to 25%, and we are well positioned to probably do that.

Deepak Poddar: Okay. So the reason I asked, because as of first half, our AUM growth is 31%, right? So, we are also well ahead of this 20%, 25% bracket we are talking about. So any thought process to kind of revise up any kind of guidance in terms of AUM, even ROA?

Aditi Singh: So Deepak, just one thing that this 31 actually already considers the Q3 and good Q4 we had last financial year. And if you see only this year sequential, it is 9 which is annualized to 19. So If we say 25 give or take, if it goes to 30, I think we don't need to revise it again. But we'll surely be, like sir indicated on the upper band of 20 to 25 which is 25 plus.

Deepak Poddar: Understood. So across these two, three parameters we are looking at the upper band of the range?

Aditi Singh: Yes, very much.

Deepak Poddar: Okay. Understood. I think that would be from my side, wonderful performance and I wish you all the best. Thank you so much.

H.P. Singh: Thank you, Deepak. Thank you so much.

Aditi Singh: Thank you, Deepak. Thank you.

Moderator: Thank you. The next question is from the line of Giriraj from Visaria Family Trust. Please proceed.

Giriraj: Yes, hello team congratulations on very good set of numbers. One clarification Mr. Singh. You mentioned like INR50 crores we had the additional management overlay in quarter 2, right? So cumulatively, probably we had INR86 crores in the first half, am I thinking right or not?

H.P. Singh: Cumulatively, it's INR50 crores. So cumulative we have done INR50 crores. This quarter we added another INR14 crores to our already created buffer of INR36 crores. So now cumulative stands at about INR50 crores.

Giriraj: But when I look at your number, let's say, Slide Number 15 on your presentation, we look at loan loss ratio of 2.2%, but adjusted loan loss only 1%. So this 1.2% is management overlay, right, if I'm thinking right?

H.P. Singh: Yes.

Giriraj: But that amount was INR50 crores actually?

H.P. Singh: Yes, it's INR50 crores only. So if we actually forego that my profit -- our profits would have been higher and our credit cost would have been lower, basically.

Giriraj: No, so I'm saying that probably -- I'm saying that, 1.2% -- 1% and 2.2% difference, 1.2%, like last quarter it was 0.9% in the quarter 1 the difference between adjusted loan ratio and loan loss ratio. And this time it's 1.2%?

Aditi Singh: Giriraj, just one clarification here. ECL is always stated on the entire model from scratch. So theoretically, if my ECL was INR100 crores last quarter and if my model indicates INR80 crores this quarter, that does not mean that I have reduced it by INR20 crores. So when we say INR50 crores, it means when we restated the entire ECL, we could have actually the INR36 crores was also not needed.

So the entire INR50 crores is an overlay. Therefore, when we make the adjusted ROA calculations, we count for or account for the entire INR50 crores, then we restate the numbers because we are in every right to even release the INR36 crores because that is not something the model is indicated at all.

Giriraj: Understood now fully clarified. One question on the -- like, let's say, what is our branch opening guidance this year for the remaining second half and the next year, FY28?

H.P. Singh: So I think the second half we will open close to about 50-odd branches, which will be there. Next year looking at how we are able to plan out this year, it could probably be in the range of about 100 to 150. That's the broad range which we'll be able to do that.

Giriraj: Okay. And would you like to have some color on the FY28 growth? We have given 30 -- FY30 guidance, so probably to do linear growth?

H.P. Singh: We're taking a step by step, but I think the overall guidance which is given for INR32,000 crores, I think that stands where 60% -- 70% would be microfinance and the balance 30% will be, so you can extrapolate that you know basically practically on a year-to-year basis for that.

Giriraj: Okay. Thank you Mr. Singh and team.

H.P. Singh: Thank you so much.

Moderator: Thank you. The next question is from the line of Rohan Joshi an Individual Investor. Please proceed.

Rohan Joshi: Yes, hi sir. So thank you for giving me the opportunity. So according to me and correct me if I am wrong, the standalone PAT for this quarter was INR172 crores odd with the ROI of 4.9%. So to ask that what are the key drivers for sustainable ROI over the medium term? And like what should the investor assess on the reported returns of this quarter along with the management overlay?

H.P. Singh: I was not -- you were not very audible for few seconds.

Aditi Singh: I heard you. You want to understand what led to the increased ROI, is it -- increased profit, is it?

Rohan Joshi: Yes.

Aditi Singh: Yes, it is attributed -- the reduction in credit costs, Rohan, and as sir mentioned that the slippages have been phenomenal for this financial first half. So 103 contributed in the 6 months and this quarter barely contributed anything. So because of this, since the credit cost is least, see, our NIMs have always been intact. Our opex has come down year- on- year by 60 bps. So that is one delta. And another delta is the reduction in credit cost by almost 200 plus bps. So if you -- yes, from the last financial year.

H.P. Singh: And our NIM has also improved during the quarter, the cost of fund is under control, liquidity, etcetera is under control. So it's a combination of all those factors.

Aditi Singh: But the major -- the most significant has been the reduction in credit cost, while every other lever also triggered well for us.

Rohan Joshi: Got it. Thank you so much. And also, you mentioned about the credit cost reducing by more than 200 bps for this on a year-on-year basis. So this is of the same look line, any ballpark idea of how it will turn out in the future?

Aditi Singh: So the credit cost guidance we've given 3% to 3.5%. I think the sector also factors this in their model of a normalized credit cost. Even if I indicate our cross-cycle credit cost of last 6.5 years, Rohan, which actually has the worst cycles in it, it was 3.3%. So I think for us we should be good, we should be very comfortable.

Rohan Joshi: Okay. Thank you. That was it. Thank you so much.

Aditi Singh: Thank you.

Moderator: Thank you. The next question is from the line of Saumil Shah from Paras Investments. Please proceed.

Saumil Shah: Yes, hi, good morning and thanks for the opportunity. Yes, so I wanted to know on our PAR 1 number. So I think last few quarters we are constantly going down. So how do we see this PAR 1 number going forward for the remaining half of this year?

H.P. Singh: See I think on a year-to-year basis, our PAR 1 has improved from 5.79% to 2.92%. And I think we always feel, when you're doing collection as well as this thing and if you've got a handle on underwriting properly. For us, I think we are looking for slightly more improvement also to come in.

But having said that there's been a drastic reduction over there and this would keep on happening across, you know, when we go forward .Typically the first half again is -- is a little benefit with the monsoons as well as heat waves and everything. I think once we reach into the second half, I think we'll have something more positive coming up in terms of PAR 1 also.

Saumil Shah: Okay. So more or less we could be here or maybe even further down than this number?

H.P. Singh: Absolutely. The endeavor is always to bring it down.

Saumil Shah: Okay. And what was the collection efficiency for the month of October? I mean, we are almost at the end of October, so how is it planning out?

H.P. Singh: It's exactly the -- practically the same. It's practically the same and though we've still not been -- October is still not closed, but it's practically the same up till now.

Saumil Shah: Okay. And on our NIMs for this quarter, if we are looking it is drastically improved by I mean, from 14.3% last quarter to 15.9%. So what is the reason for such high yields? I mean, is it due to the liquidity tightness which is there in our industry and we are able to generate more yields or just wanted your thoughts?

Management: So it's a combination of all the factors. Our yield has improved because of the better portfolio quality. The cost of fund is also gone down. We have been able to manage the liquidity in a better manner. The -- so to say, overall slightly higher DA combination of all that has resulted into a better NIM for the quarter. But we feel that around 14.5% to 15% NIM is something we can sustain.

H.P. Singh: So I think we can look at a stable yearly NIM of about 14.5%. Aberrations would probably come in in quarters basically where there will be reduction in opex, there would be slightly higher increase in DA. But I think if you look at it on a stable basis, on a year-to-year basis, it should be around 14.5% is what you should look at.

Saumil Shah: Okay. And so normally for our industry as a whole, second half is always stronger than the first half. And so basically how do we see this planning out for this year? Are we seeing any effects of El Nino or maybe there are so many geopolitical issues currently going on due to which second half may not be as strong as first half?

H. P. Singh: Yes, I think up till now the geopolitical issues yes, it's been close to about a year since we're seeing this so it has had no impact in the weak quarters. So, I don't think it will probably impact

us in the stronger quarters. On El Niño, I think I gave my remarks in which we said that the states where this has probably been there, our portfolio is very, very negligible. And besides that also, I think we're not facing any stress in terms of our repayment even in these states now which are there.

Saumil Shah: Okay. And, if I may ask one or two more questions.

H. P. Singh: Please yes.

Saumil Shah: Yes, on our subsidiary Satin Housing, we are seeing degrowth in our AUM, Q-o-Q. So, what is the reason for that and how are we seeing this subsidiary performing in the remaining half?

H. P. Singh: See, in housing we are actually re-engineering our products the way we do business, because for us, we fell across the time and we've been able to address the housing, that for us we have to move away from urban to rural housing in a larger fashion. And that's exactly what we are doing right now. And that is probably one of the key reasons that we are going a little slow recalibrating the total product, the whole business model. And now I think once we've been able to recalibrate that, we are now able for a growth.

So, you will see now slow and steady growth coming in from housing also. So, it was probably the way we were looking at it that we were concentrating also a little bit on the urban affordable housing finance piece, that we are foregoing right now, and we are just concentrating on our rural housing finance piece, which we feel is a huge demand. And with the parent company having its network and our distribution outreach being able to address that, I think we are well poised now to look at growth also in housing finance.

Saumil Shah: Okay, okay. So, it may not be as strong as Satin Finserv?

H. P. Singh: It will not be as strong as Satin FinServ, that's for sure. But, give or take another couple of quarters, I think it will be probably be coming up the curve the way Satin Finserv came up the curve.

Saumil Shah: Okay, okay. And, I wanted your views. I mean, government is coming up with this MDR on UPI payments. So how do we see this impacting, I mean, are we must be also receiving payments through UPI, right?

H. P. Singh: Yes, we -- so currently our portfolio collection portfolio is close to about 25% cashless. Having said that, our instalments, per instalment technically is below INR2,000. So, I think for us the effect is not going to be significant. It's going to be very, very negligible because the instalment amount is probably one of the key factors which is taken into account by UPI MDR basically. So, I think very less, very less impact for us.

Saumil Shah: And for repayment there are different...

Moderator: Sorry to interrupt you, Mr. Saumil. But can you please rejoin the queue?

Saumil Shah: No, I was not answering. From the management, they were answering. So, you were saying something?

H. P. Singh: So just wanted to add that, on the loan repayment, the MDR fee will be INR5 and not the percentage proposed. So, to that extent also the impact will be negligible.

Saumil Shah: Okay, okay. But that INR5 is on, I mean, the insurance and petrol pumps and all, I think.

H. P. Singh: So, there are discussions that will be on the loan repayment as well.

Management?: But I think the broad basis that it's below INR2,000 starting...

Saumil Shah: Yes, correct, correct, correct. And on the insurance -- credit life insurance also similar thing?

H. P. Singh: Like same basically.

Aditi Singh: We don't have any income from that we don't have any income.

Saumil Shah: Okay, okay. That's it from my side. Thank you and all the best.

H. P. Singh: Thank you.

Moderator: Thank you. The next question is from the line of Bunty Chawla from ASK Investments. Please proceed.

Bunty Chawla: Thank you for giving the opportunity.

H. P. Singh: Thank you.

Aditi Singh: Bunty, your voice is feeble, very feeble. Can't hear you, Bunty.

Bunty Chawla: Am I audible now?

Aditi Singh: Yes, you are.

Bunty Chawla: Yes, yes. So, as we have seen Q1 also, sorry, in Q2 there has been a spike in the cost of funds on a sequential basis. And now we are seeing the rate hike cycle has started. So, what is the thought process? How much cost of funds will get if we are assuming 50 bps or 75 bps rate hike? And ultimately, what will be the impact on the margin? And linked with it, what is the reason of increase in the gross yield improvement from '23? versus '21?

H. P. Singh: So, we have raised some sub-debt because of which, not the reported, cost of fund is slightly high, but we have reported that there was a sequential reduction in cost of fund. Our marginal cost of borrowing is 10.28%. Our performance is good. We have been talking with lender.

We have more than INR4,000 crores of sanction in hand. We do not anticipate, sort of say the cost of fund going very, very high in spite of '25 that people are talking about in December or so. But in case it is sort of say drastically going up because of the overall ecosystem, we have always the ability to pass it on to our customers. So, as we said, our NIMs should be broadly in the range of some 14.5% or so. So, so that will maintain.

Bunty Chawla: Okay. On NIMs percent?

H. P. Singh: Yes, NIM of 14.5% is well...

Bunty Chawla: Any specific reason the gross yield has improved '23 versus '21?

H. P. Singh: So, it is a combination of DA during a particular quarter because in case of DA, the net income goes up and in case the amount is slightly high, so reported yield is slightly high. But that is normal cycle. Our DAs are broadly in the range of some 23% or so. So, it's a factor of that.

Bunty Chawla: Okay, okay. And secondly, on the net debt, you have given some data points. How much is debt covered and how much we have credit guarantee scheme as a portfolio?

H. P. Singh: So NATCAT, I think practically now 78% to 80% coverage is there. That's the data point. And on credit guarantee, I think we've...

Aditi Singh: We are eligible.

H. P. Singh: We are eligible, but we are not taking that. See, credit guarantee scheme is also technically...

Aditi Singh: Yes.

H. P. Singh: Yes, technically, when if your NPAs are high, I think that then becomes far more feasible to take that. Otherwise, if your NPAs are on a lower band, I think taking a credit guarantee scheme doesn't -- is not feasible enough.

Bunty Chawla: Okay, that was very helpful. Thank you and best of luck.

H. P. Singh: Thank you.

Moderator: The next question is from the line of Aditya Mundra from Mytemple Capital. Please proceed.

Aditya Mundra: Am I audible, sir?

H. P. Singh: Yes.

Aditya Mundra: Hello.

H. P. Singh: Yes, yes, you are.

Aditya Mundra: Yes. Sir, thank you for the opportunity. Sir, this quarter we've seen a higher yield because of the DA component also. So, is it safe to assume that from next quarter onwards and for the maybe the second half, the yield will be normalized to that range of 14.5% overall?

Management: So that's the NIM. So, I think...

Aditya Mundra: Sorry, so I mean the NIM will also be normal, yes. Sorry, go ahead.

Management: Yes, so that's why I say in the stable state of affairs you should look at a NIM of about 14.5%, which will be the stable state, which is -- there could be quarters which could be up and down, but if you look at the stable state, it should be 14.5%, not anything beyond that.

Aditya Mundra: And for our entire cost of borrowing gets resized when the repo rates are high, or how does it work? Are they resized immediately?

Management: So, we have broadly 50% of the borrowings on floating rates, and there are different dates on which this gets revised both upward, downward. So, it's not that it is immediately. Both up or down revision happens on periodic basis depending upon the sanction terms. Some are repriced on six-monthly basis; some are repriced on annual basis.

Aditya Mundra: So even the 50% floating rate book may not be repriced on a T plus one or even on a quarterly basis, or that portion will get...

Management: So, as I said, that there are, so to say, agreement with the lenders. Some of the facilities are repriced on six-monthly basis; some are repriced on annual basis. So, any upward, downward revision happens on periodic basis, not on immediate basis.

H. P. Singh: I think you should look at from that point, Aditya, that if there is -- when we reprice it, we do negotiate with our lenders. So, technically any upward movement is negotiated with them. And that's the reason why when we said that the last quarter incremental borrowing was 65 basis points lesser, that's probably the answer to it. So I think there will not be technically any increase in our borrowing costs.

Aditya Mundra: Okay. But the floating rate is entirely repo-linked, right? There is no T-bill or any other…

Management: Most of them are repo-linked, some of them are linked to internal banks and CLR, etcetera, but they work in one direction only. Just for your understanding, as we explained earlier, you should think that our NIM should be broadly around 14.5% cross-cycle. So any increase, decrease in the overall cost of fund and other factors will be factored into our lending rate. So, we will try and protect 14.5% NIM over a period of time.

Aditya Mundra: Understood, sir. That's it. Thank you.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Sanyam Jain from Valgrowth Capital. Please proceed.

Sanyam Jain: Hello. Am I audible?

Moderator: Yes, sir.

Sanyam Jain: Yes. So, my question is that since the repo rate has been revised and in the December MPC meet also, we are predicting that 25 basis points to 50 basis points can be increased. So what's the planning of fundraise and refinance strategy for the next four to six quarters? Because historically, we have seen that in these interest rate up cycles, microfinance as an industry has struggled historically.

And my second question is that since there is a capping on how much interest we can charge from the microfinance customers, how much space do we have to pass on the increased cost maintaining the repaying ability of the customers as a whole?

H. P. Singh: So, Sanyam, let me clarify first. There is no capping of the interest rates to the borrowers. So I think that is something which is not there. The second point which is also important, I think, for you to understand is and which was indicated by Jewel? earlier. You should look at the NIMs broadly. I think any increase in yields, any increase in terms of other things, so we've got all levers which are handled by us, but the ultimate objective is to protect our NIMs which are going to be there.

So, any floating rate interest hike or whatever it is, will probably not have any impact on us, and that's the reason why we said please look at NIMs. In fact, if we look at our last quarter, our NIMs actually increased from 14.5% to 15.8%. Now for us, what we are going to protect is 14.5%. So, any increase, even as there's a slight bit, in terms of our borrowing rates, I think we are well protected to maintain that stable NIM for the entire half year, at least, for this year.

Management: Sanyam, just to add on your question of fundraise, etcetera, as we have written that we have almost INR4,000 crores plus of sanctions in hand, we have INR2,200 crores of liquidity in hand. Overall, the sector is also doing, and our performance is much better than all our peers. We don't anticipate any challenge in terms of raising the required funding for growth.

Sanyam Jain: Okay. Thank you. All the best.

H. P. Singh: Thank you.

Moderator: Thank you. The next question is from the line of Mayank Kumar from Prasun Exponentials. Please proceed.

Mayank Kumar: Hello, team. Congratulations on good set of numbers. I just had one question. So, we have some of the states…

Aditi Singh: Sorry, Prasun, your voice is breaking. We can barely -- it's not at all audible.

Mayank Kumar: Is this better?

H. P. Singh: Yes.

Mayank Kumar: So, next year we have some states going up for elections. So, do you see or do you forecast any kind of effect on our loan book or on slippages part?

H. P. Singh: No, absolutely not. See, that's the reason why we said you have to look at the entirety as such. Events will come and go, and this is something which it is. So, I think, broadly what we have created, we have created buffers. Our underwriting is very strong. Our technology is very strong. Our growth is there. Our collection efficiencies are strong.

So, I think these are factors which actually encompass whatever happens in terms of local elections, state elections, national elections. I think, these are things which are taken into our

stride for us to do well. So, I think there's absolutely no concern which you should have in terms of the elections coming up next year.

Mayank Kumar: Okay. Got it, sir. Thank you very much, and all the very best.

H. P. Singh: Thank you.

Moderator: Thank you. The next question is from the line of Shaju Paul from Growth Investors. Please proceed.

Shaju Paul: Okay. Sir, congratulations on a great set of numbers and consistent performance. And very glad to note that your top officials, 200 senior management employees, has been consistently there with you. That also reflects a great culture you would have set as an employer. My question is about, again, when we look at it, numbers seems to be growing quite well consistently.

And when we look deep into the numbers of profit, a good amount of that profit is coming from fair value recognition, FX plus de-recognition gain. So, can you throw a little more light on these items with the view that how much of these are going to be consistent across over these coming years, or is any part of it a one-time? So, how do we see those numbers so that we want to see what is the predictability of the earnings? That's the context of the question.

H. P. Singh: Yes. Shaju, let me answer this for you. There is no one-off income which is there which is reflected in the profit. So, I think that concern should be allayed first. Secondly, DA remains practically close to in the band of about 21% to 23%. That is what the band which we have across the year basically, and that is what we are doing it.

So, any kind of income which you think is probably inflated in terms of DA income, it's not. It's a stable steady state of 21% to 23%? DA which we do across the year as such. So, I think that is what is there. And I think that should probably allay your concerns or thoughts on the income which is there.

Shaju Paul: Okay. Thanks for that clarification. So, that means, we could see that these are almost like a regular business income, and we could see consistency in that -- though it is classified differently, but these incomes are regular in nature?

H. P. Singh: Right. That's what the reason I gave you basically that when you're looking at these two, basically it's the stable state in which is there.

Aditi Singh: Absolutely. It is one of the tools with which we -- like one of the instruments with which we raise liquidity. And you would appreciate at any point of time there is also the pool which we are servicing and incurring a cost which we had done an assignment or a DA in the earlier quarters. We are not adding any more income from that. So, it balances that out as well. So, in the long run, you would say it all normalizes and there is no one-off.

Shaju Paul: Okay, that's great to hear. Okay, and one question, from a valuation perspective, actually considering the growth you are delivering quarter after quarter and consistent performance, especially in a difficult sector like microfinance, you seem to be doing extremely well. But

market do not seems to be recognizing it from the valuation perspective. Do you have any plans to correct the valuation mismatch what you see?

H.P. Singh: That is something which is not in our hands, and we would not like to comment on that. I think it is as per the understandings of how people view it as. We -- our job is to deliver consistent good performance, and that is what we keep on doing. For us, this is not an indicator which either makes us feel good or feel bad about it. We're happy with whatever is going on in terms of our performance.

Shaju Paul: Okay, sir, got it. Thank you.

H.P. Singh: Thank you.

Moderator: Thank you.

Management: Sorry, just give me half a minute. Just to add to the previous question, I think the stakeholders can draw comfort from the fact that promoters have infused INR100 crores at almost 17% premium to the SEBI formula price. That shows our confidence in the business. But market price is where it is and it has come -- covered some distance. Hopefully with performance, it will further improve.

Moderator: Thank you. The next question is from the line of Riti Singh, an Individual Investor. Please proceed.

Riti Singh: Hi.

H.P. Singh: Hi.

Riti Singh: Am I audible?

H.P. Singh: Yes, you are.

Riti Singh: Yes, good morning. I just wanted to know the loan officers count for H1 FY27.

Aditi Singh: 15,300 something. So no, that's the overall employee. Loan officers are little above 11,000.

Riti Singh: So, can you just tell -- I was just comparing the loan officers for Q4 FY26 is around -- just give me a minute. Was around 11,867 for Q4. In Q1 it was 12,511. So, for Q2 it is not mentioned in the investor presentation, I guess.

Aditi Singh: Q2 is 11,122. Like I said, little above 11, it's mentioned. You will find the breakup when you see the graph. There is consolidated numbers and then the individual standalone numbers are mentioned there, Riti. But still for your clarity, it is 11,122.

Riti Singh: Okay, okay and what is the write-off amount for the Q2 FY27?

Aditi Singh: That's INR73 crores.

H.P. Singh: Yes, INR72 crores to INR73 crores, yes.

Riti Singh: Okay, thank you. Thank you, ma'am.

H.P. Singh: Thank you.

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

Aditi Singh: Yes, hi, good morning, everyone. My name is Aditi Singh. I'm Chief Strategy Officer at Satin, and I would just like to close by the -- again repeating, reiterating what we have been telling the market. Two quarters ago, we told you we would use the good part of this cycle to build a cover rather than to print a better number, and that the returns we wanted to be measured on were the ones that hold through a cycle rather than at the top of one cycle. I also mentioned how we have always been consistent, whether it is the cross-cycle returns or the cross-cycle credit cost.

This quarter, we had the clearest opportunity to declare the best result returns ever, but we still opted not to and stick to the discipline and provide a buffer. The book is clean. Our provisions now exceed our gross NPAs. The state we asked you to watch for flood stress has come through with the lowest PAR 90 in our portfolio. The states the market is worried about are the states we are barely present in. We took the overlay from INR36 crores to INR50 crores anyway, and this is our commitment. This is the whole of our case, and it is worth being plain about it.

We are building a INR32,000 crores diversified financial services group by financial year 2030, with a third of that book outside microfinance, and we are a little over halfway there. Everything we do is measured against that end state rather than any single quarter, and an institution that intends to be there in FY2030 does not spend its good quarters on headlines. We believe in dream big, deliver bigger. Thank you for joining us.

Moderator: Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.