

August 21, 2018

To,
The Manager,
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra East, Mumbai-400051

The Manager
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400023

Scrip Code: SATIN

Scrip Code: 539404

Dear Sir/Madam,

Sub: Update on Conference Call held on August 14, 2018;

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated August 13, 2018 with respect to Conference Call held on August 14, 2018, we hereby submit the transcript of such conference call with this letter as an **Annexure-1**.

We request you make this updates public by disclosing the same at your website.

Thanking You,

Yours Sincerely,
For **Satin Creditcare Network Limited**

(Choudhary Runveer Krishanan)
Company Secretary & Compliance Officer

Encl: a/a

“Satin Creditcare Network Limited Q1 FY2019 Earnings Conference Call”

August 14, 2018

ANALYST: MR. AALOK SHAH – CENTRUM BROKING LIMITED

**MANAGEMENT: MR. H. P. SINGH – MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER - SATIN CREDITCARE NETWORK
LIMITED
MR. JUGAL KATARIA – CHIEF FINANCIAL OFFICER- SATIN
CREDITCARE NETWORK LIMITED
MR. DEV VERMA – CHIEF OPERATING OFFICER - SATIN
CREDITCARE NETWORK LIMITED
MS. ADITI SINGH – HEAD CAPITAL MARKETS - SATIN
CREDITCARE NETWORK LIMITED**

Moderator: Good day ladies and gentlemen and a very warm welcome to the Satin Creditcare Network Limited Q1 FY2019 Earnings Conference Call, hosted by Centrum Broking Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Aalok Shah from Centrum Broking. Thank you and over to you Sir!

Aalok Shah: Thanks Ali. Good afternoon all and on behalf of Centrum Broking we welcome you for Satin Creditcare's Q1 FY2019 results. From the management, we have the senior management team represented by Mr. H.P. Singh – the CMD, Mr. Jugal Kataria – the CFO, Mr. Dev Verma – the COO and Ms. Aditi Singh – the Head Capital Markets and other senior management members from the team. Without taking much of your time, I would hand over the call to Singh Sir for his opening remarks. Thank you and over to you Sir!

H.P. Singh: Thank you Aalok. Good afternoon everyone. What I will take you through in my opening remarks are the few milestones, which we have been able to do during this quarter, and after that I will hand it over to Mr. Jugal Kataria, our CFO to take you through a short way through the transition into Ind-AS, which has probably been in the most significant thing which has been there for this quarter.

Stating now our AUM has crossed 6000 Crores, we are at about 6026 Crores at the end of the quarter, having an increased client base of about 30 lakh clients now, all across the geographies. With now our operations being there in about 20 states as earlier of about 18 states, so we have added two more states now, Tripura and Meghalaya into our fold. We have now close to about a 1000 branches, all put together in terms of our microfinance space. The technology has taken shape in a larger context. So if we look at cashless disbursements practically close to about 90% of our branches are now geared up and are doing cashless disbursements. Having said that close to about 57% of our portfolio is now through cashless disbursements. A very significant happening across in the last quarter has been our rating upgrade; from a BBB+ we have got a rating upgrade to A-, which again underlines the bounce back after the demonetization goes across for the company.

In terms of our capital adequacy, I think our CRAR rate has been now at about 26.36%. Having said that I think a very significant tie-up which had taken place with IndusInd Bank, has after the initial integration, is now taking shape and we are good to state that at the end of the quarter our AUM with IndusInd Bank in this strategic tie-up is close to about 47 Crores and it will scale further now going ahead since the basic integration has been done.

In terms of our liquidity I think we are adequately liquid; in our portfolio, we have close to about 1100 Crores worth of liquidity at the quarter end and we have been able to raise close to about 1366 Crores including a 200 Crores subdebt during the last quarter which is again a significant milestone in our quarter. And if you look at it technically for us, UP which we have probably

been somewhere our concentration risk was mentioned across for a large period of our time, if you look at it then UP was the highly concentrated state in our portfolio, so that has dipped down; now UP consolidated basis is less than 25% and what statement we had given earlier about a year back that we will be trying to bring down our concentration, geographies lower down and we have been able to do that as the UP going down to 25%. So these have been significant milestones in our life for the last quarter and I now ask Mr. Jugal Kataria, our CFO to give you a brief about how transition has happened in Ind AS. Over to you Jugal!

Jugal Kataria:

Thank you Sir. Good afternoon everyone. So we have given our results and the investor presentation is already there in public domain. Just want to highlight few things since transition to the new accounting standard Ind-AS is very important and a significant change during the quarter. So the company has shifted to Ind-AS from I-GAAP with effect from April 1, 2018, with the transition date of April 1, 2017.

Accordingly March 2017 and March 2018 numbers have been recasted with respect to adjustment of two standards. On a standalone basis, networth of the company has shifted from 1095 in the whole standard to 904 Crores and this is primarily on account of two to three major factors. There are other minor adjustments, which have been done and have a neutral impact. So the treatment of provision on doubtful assets, etc., has changed as you all know, so that has an opening impact of about 115 Crores. The reclassification of preference shares which was earlier part of the networth is now shifted to liability in the new standard, so that has impact of about 95 Crores. The third important adjustment is on account of processing fees which is now going to amortize over the tenure of the loan, so that has an impact of about 39 Crores or so. And DTA impact on all the items put together is about 52 Crores, so that explains how there is a shift of broadly 200 Crores in the networth, so the ECL impact is 115 Crores, balance is the impact of other items, so that is explained and other reconciliations, etc. are already there in public domain.

With this, we will open the call for question and answer and we will try to answer whatever queries are there. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

Amit Premchandani:

Good afternoon Sir. Just on the ECL part since you have already taken the provision through networth, why is that correct quarter credit loss or estimated credit cost so high?

Jugal Kataria:

In the revised Ind-AS, the ECL hit to the P&L is a reflection of the collection efficiency as we have shown that collection efficiency is around 98% for the last two quarters, it is stabilized at that level. We could have taken slightly aggressive position but have taken conservative approach there, we have taken some other measures, we are hopeful that that will show improvement in collection efficiency over a period of time, but seeing the 98% collection efficiency for the last two quarters, based on our estimates, we have provided about 45 Crores is a number, which was shown in the results, but there is roughly 10 Crores amount in the new standards because we have

to keep accruing interest on the NPA portion, and correspondingly we have to make provision on the uncollected interest. So actual principal provisioning is about 2.77%, which is in line with the collection trend in the recent past, when the collection trends will improve, this number will also improve.

Amit Premchandani: What you are implying is that 98% collection efficiency would lead to always 2.5% kind of a credit cost?

Jugal Kataria: Now in the revised scenario, we have to make provision on the entire portfolio even on on-time portfolio also some provisioning etc has to be done which was not in the case in the previous GAAP, so on day one only we have to start providing for even the good portfolio, so that is why these numbers were apparently slightly higher for the time being, but as this 98% collection efficiency will improve that will translate into lower credit cost number.

Amit Premchandani: Sir what will lead to this improvement of 98% to say 99%, your new book is anyway 99.6%, right, but your overall book is still stuck at 98%, what led to this because you are growing also outside the older geographies, but still the overall collection efficiency is not improving. When or which quarter onwards you think that that will be kind of reflected in the overall collection efficiency?

HP Singh: I think if you look at the baseline, we have disbursed only in the impacted territories; the opening of the new geographies has been later in the part of our life. So if you look at the tail, which probably will be there. This is the blended collection efficiency, so that is the reason why we bifurcated into our blended collection efficiency and the new collection efficiency, which is 99.6. Our own sense is as we go further ahead, this blended will definitely improve basically because if you look at the new acquisition of clients, that will significantly improve. Having said that also I think since we were there in 70% of our territories, which were already impacted and we had to keep on disbursing because the moment you pulled out of it technically you are taking away, even the basic things away from this. Our own sense is it is stable for the last two quarters now, I think it is room and time where it will start improving from hereon. So we will have to probably be there from the quarter onwards from here basically this significantly will start improving from here on, so that is the explanation for this.

Amit Premchandani: Last quarter, you had kind of guided that credit cost should be around 1% next year and ROA would be significantly higher than last year on 2.3%, you are still guiding for 2.3% ROA, but your guidance for credit cost of 1% remains or directionally it remains?

HP Singh: Directionally yes, it remains over there.

Amit Premchandani: But not for this year?

HP Singh: It could be this year also. See I will tell you something – for us if you really look at it whatever measures we have taken across that is the reason why I said, for us, the stability of the last two quarters even in the impacted territory blended together is giving us a 98%. So for us once we

have stabilized, the whole shift now is going forward when we look at growth, we look at ECL being possibly when taken into queue, our next furtherance you really look at in terms of our including our 2.7%, what we are stating out to be even including our own time, my own sense is this guidance still remains and maybe say that our credit cost will be in that region all together.

Amit Premchandani: Just for my understanding point of view, what percent of your current portfolio is in the 70% impacted territory, which is leading to higher estimated credit loss and how will basically it change the mix by end of this year?

HP Singh: If you look at it our other territories, which are new in nature, have yet to come up to a large scale, hence the 70% which was earlier during demonetization, it could probably be about 60% across in the older territories as such. So as that ratio starts differentiating moving ahead, I think you will see significant improvement in the blended collection efficiency ratios.

Amit Premchandani: Great Sir but this 60% which is now, could move to 50% by end of the year, any ballpark figure?

HP Singh: Yes. It will probably be less than that also.

Amit Premchandani: Okay. Thank you Sir. That is it from my side.

HP Singh: Thank you.

Moderator: Thank you. The next question is from the line of Gautam Jain from GCJ Financial Advisors. Please go ahead.

Gautam Jain: Congratulation for very good set of numbers. Sir my question is on net NPA like to like basis, can we get that numbers? Against 2.62 in Q4, what is the net NPA this quarter?

Jugal Kataria: Now there is no concept of net NPA in the ECL scenario, we have 590 or close to about 3.9% or so which was roughly 212 Crores, against that we have provided for 3.5% which is about 190 Crores, but probably it is not fair to say that the balance 22 Crores is not provided for because the entire approach to making provision is changed now. So based on the trend probably the way to understand is that on the entire portfolio of 5400 Crores, 190 Crores is the anticipated loss. But in case you are looking at it from the historical perspective, my PAR 90 number is 212 Crores and my provision is 190 Crores.

HP Singh: So as a layman if somebody really looks at it I think we have to look at for is that we have entirely provided whatever is being there in terms of our ECL, now what it stands at 5400 Crores of the AUM, so everything has been provided for technically.

Gautam Jain: Okay. That is very good.

HP Singh: So if I give you probably a queue, which I probably should not, but if you look at net NPAs now, technically it is about 0.4% or so.



- Jugal Kataria:** From historical perspective it is 0.4 but the concepts are different now.
- Gautam Jain:** Okay. So can you guide us about the credit cost for current year because in Q1 the provisions quite high, so what could be normal credit cost for balance three quarter of this year?
- HP Singh:** I cannot give you a number right now, but what I can probably give you is that whatever is probably being the worst credit cost for us, has probably been taken care by June 2018. Whatever you look forward in the quarter is definitely and surely going to be an improvement from hereon. The credit cost, the profitability numbers, the provisioning and everything, which is being done across over here and that is the only thing, which I can probably tell you across.
- Gautam Jain:** Okay and last question pertains to other expenses, which is quite under control, so I mean we have having very good business growth around 40% plus loan growth and we are going into new geographies, but still other expenses are quite under control, so what is secret there, just explain this.
- HP Singh:** You want to know the secret or you want to know how do we do it?
- Gautam Jain:** Yes, both.
- HP Singh:** There is no secret, I think as an organization I think we have kept our DNA to have a tight leash on our cost and I think that is probably one of the major factors what we have been able to contain it everytime whenever even a growth is taking place. Having said that I think we have moved from an operating expense ratio of about 6.83 last quarter to this quarter to about 6.15%, so my own sense is I think even if the expansion takes place I think since that's how we are built up as an organization, I think we will still have a tight leash on our operating expense, it will be there.
- Gautam Jain:** Okay. Thank you so much and all the best for the future.
- HP Singh:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much for the opportunity. Sir my first question revolves around your ROA, now in your presentation, you have guided for a full year ROA of 2.3% plus, right and in the first quarter we are at about 1.7% kind of an ROA, so to kind of achieve that the remaining three quarters we much be doing at least around 3% kind of ROA, is that what we are thinking as well.
- HP Singh:** See with the transition into Ind-AS, I think there has been probably – that is the reason why we have given both the ROAs, if you look at it I think our ROAs with Ind-AS is about 1.7 and with the old I-GAAP I think the ROA is about 1.9 in the presentation which we have already sent across. What we would like to place with all of you is that in terms of our I-GAAP, we still maintain what we have maintained across as a guidance of the ROA of about 2.3 plus. Having

transition from whatever we have done in terms of Ind-AS and taking such a huge provisional back into our books of account, I can only state that we are working on all this and our credit cost is going to improve further definitely and if you look forward towards, I possibly in terms of our some norms I probably cannot share numbers, which are futuristic, but the only assurance which I can give you is that yes the numbers and the ROA guidance will significantly improve after even the transition from IndAS, so please be sure about that, we are working towards our credit cost, this 98% collection efficiency which have been blended as I said earlier is going to improve and it is going to be there possibly where we are looking at maybe a transition to 99% or above in the near future as such.

Deepak Poddar: Okay. I understood. In terms of credit cost as you kind of brought this point you have mentioned that 1% credit cost could also be possible for this year, now 1% credit cost for us is close to about 70 Crores, right and 45 Crores we have already done this quarter?

Jugal Kataria: Just to add that that number of 45 Crores includes 10 Crores of interest portion, so actual credit cost on principal is 35 Crores because the balance 10 Crores is part of the yield and part of the ECL number, so just wanted to clarify.

HP Singh: And Credit cost to be very honest the guidance has been on ROA and I have told you, you can interrelate it from whatever way you can, our guidance still remains on our ROA to be significantly improving after the transition into Ind-AS.

Deepak Poddar: Okay. I understood and my final question is on your business correspondent income, so how do you see that income portion of our total income?

HP Singh: The business correspondent with IndusInd Bank?

Deepak Poddar: Yes.

HP Singh: So we have given you a ballpark figure of the first quarter where we have been able to really work with IndusInd Bank on this, so our AUM during this quarter is being around 47 Crores, income definitely I think this is going to scale up now with more regions now taking shape and getting under the whole of IndusInd Bank and definitely I think there is going to be a large scale improvement of whatever numbers in the last quarter and we are looking at significantly jumps in the next few quarters, which is going to come in terms of our BC with IndusInd Bank.

Deepak Poddar: Okay. Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Dhaval Gala from Birla Sun Life Asset Management. Please go ahead.

Dhaval Gala: Hi Sir, congratulations. I had couple of questions Sir, maybe Amit was asking that question earlier in the continuation, so last year if you look at our disbursements number, which is close to 5500 odd Crores for FY18, right. How much of that is sitting on the book right now and what sort of seasoning is already happened because I was confused by the number that you mentioned



70% is still the old geographies and the older book and therefore the ECL number is higher, but if you look at from an overall book outstanding basis, the disbursement number which has happened in FY18 and even if you look at your first quarter disbursement number, which is close to 1332 Crores, that should be the bulk part of your overall AUMs right now. Would it be fair to understand that way?

H.P. Singh:

I will give you on an ongoing basis when I said figure of 60% and then goes onto about 50%, so if I give you probably maybe the disbursement part in the last quarter in terms of 1300 Crores, which have been disbursed, so technically in the impacted territories our disbursement has been out of those 1300, I do not have a figure, but it will be maybe about 30%, which would be in the older impacted territories and the rest would be in the newer non-impacted territories, so that is the mix now which is happened across and that is the reason why I said on a very confident note that yes this is on a blended basis going to improve as my non-impacted territories start working on it and the question is also not that we are able to move out of the impacted territory assets, it is that will acquire newer point across even in the impacted territories, so giving it to our older clients in the older geographies has also blended to a large extent now.

Dhaval Gala:

Maybe Sir then what understanding which would be needed from our side would be say if you look at on a stock basis, your collection efficiency number which is running around 98% for the last two quarters, when will that converge to our new collection efficiency number, which we have disclosed from January 1, 2017 which is at 99.6%. So when these two number converges or when does your overall stock basis goes to the level of overall newer collection efficiency number?

H.P. Singh:

So Dhaval, it is very simple as we go quarter by quarter, there will be a significant improvement, there will be an improvement from that 98% blended as the 99.6% moves up from certain ratio to a bigger ratio they are going to converge quarter by quarter, they'll started converging. Now when and how this will happen will depend on how much the disbursement I am making in the new territories and how much disbursement I am making in the older territories and even in the older impacted territories, are we acquiring how many fresher new client as such. But my own sense is having done this stable part for the last two months, we are on course now to look at this in a significant fashion now, quarter by quarter we will start coming closer and closer basically and maybe it could be nine months or maybe it could be one year before it finally or maybe one and a half year, we are finally converges into and reaches at 99.6%. I cannot have a guess of number because the ratios will keep on changing but the only thing which I am actually certain and give you a statement of fact is that now after having stabilized in the last two quarters, now it is the time that we will probably start increasing from there.

Dhaval Gala:

So maybe Sir and even if Jugal could add, just to understand on a book basis, you right now have collection efficiency running in 98% on a overall stock I assume 6000 odd Crores, so the 2% number could be close to 120 Crores, which is maybe not paying on time or stress book, would it right to assume in that manner?



HP Singh: So I think Dhaval you will have to understand this from a different perspective that is where we are, see what Ind-AS has done, out of my book of 5400 Crores, whosoever has the stress or not been paying of about 190 Crores, has been taken out of my system, now whatever incremental is going to happen in terms of my book, which gets added up, if we add up that percentage across over there, so if my book stays at 5400, I have already provided for whatever has to be done. My book if it goes from 5400 to let us say 6400 that gap of 1000 Crores will have probably a credit cost of 27 Crores, which is 2.7% and that is how it has to be looked at.

Dhaval Gala: Okay. So it is based on the last years' collection efficiency behavior and not the current year, so basically maybe Q4 FY17 when we had 85% collection efficiency is that the number you are looking at while calculating the ECL for the new book?

Jugal Kataria: So Dhaval we have taken that trends and as the trends will improve slowly this number will come down. It would be difficult to say that whether this number will go down significantly in the next quarter or after that. So as this 98% collection efficiency starts showing improvement, this number will start coming down over a period of time so that could but this is what I was trying to explain in the previous questions also, probably it is not fair to assume a gross NPA and the ECL, ECL is provided on the entire portfolio depending upon performance of the portfolio in the different buckets. So incase the performance will improve as Mr. Singh explained that we are taking some measures to improve collection efficiency and all. So in whatever bucket that improvement will happen that will get reflected in the overall ECL number.

HP Singh: So if my collection efficiency will overall start improving my 2.7% is likely to go down basically, so whatever I will have to now provide and take into my books is going to be lesser than what it is right now.

Dhaval Gala: Right and what would be your number of accounts right now in PAR 90 portfolio.

H.P. Singh: We have a number of the value which we have got but I will give you PAR 90 and above would be about – I think my own sense is to be close about 1,60,000 clients at the max.

Dhaval Gala: And maybe why I am asking this question is may be to understand that trend with PAR 180 as well because so last time when we discussed you had these hard accounts or hard recoveries which you had to attack for this financial year, so that you get better recoveries out of the provisions also we had in the last one and a half years, so any progress on that front, what is the number on PAR 180 as well, is that trend improving?

HP Singh: So I think Dhaval what you look at is technically that one – I think the statement of fact is that PAR 90 was about 210 Crores that has been fully provided for taking into account ECL if you look at the Ind-AS transitioning so today we do not have anything which is probably left across over there. Now if I go forward, we are working on it, I think our first thing was to stabilize this at about 98% once the beginning of this year across overhead, we have been able to do that. Now that has probably if you look at it technically that has been there across for the last two quarters, which is a very significant milestone for us. If you do a comparison with the other number record



I think from a minus 70 from where we come across to maintain now at 98, is fairly significant, so 98% of the blended portfolio is moving fine, 99.6 of the newly acquired client are absolutely on track, the only thing we are now working on and will take us is the whole thing has already started in the last quarter as such, but if you go through it we are working on even in terms of receive to get the hard buckets also out and bring them back into the system. I think you will see results now coming in from across the quarters onwards from now. We are working on it, its not that we have left it across, it is a process which goes into work, so I think we are working on it and definitely there will be marked improvement which you see across in the next few quarters.

Dhaval Gala: So would you be sharing numbers on that in the coming quarters maybe how is that trend improving from that, so I completely appreciate that you are reasonably well provided now, but maybe we are all being shareholders and investors and you are being on the same side, we are looking at when these numbers we have reasonably provided get back to in terms of number of recoveries or your hard bucket basically tends to go down materially not by write off but by actual recoveries.

H.P. Singh: So we will be able to share with you once we have significant data coming, but we will definitely be able to share it with you absolutely no doubt about it.

Dhaval Gala: Yes, also Sir if you could tell us as how is your NIM moving and also in non-MFI portfolios I mean we have started SME, we are doing some bit of housing for maybe down selling part so how are the NIMs likely to look like in times to come?

Jugal Kataria: So on the MSME piece we have broadly the same margin of 10% plus kind of a situation, housing is a new business, we are just trying to work purely from equity and it is a very small book, so once we will start borrowing for that entity, we will come to know but the opex will be much lower NIMs but to that extent opex will also be much lower as on today in the fixed expenses which are going on we have a loss of approximately 1 Crores in housing finance business, but as this will take more shape we will start borrowing cheap for housing business, so from NIM perspective, I think MSME, MFI are broadly on the same level, housing will have a slightly lower NIM but to that extent which have much lower opex.

Dhaval Gala: Right. And basically on your banking correspondence business, you would have spreads which would be similar to your NIMs, from the mix point of view if the mix has similar to the key business, would that spread be similar?

Jugal Kataria: Yes, with that BC model the spreads are broadly the same. It is slightly better but nothing significantly different between on book and the BC.

Dhaval Gala: All right Sir. Sir last question, so you did mention about IndusInd Bank's strategic alliance now improving and I understand you shared the last time that 40% of the disbursements by monthly basis by the end of the year, you would be doing it for them maybe your any updates on our arrangement with Capital First?



H.P. Singh: I think there we are a little slow if you look at it I think we have done some numbers, but I think it is not significant enough to look at, we have done about let us say close to about 150 two-wheelers technically from here, I think the challenge there where we are facing is, is probably the integration, which is not still been towards satisfaction I think once that probably takes shape I think we will have significant numbers coming out, but right now yes is probably the low key, and we are just doing two wheelers with them right now I think MSME and housing is being done by us only.

Dhaval Gala: Sure Sir. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: Sir one question I had was on your operating cost, Sir in the last one and half year we have made very, very significant investments and changes in our technology, process the way we monitor, so is the current cost reflective of all of that and should we assume this 6.1%, 6.2% of AUM as a normalized run rate now and may be if we grow can we expect something better from this?

H.P. Singh: To be very honest, I think the only thing which we would like to put across in the table is that in spite of the fact that we have had increased technological cost or whatever it was I think we have still been able to bring our opex down, maybe to a certain extent yes the efficiency has improved because of all these factors across over there that we have been able to bring it down, but having said that I think my own sense is it will remain stable for a while, but we are working towards even bringing it to down further, so I think in a way we are taking several measures, probably not visible right now, but I think maybe a couple of quarters we are probably putting an extra effort and getting our old overdues back, so I think probably it will remain stable for sometime, but my own sense is on the way we are actually developing our processes across, this probably maybe will also start going down maybe after sometimes now.

Digant Haria: Okay. So right now working with 6-6.2% is kind of a number is something, which is very realistic right?

H.P. Singh: Yes, right now I think we will stick at that.

Digant Haria: Okay and Sir you just mentioned one more thing that let us say this 5400 Crores portfolio that AUM increases to 6400 that is we add a 1000 Crores more of loans, so we will have to make provisions of 27 Crores under the ECL, but that is assuming if the collection efficiency and if the affected regions do not improve, that is right?

H.P. Singh: That is right. But I made a statement that yes that will improve, but I cannot give you a number right now, but we have taken a lot of measures across in the last one month or so, we are working towards even getting this back, so significant the team is working on it now, we have got different strategies working on all these buckets and I can only state that definitely there will be an improvement in the collection efficiency ratio that is for sure.

- Digant Haria:** Okay. So Sir 27 Crores is more or less like the upper number, if we have to think of it at that way – on a 1000 Crores additional portfolio, we may need 20 Crores of additional provisioning?
- H.P. Singh:** Yes that is the top most number on a conservative basis that is what we are giving.
- Digant Haria:** Right and I think one question maybe Jugal can help is that in our ECL model because we have been talking about this affected region, so in these models is the repayment behavior mapped as per regions – were there various ways of doing it so for us it would be more of the districts or the talukas or what is our unit where because what may happen is even in the affected region, some of the new launch maybe absolutely great but then your model might still be saying it is an affected region, so provide more is that correct?
- HP Singh:** No, I think what we have been done is I think we have looked at the PAR numbers and the value of the loans across to develop this model. And in any case once you have those PAR numbers every region will probably be incorporated in that and I do not know we have not done a complete cut of this thing but the acquisition of new client even in the impacted territory has a 99.6% collection so that has not changed across over there. Only the older clients whom we are feeding are probably the grey area, which is left now.
- Digant Haria:** Okay. Sir you are saying that if it is in a new region, if in the older affected region if somebody is paying on time that may not get penalized under ECL with excess provisioning, right?
- Jugal Kataria:** The blended trend of geographical mix has factored that in the model, the way to look at it is that we have seen the past data and as the geographical mix has changed over a period of time that gets reflected in the overall model.
- Digant Haria:** Okay. Got it. Okay. Those are the only two questions. Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** Good afternoon Sir and congratulations for good set of numbers. I have one question on our disbursement growth which is just about 16% for the quarter, and we are looking at about 40% full year AUM growth, is there any anomaly in this 1300 Crores number?
- H.P. Singh:** I think we still stand by our guidance, the first quarter is always a little patchy. In fact if you look at it the first two quarters always are patchy, I think things start picking up in the last two quarters as such, but we are fairly confident that the increase in our states where we are now working on, I think definitely yes the number guidance is stable.
- Kashyap Jhaveri:** But I mean what I wanted to ask is that has it got to do with one of the region which is not doing well or it is just for this quarter- this is just a number I mean, it is not something which is to do with any particular geography do not doing well or something like?

- HP Singh:** No, I think there is nothing which is probably giving any kind of trend where you see that some regions are not doing or some regions are doing, the only thing which we would like to I think state is that the impacted geographies we are in a conscious call by reducing our concentration risk, and we are putting down our disbursement numbers to a lower extent as compared to the newer territories where we are working upon, so that is the only thing which we are trying to implement onto the ground level.
- Kashyap Jhaveri:** Okay and my second question is on the slide #25 which gives us top states with our JLG bifurcation, now in some of this region for example, if I look at Haryana, Haryana last quarter was 184 Crores, suddenly that number is 364 Crores in this quarter, on the other hand if I look at something like Rajasthan or West Bengal, Rajasthan was 220 Crores suddenly it is about 190 Crores, West Bengal was about 217 suddenly 196, if I look at Maharashtra it was about 100 Crores to about 300 Crores now, is there anything wrong with the stable, I mean the numbers....
- H.P. Singh:** No, so last time we were giving this number on a standalone basis, this time this number....
- Kashyap Jhaveri:** I get that this is including the subsidiary consolidated number break of 6000 Crores?
- Jugal Kataria:** This shift is primarily because of Tarashana which has over 600 Crores of portfolio, so now since as in today this is our 100% subsidiary so we have seen that we should see our geographical concentration on a group level rather than on a standalone basis. So for the time that number on a blended basis.
- Kashyap Jhaveri:** But let us say something like Delhi and Chandigarh from 40 Crores totally 70 Crores from 50 Crores to 70 Crores, even I were to take the consolidated number of 6057 Crores and look at the breakup still – I mean region wise changes up and down both sides are pretty sharp if I compare Q-on-Q.
- HP Singh:** I have still not been able to look at it so one example one state I think we can clarify on that, so one state if you can probably tell us.
- Kashyap Jhaveri:** Okay. So if I look at Delhi, Delhi in the proceeding quarter was 40 Crores on a standalone basis, now on a consolidated basis, this is about 377 Crores that is the increase of almost like about?
- Jugal Kataria:** Delhi is showing 50 Crores only on a consolidated basis. Delhi and NCR slide #25.
- Kashyap Jhaveri:** Slide #25.
- HP Singh:** Yes, it is showing 501, which is 50 Crores technically, 501 million.
- Kashyap Jhaveri:** I do not know, I have a presentation in front of me, which is showing 3770 and I took it from BSE website.
- H.P. Singh:** We can check the uploaded, this is what we have.

- Aditi Singh:** No look at slide #25 where Delhi and NCR are at 50 Crores.
- Kashyap Jhaveri:** I am sorry Sir, I can send you this presentation, which I do from BSE, and probably you can look into that.
- Aditi Singh:** We do not know but if the slide...
- Kashyap Jhaveri:** Okay, so if Aditi can send the presentation that you are having on my email ID I think that should clarify my doubt, is that's a 50 Crores number and I think my doubt is clarified there.
- Aditi Singh:** I'll do that. I think, the slide you are at, see the diversification by geography, slide prior to what you are referring where you will find our areas operation and the geographic concentration.
- Kashyap Jhaveri:** I will just tell you, I am look at slide #25 which gives MFI clients population of that particular state and MFI concentration in the state...
- Aditi Singh:** So I think the industry data slide...
- H.P. Singh:** That is the industry data slide.
- Kashyap Jhaveri:** No, I mean there is a Satin GLP also in the second last column.
- Aditi Singh:** Look at slide #24 in your presentation.
- Kashyap Jhaveri:** Okay. I will take it from there.
- Aditi Singh:** Yes, see the slide #24 and there it is mentioned.
- Kashyap Jhaveri:** Okay.
- Aditi Singh:** So there, it is difference in few states because Taraashana is more concentrated as and when there was like 0.3% kind of change in the state vis-à-vis the last quarter.
- Kashyap Jhaveri:** Sure and just one last question, you mentioned your PAR 90 is 212 Crores and against there is a provision of 190 Crores, now this 190 Crores only on ECL stage 3 provision, right, there is nothing ECL I and II included this 190?
- Jugal Kataria:** So this is an overall provision of 190 Crores on the entire portfolio but not only on PAR 90 numbers.
- Kashyap Jhaveri:** Okay. Sir I am just trying to understand, so this you have PAR 90 which is 212, or let us say ECL stage III which is 212, is that the right number?
- Jugal Kataria:** So PAR 90 is 212 and on the entire portfolio there is a provision of 190 Crores.

- Kashyap Jhaveri:** On that 212?
- Jugal Kataria:** What you are seeing is my PAR 90 is 212 and my total provision is 190, 22 Crores is what the difference between PAR 90 is and the total provision.
- Kashyap Jhaveri:** Okay and I am just looking at this reconciliation of networth that you have given, so in FY2017 in the net worth we have even 285 Crores as additional loss under ECL model for FY2017, and 115 Crores for FY2018, it is a total of about 400 Crores, so the different?
- Jugal Kataria:** No. These are reconciliation as on the date between I-GAAP and Ind-AS, so there was a negative moment of 285 Crores in on April 1, 2017 and there was a positive movement of 170 Crores during FY2018. That is why you see....
- Kashyap Jhaveri:** 115 is a net number for the positive movements.
- Jugal Kataria:** Yes. So this March 2018 the net impact was 115 Crores.
- Kashyap Jhaveri:** Okay. Sure. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Peeyoosh Chadda from Serendib Trading & Properties. Please go ahead.
- Peeyoosh Chadda:** Just looking to some guidance on the total operating cost which are running at 6.2%, what is the target that we have in mind forget how long it would take to get there whether it is a year or 18 months, what is the steady state number that we are aspiring towards?
- HP Singh:** Aspirations nobody can probably put a number to it and my aspiration if you really asked on a personal basis, please don't quote me but it could be any number below 5 but aspirations probably are to be worked upon, no specific numbers as such, but I think our constant effort is always to bring our operating cost down, so we are able to improve profitability across for our external stakeholders. We have been able to achieve this I think we are also looking at the ways and means how we will be able to probably enhance our operating efficiency to a large extent and still be able to bring it down further ahead. But if you really ask me any aspirational numbers, I probably will not be in the right juncture at this point of time to give you a number, but definitely yes, always room for more improvement going on.
- Peeyoosh Chadda:** Okay. The credit arrangements we have with IndusInd Bank where 40% of incremental portfolio goes to them, what is the process under which it is going to them, is there an assignment or securitization, what is the exact sort of accounting process over there?
- Jugal Kataria:** This is a business correspondent arrangement where we are originating the loan for them and they are giving money directly to the end customer and we are working as service provider.
- Peeyoosh Chadda:** So does the risk after that stay with IndusInd Bank or it stays with us?

- H.P. Singh:** We have some FLDG in the business, which is around 7.5% and balance is of the bank.
- Peeyoosh Chadda:** For Ind-AS accounting purposes, would this be treated as a true sale or as a funding arrangement?
- Jugal Kataria:** Not a question of that we have since we have originated and sold something, this is right from day one is....
- H.P. Singh:** From Ind-AS perspective, this is to be wherein agent position effectively, so this does not really going to the realm of true sale, because we did not originate this loan on the first place, so what we are actually doing is just facilitating it and we are effectively just an agent in the transaction from an account perspective.
- Peeyoosh Chadda:** I see, and, our fees are they paid to over the life of the loan or they accrue to us up front?
- Jugal Kataria:** They accrue over the life of the loan.
- Peeyoosh Chadda:** Over the life of the loan even for accounting purposes, you would not be forced to upfront the income recognition under Ind-AS?
- H.P. Singh:** So under Ind-AS, it is a service agreement we do have an obligation in terms of – a continuing obligation in terms of ensuring correction and all, so that the entire agreement the way it is structured is that there are different payments mechanisms and whenever respective performance obligation are met, the respective component that was in place, but by and large, we are involved over the tenure of that loan with the bank.
- Peeyoosh Chadda:** Okay, on the total collections that we have seen at 2.75% or so the credit cost, two questions, one our collection efficiency was 98% Q4 last year and again 98% this year, in that sense that it has not moved, are there any specific measures we are taking to push it further up from here that has started this quarter?
- H.P. Singh:** See our first thing was that we had to stabilize it after the demonetisation, I think that we have been able to navigate to a very large extent, I think it is probably there right now, now for us we are taking various steps in terms of our processes, in terms of our life, in terms of our I think motivational behavior, client motivation, central leader workshops, which I can name a few basically, so putting them all together, I think we are embarking now on a large scale system and processes and with the team, looking at how we are able to improve this to a significant improvement and I think going forward once these measures start showing results definitely you will see improvements happening in the collection efficiency, so these are management processes, which we are undertaking, I can only let you know to that but yes we are working very, very hard on all these buckets to improve our collection efficiency.
- Peeyoosh Chadda:** I appreciate that I mean given the fact that costs are running slightly over 6 and credit cost is running at slightly below 3, the total burden is 9% that is extremely high, so getting that down should be important.

- HP Singh:** Yes, I think we have navigated probably demonetization, which was also pretty high for us, I think we will be able to do this.
- Peeyoosh Chadda:** Okay. Let see. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.
- MB Mahesh:** Good afternoon Sir. Just a couple of questions from my side, one in places like West Bengal that you have over the last few years entered into, trying to understand how are you looking at that particular market, what has been the kind of average ticket size because it is already one of the highest area, it has one of the highest ticket sizes at this particular point in time and also are you second lender in these markets? Second question is just on the IndusInd Bank again, what is the kind of fee income that you have booked and what is the kind of the loans that you originated?
- Jugal Kataria:** I think on the West Bengal part, I can ask Mr. Dev Verma, our COO to give a brief on that that.
- Dev Verma:** So in West Bengal our presence is still limited to certain pockets, we have only opened up in North Bengal one region and one in Durgapur. So we are trading very carefully, we do understand that is a big market that is one. Second on the ticket size, we continue to start with the 25000 average ticket size, so we are not very aggressive, then we are there about one and a half years only right now, so far our collection efficiency is behaving well, we are 99.5% there and also we are doing cash disbursements, which is about 95%, so in all the parameters, we are quite stable there. So we do not see any kind of concerns as of now. So we are maintaining that growth path there.
- MB Mahesh:** Sir just to kind of clarify this and just West Bengal as an example even if you look at places like Bihar, the average ticket size is now closer to Rs.30000, just trying to understand in these markets, are you the first lender, are you the second lender, how are you in these newer market that you are entering into?
- Dev Verma:** So that is a mix, I mean some places we might be first, some place we might be second, since the RBI regulation allows two MFIs, so we are there amongst the top two like Bihar for example it is a 1000 Crores portfolio behaving well again, so we are there as per regulation, so it all depends on the pockets actually where probably we are the first movers and certain pockets could be some other MFI but in both the cases, we are under the regulation, so I think it is fine to be first or second.
- MB Mahesh:** Sorry, the question is not about – it is just from a regulatory standpoint, just trying to understand till where does the leverage levels start to worry for you because these are markets which seems to be seeing disproportionate increase in credit, since the time of demonetization, so just trying to understand are we kind of increasing the leverage levels of these borrowers beyond what appears to be sustainable?



- HP Singh:** I do not think so, I think the answer is very clear, we are following RBI guidelines, RBI guidelines take into account the over leveraging, so if the borrower has taken from two MFI, and you cannot go beyond that, I think there is probably no question of over leveraging coming in across.
- MB Mahesh:** Income disparity is quite high, right when you looking at these markets if let us say compared to let say person from Maharashtra and person from West Bengal or do you think that it does not matter there?
- HP Singh:** No, I do not think so, if you look at Bihar basically, I think Bihar also has if you look at maybe an income disparity between the Maharashtra and Bihar but over there the average loan is close to about 30000, I think what I could probably leave it with you that I think there is a time to revisit technically the amounts and microfinance and so I think today 30000 has probably less significant value what it probably would have about four years back or five years back.
- MB Mahesh:** Sure. And the IndusInd Bank?
- HP Singh:** Can you please repeat the question for IndusInd Bank?
- MB Mahesh:** Yes, so the question was that how much of origination, you said 40% of the incremental disbursement is done for IndusInd Bank, is it?
- Jugal Kataria:** The target is that slowly we are increasing it, that by the end of the year, in the monthly disbursement, 40% of that will do it for IndusInd Bank and it will take some time, the entire 40% of the disbursement, 40% of the portfolio will shift to IndusInd.
- MB Mahesh:** They have earmarked certain specific regions under which they will take, or is it up to you to decide which regions will go?
- Jugal Kataria:** So we are jointly deciding that which geographies will work for them, so there are some branches, which are exclusively working for IndusInd Bank from a particular cut off data onwards, that is on.
- MB Mahesh:** Okay and is there a terms and condition, which is available in the public domain on what conditions are you working this BC?
- Jugal Kataria:** We have told that broadly the margins are same,
- MB Mahesh:** The BC arrangement...
- Jugal Kataria:** BC agreement is in public domain but probably the information is same. There is lesser amount of FLDG to our account, lesser capital allocation from our side, but in terms of margin etc., is broadly the same.
- MB Mahesh:** Sorry the question was how much of fee income are you generating on this?



- Jugal Kataria:** So we will get roughly 10.25% over the interest and 0.5% on BC.
- MB Mahesh:** And the opex is in your hands?
- Jugal Kataria:** Opex is in my hand, but we have much lesser credit risk much lesser capital allocation requirement.
- MB Mahesh:** Sure. Okay Sir. Thanks a lot.
- Jugal Kataria:** Thank you.
- Moderator:** Thank you. That was the last question, I would now hand the conference over to Mr. Aalok Shah for closing comments.
- Aalok Shah:** Sir you have any closing comments at your end?
- Jugal Kataria:** We are good to go ahead. We are fine.
- Aalok Shah:** On behalf of Centrum Broking we thank you all for participating on this call. Thank you for those commentaries Sir and have a great day gentlemen. Thank you. Bye.
- Management:** Thank you.
- Moderator:** Ladies and gentlemen, on behalf of Centrum Broking that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.