



November 30, 2017

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

**The Manager,**  
**The Calcutta Stock Exchange Ltd**  
7, Lyons Range  
Kolkata 700001

Scrip Code: SATIN

Scrip Code: 539404

Scrip Code: 30024

Dear Sir/Madam,

**Sub: Update on Conference Call held on November 14, 2017;**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and in furtherance to our letter dated November 13, 2017 with respect to Conference Call held on November 14, 2017, we hereby wish to 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 LTD.**  
*Reaching out!*

## “Satin Creditcare Network Limited Q2 FY2018 Results Conference Call”

November 14, 2017



**SATIN CREDITCARE NETWORK LTD.**  
*Reaching out!*



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**ANALYST: MR. MANJITH NAIR – SBICAP SECURITIES LIMITED**

**MANAGEMENT: MR. H P SINGH – CHAIRMAN & MANAGING DIRECTOR - 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. MANSI VERMA – CAPITAL MARKETS - SATIN CREDITCARE NETWORK LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Satin Creditcare Limited Q2 FY2018 results conference call hosted by SBICAP Securities 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 telephone. Please note, that this conference is being recorded. I now hand the conference over to Mr. Manjith Nair of SBICAP Securities Limited. Thank you and over to you Mr. Nair!

**Manjith Nair:** Thank you Verna. Welcome everyone to the Q2 FY2018 earnings call of Satin Creditcare Network Limited. In order to discuss the results and the recent business trends, we have with us today Mr. H P Singh, Chairman and Managing Director, Mr. Jugal Kataria, Chief Financial Officer, Mr. Dev Verma, Chief Operating Officer and Ms. Mansi Verma, who heads the Capital Markets Division.

**H P Singh:** The opening comments to everyone - I think, for us it has been a very good quarter. Technically having turned round the corner and coming into black. After our previous two quarters of losses, which were to the tune of about Rs. 40 Crores in March and to about Rs. 80 Crores in June, we have turned around on a standalone basis where our profit before tax, standalone basis, for Satin was about Rs. 19 Crores, but if you look at it on a consolidated basis I think it is now close to about Rs. 11.2 Crores or so. For us it has been a big turnaround after demonetization and after going through such huge losses across for the last 10 to 11 months or so. We have probably been focusing a lot also on turning this round the corner by lowering our operating expenses from a couple of quarters back at about 7.78% to about 6.64%, which probably is also one of the main fray of bringing efficiency in terms of technology and other factors wherein we have been able to bring our opex down. And that has been a very positive outcome of the last couple of quarters for us.

Looking at disbursements, I think we have now reached technically the pre-demonetisation level, where this quarter we were able to disburse about Rs. 1,192 Crores, up from the previous quarter where we disburse about Rs. 1,150 Crores, in which about 16% has been cashless disbursement. We have our target to go down and probably increase this to about 50% of our portfolio by March 2018. So we are looking at cashless disbursement as about 50% of our total disbursement, which happen till March 2018, so that is where we are looking at. In terms of collection efficiencies, I think we have also been doing pretty well. Since the last five months our collection efficiency has been more than 100% plus across in the last five months, which means arrears being recovered and I think the basis of demonetisation has been taken out of the effect to a large extent. Our AUM has grown by about 7% quarter-on-quarter. So as per our last quarter and this quarter we have now reached an AUM of Rs. 4,500 Crores - on course for our guidance, which has been Rs. 5,500 Crores for March 2018. So we are, in terms of our growth, I think we are well on course to achieve the guidance which we have given earlier. And post our QIP, if we say that our CRAR now is stands at a very healthy percentage of about 25.27%. So for us this is mainly the growth capital which we are looking at in terms of increasing our loan book size, and taking ourselves in the microfinance space to a large extent towards a healthy growth. So these are our opening comments, and I would open up the floor for questions to be asked based on the last quarter and we will be happy to answer all these across the next one hour or so.



**Moderator:** Thank you very much Sir! Ladies and gentlemen we will now begin with the question and answer session. First question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

**Manish Ostwal:** Very good set of numbers and a good recovery in numbers. My question first on the asset quality side. We have a gross NPA of Rs. 456 Crores. Against that we have provided something Rs. 233 Crores netting off from the net NPA number, which is given in the presentation. So what is our assessment of the likely provisioning on this portfolio stress?

**H P Singh:** If I give you the answer for the last quarter, we have provided an extra, on a consolidated basis about Rs. 41 Crores, and on a standalone basis close to I think about 31 to 37 Crores - we provided about Rs. 38 Crores on a standalone basis. Now this actually gives you a reasoning that on the gross numbers we were able to bring down our PAR 90 numbers by about Rs. 97 Crores or so. And the provisioning has been done for about Rs. 38 Crores. Going by that premises as such, for us what we feel is that probably the major part has been done and if we go forward in our future quarters, which probably will be the December quarter and the March quarter, our provisioning will, if not static, will come down technically and we will be in the black now going forward. So what our feeling is that probably the worst is over, we ever we have provided, the teams are again working on all these metrics of PAR 90 above numbers and PAR 180 above numbers. And we definitely will have more to come back into our fold as we are able to recover much more as we have been able to do Rs. 97 Crores in the last quarter or so. So we are looking at a healthy basis of collection efficiency coming in these buckets also.

**Manish Ostwal:** So in the second half we can expect 40 to 50 Crores cumulative provisioning for this portfolio?

**H P Singh:** My own sense is, I cannot give you an exact estimate, but I think the trend is positive. So I think, for us, if you really look at that trend, I think it will give you if not the exact number, but can give you a highlight of how it is going to pan out to be. So the broad number, which I said was Rs. 97 Crores of bringing it down in the last three months or so will probably give you a cue that how does it actually pan out in the next six months or so.

**Manish Ostwal:** Second question on our cost efficiency last few quarters we have seen that our opex ratio is coming down steadily from 7.78% to 6.64%. So how sustainable at this level and whether we can improve further from the current level?

**H P Singh:** I think we have done the hard bit first. So I think we have really been able to bring it down by I think close to about 114 basis points if I really look at it. My own sense is now it is seemingly going to be a little challenging because we have done a lot in the last six months or so to bring it down in spite of a fact that we were still battling the demonetisation crisis. But we are working towards it, and I cannot give you probably a probable figure, but I think for us the endeavour is also to bring it down more than where we are right now and that is where our technology, our cashless disbursements, our stuff and operating efficiency is going to work very well. So we have demonstrated in the last six months, I think we will be able to demonstrate something maybe in the next six months also.

**Manish Ostwal:** And one small data point what is the cost of borrowing in first half FY2018 and Q2 FY2018?



- Jugal Kataria:** Marginal cost of borrowing is close to about 11.5% to 11.75%. Blended cost is slightly high, but the cost is coming down. And as the numbers are improving lenders are becoming more and more comfortable reducing it further.
- H P Singh:** For us also it does not make a difference. We have got a 10% margin, which is governed by the Central Bank, by the Reserve Bank of India to do it. So if it comes then it will be passed on to the customer as such.
- Manish Ostwal:** Lastly we raised the capital recently through QIP. So now what is our assessment in terms of the disbursement growth in the second half and the next financial year? Thank you.
- H P Singh:** We are well on our guidance of Rs. 5,500 Crores. That is where we are looking at and on course we have already clocked in Rs. 4,500 Crores in terms of our loan book for the first half. I think we are on course and will be able to achieve these numbers by March 2018.
- Manish Ostwal:** Thank you so much and all the best.
- Moderator:** Thank you. Next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** My first question pertains to now since you have mentioned that most of our provisioning has been done right. And I think next two quarters from first quarter maybe FY2019 onwards we will be seeing a steady state kind of thing. So what is the steady state rate or is the rate we are seeing in terms of our credit cost?
- Jugal Kataria:** So historically the credit cost has been very minimal. But having said that, it will remain in the range of some 1% or so going forward. On the new disbursements, the collections, though we are disbursing in the most challenging geographies, we have shown that we were probably the most impacted MFI in the country, almost more than two time that of the industry average. So the collection efficiency on the new disbursement as of now is close to 98%, which is improving slowly. So eventual losses going forward, which historically were less than 0.5% or so may touch about 1% or in that range.
- H P Singh:** The other thing which I would like to add, I think technically where we belong, in spite of the fact that the disbursement happened from January onwards, so it has been about a nine month skew. And that too in geographies in which actually we were operating with a collection efficiency of 40% to 50%. Over there if we are able to get about 98% collection efficiency for newer disbursements, our own sense is that going forward, once this all settles down by March 2018 or so, FY2019 will technically rebound back into the same levels which were pre-demonetization. I would not say that we will probably and I will not hazard a guess that it will probably be 99.7 or somewhere around, but I think it will be closer to that. So in spite of the fact that we have done the challenging part for the last nine months I think we are on course to reach that stage where we bring it back to the pre-demonetization level, and the figures probably support that.
- Deepak Poddar:** When you are saying about 1% credit cost does that include any kind of buffer also that you might be factoring in given the risk involved?



- H P Singh:** We might look at having a higher provisioning when everything settles down, but that is what call the management and the operations team will be able to take once practically the dust settles down completely. But yes we could look forward to a slightly higher provisioning than the anticipated and the normal ones. We could do that.
- Jugal Kataria:** Just to add our opex have gone down by roughly 1.14% and we are yielding a lot of benefit from new technology and cashless transactions, etc. So that is giving us some headroom to absorb slightly higher costs. But seeing the trends, etc., means that the cost may not be very different from what it used to be historically.
- Deepak Poddar:** So we might look at this buffering as you mentioned so when you are saying about this 1% credit cost does that include that kind of buffer or maybe a 20 basis points something like that might come because of this buffer?
- H P Singh:** What Jugal said right now, we have actually built in a buffer by lowering our opex by 1.14 percentage points and if we are able to demonstrate maybe another 50 basis points going forward I think we are building all these buffers to take in slightly higher provisioning. So it could be 25 basis points higher than what we used to write down earlier, which brings our buffer again, and it does not affect our profitability because my opex is already going down based on that.
- Deepak Poddar:** Absolutely I understood that. My second question pertains to maybe two years down the line when our operation has stabilized and we would have reached a scale also in terms of our AUM. So any sort of ROA that we might be targeting maybe 3%, 3.5% is what we might be targeting in terms of our ROA for our business?
- H P Singh:** We would love to do that and we would do that. That is what our aspirational values are and we definitely, I think really look at the trends moving on across by opex and by our loan book and disbursements and everything touching the loans where we really want them to touch it. I think we are well on course to achieve that and definitely we would be there. I think when we left pre-demonetisation when we were on a lower scale may be about 2.73 on ROA over there. So reaching a 3%, 3.5% is not too challenging now.
- Deepak Poddar:** It is not too challenging given obviously when the peers are able to do 4% plus kind of a pure play microfinance company.
- H P Singh:** Let us we will try and beat them also. That is aspirational value now as I said.
- Deepak Poddar:** Yes, that is fair enough and my final question pertains to, I think Capital First had done some investment in our company with a view to cross sell our products?
- H P Singh:** Not cross sell - we are doing these additional products in terms of our diversification by not just being a pure microfinance and a monopolistic product player. So Capital First has been a partner now to look at other options of diversification, so we are also on course to go forward on that. And just a small cue, we built in the last 8 to 10 months our SME portfolio of about 60 Crores. We are just waiting for our



housing finance license to come in. The moment that is up and running we will also be opening up that subsidiary and looking forward towards that product of doing it. So diversification yes, Capital First as our partner yes definitely. So looking at avenues of growth in these segments also.

**Deepak Poddar:** And maybe in terms of our AUMs, you have already mentioned that we are on course for Rs. 5,500 AUM by FY2018. So going into FY2019 and 2020 a similar kind of growth is what one should envisage 35% to 40%?

**H P Singh:** Yes. I think microfinance definitely yes this is the growth, which we are looking at standalone. And the other products definitely, since the base would be small, we will look at a higher percentage of growth in those two products as such.

**Deepak Poddar:** That is it from my side and thank you very much.

**Moderator:** Thank you. Next question is from the line of Gautam Jain from GCJ Financial. Please go ahead.

**Gautam Jain:** Looking at recovery in Q2 you said same trend can be assumed for Q3 and Q4. So let us say from 552 Crores in Q1 to 556 Crores in Q1 to Q2, Rs. 97 Crores recovered. If we assume the same trend and we can end the years below Rs. 300 Crores of gross NPA?

**H P Singh:** I think we are on course, that is what I said. If you look at the hard evidence coming in the last quarter we moved on from 500 something 552 to 465. My own sense is, the way I think our teams are actually working on to the field and we are trying to look at these higher buckets. Those maybe once it reaches higher buckets it definitely gets a little challenging. But we are very hopeful and we are positive about looking at these kind of numbers coming in the next two quarters.

**Gautam Jain:** And with regard to net NPA that will be substantially down because?

**H P Singh:** Yes they will be, definitely yes.

**Gautam Jain:** And the same for the credit cost as well?

**H P Singh:** Yes.

**Gautam Jain:** And do we have further plan to raise capital?

**H P Singh:** That is the question, which I probably will not be able to answer correctly, but if the need arises for any growth capital to be raised, we definitely will be the first ones to look at. Because for us our mantra for the next few years is now going to be growth in whatever segments I have talked about. For us, we would look at opportunities, whenever we need growth capital we will definitely look forward and go ahead and do it.

**Gautam Jain:** We are talking to couple of other MFIs and they are saying we will grow this year by 20%. And our loan target is Rs. 5,500 Crores that becomes more than 30% growth. So can I ask where this growth will come from and is the market potential is there to grow that much?



- H P Singh:** We have opened up about 70 to 80 new branches in three states - which is Odisha, West Bengal and North East. We have not been in those states. We are moving a little bit deeper into Rajasthan if I talk about another territory. So for us getting a 30% to 35% growth by existing geographies as well as adding up new geographies, I think is not that big a challenge as compared to maybe other MFIs. We are well on course to do that, and we are looking at portfolios in these newer states also to contribute towards our growth of about 35% or so.
- Gautam Jain:** And for FY2019 onwards can we assume the normal credit cost for the company?
- H P Singh:** Yes you can.
- Gautam Jain:** And what would be that normal credit cost for us?
- H P Singh:** Maybe slightly an uptick from where we were, but I think we were earlier collection efficiency repayment rates were close to about 99.5%. My own sense is even if you take whatever has happened in the last one year and maybe the after-effects, which probably will be there for another six months to a year, maybe another 0.25 or maybe another 0.5 percentage points at a maximum, which could be there, but not beyond that.
- Gautam Jain:** So around 1.5%?
- H P Singh:** No I said 1%. 0.5% plus 0.25% or may be another 0.25%. So 1%, which is fairly covered by the provisioning norms we do generally about a 1% provisioning and as I earlier repeated we could also look at maybe up-ticking our provisioning norms slightly above so that we build up our buffer and cushion over there, but I do not think that it goes beyond 1% in anyway.
- Gautam Jain:** Are we exploring other tie-up with any banks or someone?
- H P Singh:** We always keep on exploring. I think now exploration does not cost you anything. So we would probably look at if something really good comes, up why not, you will also look for your exploration all across.
- Gautam Jain:** Thank you so much from my side.
- Moderator:** Thank you. Next question is from the line of Varun Hinduja from Leyland Finance. Please go ahead.
- Varun Hinduja:** I have been observing your presentation and one thing, which I observed is you made a huge improvement in terms of collection efficiency across all regions, which you are present, barring Maharashtra. I wanted to understand when the Maharashtra region would become stable as a whole. I just wanted to understand from you because Satin is such a big MFI. Though it has been aggressive at the same point, they have taken efforts to make a turnaround quickly. That is one question.
- H P Singh:** Can I answer the first before I lose my thought on this?
- Varun Hinduja:** Okay.





**H P Singh:** So Maharashtra has been a very small portfolio in our whole geography. I think we were actually given a lot of flak for being there in UP, which was our major portfolio. But I think thankfully god has been kind and the teams have worked hard. We have really been able to turnaround UP to a large extent. Maharashtra has been a smaller portfolio for us. I think it was close to about 3% of our total portfolio. But having said that, I think our teams are still worked very well in Maharashtra. If you really look at it, off-hand I cannot remember numbers of the states. It is now close to 91% collection efficiency. Unofficially or officially I cannot say, but I cannot give you numbers as such, but we probably have one of the best collection efficiencies in Maharashtra considering the region where we are in. We are only in Amravati, which is very highly impacted and from there, if you look at the graph on page 14 of our presentation, from a 22%, which was there in January, we have been able to come to a collection efficiency of 91.2%, which is fairly significant. Reaching about 99 or maybe 100 may be a month or couple of months away, but definitely yes our endeavor is to reach there and we will.

**Varun Hinduja:** And you are at about 11% as far as GNPA is concerned, so how much do you plan to close at, as far as FY2018 is concerned?

**H P Singh:** If you ask me, I want to get it down to zero.

**Varun Hinduja:** I understand being realistic on your margin in terms of...

**H P Singh:** I will tell you something - we have been fighting the odds. And probably our first slide on demonetization says it, that we were 70% as compared to the industry which was 30%. So having worked backwards from there, we have been able to contain our GNPA's as well as our NNPA's to a level where a significant drop of 3 and 4% has been seen. My own sense is that this will continue for the next couple of quarters. Ultimately where it ends up by really will have no clue and I do not want to hazard a guess. But our own endeavor is to bring it down to minimal level as such. And I think we will be able to do that, we will try and do that.

**Varun Hinduja:** My next question will also be slightly about what is the expected write-off that you are expecting?

**H P Singh:** I do not know, you guys hazard a guess. You analyst can hazard a guess much better than what I do. I am more passionate about it, so I will always give you may be a wrong figure. My own sense is, being passionate enough and having brought this up to these kind of levels, I will always tell you that okay fine I will bring it down to ultimate write-offs of about Rs. 150 Crores or so. That's what my dream is all about. And we are all working, the team is working towards all that. But the analysts can probably work on whatever metrics they want to work on, but for us the goal is that, we are all working towards that.

**Varun Hinduja:** And so you are at about 5 odd Crores of loss right now so by the end of the year how much do you expect in terms of your projection?

**H P Singh:** Sorry I did not get you.

**Varun Hinduja:** Your half-yearly loss is about Rs. 6 Crores right now as compared to last year?



- H P Singh:** No I think the figure is.
- Jugal Kataria:** Half year loss before DTA is close to about Rs. 100 Crores.
- Varun Hinduja:** I saw the half-yearly figure. Was showing half-yearly loss of showing about Rs. 6 Crores in compare so you were comparing last year with this thing?
- Jugal Kataria:** You might have seen a subsidiary financial.
- Varun Hinduja:** I have seen the standalone okay correct. So anyways you are yet to breakeven right this year?
- H P Singh:** Yes, on a full year basis?
- Varun Hinduja:** Full year basis that is what I am saying.
- H P Singh:** Yes, full year basis we are happy to turn around the corner.
- Jugal Kataria:** It is slightly challenging to come for specific year end numbers. But what we want to highlight is that overall there are positive trends both in collections, opex, etc., Of course there is an endeavor to end the year into black, but slightly challenging to talk of specific year end numbers.
- Varun Hinduja:** Thank you so much sir. I just wanted to clarify.
- Moderator:** Thank you. Next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.
- Manish Ostwal:** My question on the overall credit cost you said it is 1% normalized credit cost and we will build in 25 to 40 basis points additional provisioning. So that will be starting from Q3 or we are building it from FY2019 onwards?
- H P Singh:** Our own sense is I think we will start building it from FY2019, when everything has settled down. Right now, I think for the next two quarters, we still want to bring back the higher PAR buckets back in to the system and the clients who have these numbers. So I think for the next two quarters, and I do not think so it make any sense right now to build up this kind of a buffer. When everything settled down, things are normalized, everything is moving, that is at the point of time when I think we will build this up for ourselves.
- Manish Ostwal:** Sure Sir! Thank you.
- Moderator:** Thank you. Next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.
- Gaurav Jani:** Congratulations on a good set of numbers. Some questions on...
- Moderator:** I think we have lost the line for the current participant. We move to the next question that is from the line of Sameer Dalal from Natwarlal & Sons Stock Brokers. Please go ahead.



**Sameer Dalal:** Congratulations on improving the NPA. Now you have obviously done a great job in Uttar Pradesh in recoveries and some of the other places. Can you explain how is it that you have been able to get these collections to come through given that for such a long period you have not been able to collect. How have you been able to recover and bring these back into your books and will these efforts continue?

**H P Singh:** If I correct you, I think it has not been from a long period of time. It has been a gradual improvement from the November month onwards. So if you really look at, probably the charts where I can show you the Uttar Pradesh, if we just talk of Uttar Pradesh from where we came from. It has been a constant upgradation from where we came from. It has not been that we have had been toiling at certain pace. So I think the graph says that December 51% and January 74%, 81%, 88%, 90% then 106%, 111%. So it has been a gradual improvement across and the teams have been working really hard towards visiting clients, motivating them to come back into the system, telling them about credit bureau effects of your being hit by further loans not coming in through organized financial institutions, financial literacy, the external environment changing to a large extent. I think loan waiver was talked about during March and once it finally came down people knew that it is going to be for government organization and government banks and not for private banks. So all these factors have contributed towards a gradual improvisation towards our collection efficiency. Now for us it is more of a motivational aspect of talking to borrowers who have not been there in the system. Our zero collection client have dropped from a 111,000 to about 81,000 so it has been a constant improvement and we hope to keep on this engagement at least for the next two quarters where finally yes we are able to take a call that yes now for whatever set of borrowers who are not coming back into the system, who are not repaying or doing anything, we take our eventual final write-off or stuff like that.

**Sameer Dalal:** So that is the question that you said very clearly 81,000 still have not, that is zero collection, which is still a sizable number. Given the current methods that you are deploying, how many do you think, or what is the estimation given to you from the ground level, how much do you think would actually be able to be the cover given that 81,000 has been a year plus now since demonetization. What kind of expectation of recovery do you have from these 81,000 people?

**H P Singh:** See again I think you go to slide #12 of our presentation. We are talking in November of about 779,000 clients, which came down to about 481,167. But the pertinent answer, which you will get from June to September - my June numbers were 111,000 clients. We have been able to drop of close to about 30,000 clients in those three months or so. So from 111,000 to 81,000. Now technically, if you go by the premise that people say that PAR 90 you will never be able to recover. Zero collection client - somebody who is not paid you from November till June, which is about more than eight months, why would that client come back into the system. But it bucks the trend basically because an extreme event brings in extreme volatilities and extreme ways of the how collection and disbursements and all things are done. So my own sense is that this probably will also be going down in the next two quarters as such. I will not hazard a guess, but yes our endeavour is to bring down these 81,000 also back into the system.

**Sameer Dalal:** The last question. You have obviously done a decent job with your MSME loans you have got that clubbed to 50 Crores. Can you give us a guidance how you would like to take that as a percentage of your book over the next maybe two to three years?



- H P Singh:** Broad thoughts - I think in the next five to six years, which we are looking at, though microfinance remains our main stay, but I think we would like to take a product mix of microfinance being 50% and rest of the other products being 50% across of whatever the loan AUM looks like in the next five to six years. That is what we are looking at broadly.
- Sameer Dalal:** Given that, that is your target, and given the fact microfinance is growing at 35%, would it mean that you would actually have to slowdown your microfinance at some point just so that you grow the other book faster? Because you may not be able to get that much of loans in housing finance given the kind of competition intensity that also exist, and also in MSME where there is a lot of competition from a lot of existing players?
- H P Singh:** One big advantage which we have is our outreach is where I think the HDFCs and the Indiabulls and all these guys do not work. So that is one big advantage of our outreach in terms of even affordable housing, home improvement loans, etc., over there. And that is the USP which we are going to target in the longer run. Similarly for MSME, if we talk about, then we are talking about again places where normally MSME NBFCs are not able to reach. That is the big advantage of our outreach touching villages, rural, semi urban, tier II, tier III cities. So I think that is a huge advantage, which you carry being a microfinance entity. So I think on course to do all that.
- Sameer Dalal:** One last question if I can your MSME loans is there any collateral that you take against all of these loans. Can you just explain, give us a brief on this Rs. 50 Crores that you have loaned out what is the kind of collateral do you have or something like this or you do not have?
- H P Singh:** These are all secured so we take security in terms of immovable property against these MSME loans. My average ticket size is close to about 6 to 7 lakhs over here and these are all secured loans.
- Sameer Dalal:** And the LTVs for the assets taken?
- H P Singh:** Broadly I think it is about 50% to 60% at the max.
- Sameer Dalal:** Quite comfortable. Alright great. Thank you very much for all the answers.
- Moderator:** Thank you. Next question is from the line of Deepak Kumar from Narnolia Securities Limited. Please go ahead.
- Deepak Kumar:** Just one question, when I see your number of disbursements during the period that has declined Q-on-Q basis so despite having good season so some extent why this has declined Q-on-Q basis?
- H P Singh:** Decline on a quarter basis?
- Deepak Kumar:** Quarter-on-quarter basis, sequentially.
- H P Singh:** The number of clients?
- Deepak Kumar:** Number of loans disbursed in MFI segment.



- H P Singh:** Let me go back to the slide as such...
- Deepak Kumar:** Slide #50.
- H P Singh:** That could be the higher ticket size because we have cycle clients which are higher in existing geographies. I think that could be...
- Jugal Kataria:** Are you talking about outstanding number of loans?
- Deepak Kumar:** Yes, MFI segment number of loans disbursed during that period that is 374604.
- Jugal Kataria:** There is a marginal reduction from 382,000 to about 375,000.
- Deepak Kumar:** Yes, but despite having good season Q2 this number must have been earlier in this quarter.
- Mansi Verma:** Primarily this is on account of us trying to retain our existing clients. If you also see with each and every cycle where clients graduate from Cycle 2 to Cycle 3 they get an incremental ticket size of 5% to 8%. So we are trying to cater more to our clients in this current time. We want to first retain our existing good collection clients and existing people who are giving us high quality attendance and repayment. So that is what you are seeing.
- Deepak Kumar:** My next question is, how do you see your Uttar Pradesh portfolio in next one to two years in terms of portfolio mix?
- H P Singh:** UP I think will go down in terms of a percentage definitely because there are other states, which are now coming up. Earlier we had, I think about 15 states, now we have increased to about 18 states so I think our sense is that UP mix will slowly and steadily come down. Our endeavour again in the overall larger context is that no states would go beyond 17% to 18% in any case. Maybe a couple of years ahead, but definitely yes that is what we want to achieve in a sense of the portfolio mix of states.
- Jugal Kataria:** Sir if you see slide #28, so some of the new states we started West Bengal, Assam, Odisha they are picking up in terms of share. Haryana has taken good shape. Different smaller geographies. So they were earlier very few states besides the top four states where we had some 3%, 4%, 5% portfolio. So slowly those geographies has started increasing and you will see this improvement quarter-on-quarter.
- Deepak Kumar:** Thank you. That is it from my side.
- Moderator:** Thank you. Next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.
- Gaurav Jani:** Apologies I lost the connection. I am in a bad network area. Am I audible now?
- H P Singh:** Yes, please.
- Gaurav Jani:** Sir just if I could have a breakup of the current quarter slippages and the recoveries please?



- Mansi Verma:** Gaurav could you please explain what kind of details you are looking for?
- Gaurav Jani:** I am looking for the fresh slippages in the current quarter and the cash recovery.
- H P Singh:** Fresh slippages.
- Gaurav Jani:** Fresh yes or the amount of total NPA that happened this quarter.
- H P Singh:** No if you look at, I do not know the numbers which you are looking at basically and these are the numbers, which we have indicated. So our PAR 90 if you really look at the PAR number as such, it has come down from 552 crore, and if you go by the chart of slide #16 my PAR 1 technically moves down from the last quarter of 26% to 19%, my PAR 30 moves down from 20% to about 15%, my PAR 90 moves down from 15% to 11%. So I think that gives you an answer probably where we are.
- Gaurav Jani:** No I was alluding to the net reduction in NPAs was about 100 Crores so I just wanted to have the breakup on that if you can provide it to me right now or then probably I can take it offline?
- Jugal Kataria:** So in case there is a specific query we can talk offline, but just to give you a sense on the portfolio quality, on the new disbursement the collection has been around 98% or so. Rs. 97 Crores we have collected out of the PAR 90 numbers from June onwards. So on an aggregate basis we are tracking this and there has been a consistent improvement. There are some amount of forward movement happening, but in general the overall things are broadly under control.
- H P Singh:** But one of the other things is the forward movement is also happening overall if we are bringing it down by 100% so whether it is a forward or whether it is this thing, we have probably bringing it down. So I think the slippage does not matter most till the time it is actually going down.
- Gaurav Jani:** When I look at the UP portfolio, this actually consistently going up since the past few quarters, correct me if I am wrong. So we are anyways planning to draw down that book, so what is happening on that front that is not happening since the last few quarters?
- H P Singh:** Therefore retaining our existing customer, we are not adding fresh customers in UP. On existing customers who have hard condition in their earlier cycle, what Mansi has just said right now, so there will be a slight uptake right now before it finally starts settling down and starts going down across when the other states pick up, as well as on the standalone basis also.
- Gaurav Jani:** Last question from my side sir on the 81,000 zero paying customers, there would be PAR 150 plus?
- H P Singh:** Sorry.
- Gaurav Jani:** The 81,000 zero paying customers they would be in the 150 plus bucket Sir?
- H P Singh:** Yes they will be 150, they will be in fact over 180 plus bucket because for the last 10 months or so, so it will be above that.

- Gaurav Jani:** That is it from my side. Thank you.
- Moderator:** Thank you. Next question is from the line of Aalok Shah from Centrum Broking. Please go ahead.
- Aalok Shah:** Sir still there is a lot of hard work, which you have been putting for the last three quarters, but just taking forward the question - the reduction in GNPA was it entirely because of recovery or was there some write-offs also during the quarter? When I say write-off is like they take it off your book provided 100% and let your GNPA number come down.
- H P Singh:** So in six months we have written-off about 13 Crores, and that is the number. In this quarter the write-offs are close to about 11 Crores, so that is how it is.
- Aalok Shah:** And the reason why I am asking you is, would it not be better to actually take some part of your portfolio sitting GNPA and getting that write-off, and as and when recovery comes in you directly have a P&L positive impact. In a sense that 11% GNPA still is in over hang in terms of how do we end the GNPA for the year. While you have been talking about 100 odd Crores of GNPA reduction that still takes me closer to 250 Crores by end fiscal. But why not take it just upfront and work hard towards it and we are already doing that?
- H P Singh:** Aalok my only answer to this is, what we feel is that once you have taken a write-off, I think the management, the team, completely all across, loses a part of the interest once it is taken off that is it has become my write-off. We do want to let go of that. That is what our first major thrust is. And that is probably also one of the reasons why we have been able to, still where people talk about that PAR 90 is you cannot ever recover anything as per the normal standard, we have still been able to get these kind of recoveries across. So our own sense is and if you talk about the zero collection clients, having also brought down, if you really look at it technically that 111000 should not pay anything. So if you have been able to do 30000 lot of it. So our sense is we will go as the flow goes, and we would like to work on it at least for the next two quarters. And once we really feel that yes we have given it up, and we have further more no arsenal left in us to get them back into the system, everything happens, we want to do it as such. And to probably answer the question, also this thing over there and if we look at the GNPA, I think for us it is 450 Crores against 230 Crores provision. So going by a standard mix again, all these PAR 90 and we are able to bring down another 100 if we are able to bring down another 50, 70, 100 maybe in the next two quarters, we will do it, and then it will probably reach closer to what our provisioning figure is.
- Aalok Shah:** I take your point. The reduction in GNPA is well taken. Just trying to match it up with how the industry is shaping up?
- H P Singh:** Yes our sense is I think looks pretty fine. A lot of people again in our conversation and everything said that, I still remember a few people saying that it is never possible to bring PAR 90 down from this level as such. We said we will try and we have been able to do it. And give us the next two quarters I think we probably also give you the answers in the next two quarters that yes though hard work and effort and everything we will also be able to bring down the PAR 90 numbers from wherever they are.



- Aalok Shah:** May be just one question there on GNPA - how much of GNPA are we having in Maharashtra portfolio all the 450 Crores this could be granule, but would that number be handy with you?
- H P Singh:** Yes, I think we would have close to about Rs. 35 Crores I think, my rough estimate. Do not hold me to it, but my own sense is I think it will be close to about Rs. 35 Crores.
- Aalok Shah:** And may be if I could add in Q-o-Q number because we have seen improvement in collection efficiency there.
- H P Singh:** Yes.
- Mansi Verma:** Aalok maybe we can take it offline in case of those numbers.
- Aalok Shah:** Yes no worry I am okay with that, I will just take it offline. Sir the second question is we are talking about here is on the disbursement part. We are now somewhere closer to 400 Crores of monthly disbursement and that we are trying for Q1 and Q2. What is your assessment on how things could happen for H2 FY2018. Also given the fact that we are talking about a pretty solid AUM growth?
- H P Singh:** I think it will be averaging out slightly higher than that because then only we will be able to achieve these numbers. And that is the reason why we opened up these 70, 80 branches of ours. We have plans of a few more branches in the last quarter as such. So our sense is, I think, on an average it will probably reach Rs. 450 to 500 Crores on a monthly basis.
- Aalok Shah:** That is encouraging. That is it from my end Sir! Thank you so much and wishing you all the very best.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand over the floor to Mr. Manjith Nair for his closing comments. Over to you Sir!
- Manjith Nair:** Thank you Verna. On behalf of SBICAP Securities we thank the management of Satin Creditcare for giving us the opportunity to host the call. We also thank all the participants for logging into today's call. Thank you very much.
- Moderator:** Thank you very much to all. Ladies and gentlemen, on behalf of SBICAP Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.