May 9, 2022

To,

The Manager,	**The Manager,**
National Stock Exchange of India Ltd.,	**BSE Limited,**
Exchange Plaza, C-1, Block G,	**25th Floor, P. J. Towers,**
Bandra Kurla Complex,	**Dalal Street,**
Bandra East, Mumbai-400051	**Mumbai-400001**
Scrip Code: SATIN	**Scrip Code: 539404**

Sub: Transcript of Earnings Call on Financial Results & Future Outlook of Satin Creditcare Network Limited (“**the Company**”)

Dear Sir/Madam,

With reference to our earlier intimation dated April 29, 2022 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed Transcript of Earnings call on financial results for the quarter and year ended March 31, 2022 & future outlook of the Company held on Thursday, May 5, 2022.

The link to access Transcript of Earning calls is https://satincreditcare.com/wp-content/uploads/2022/05/SCNL_Earnings-Call-Transcript-for-the-quarter-and-year-ended-31Mar22.pdf

This is for your information and record please.

Thanking you,

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

VIPUL SHARMA

Digitally signed by VIPUL SHARMA
Date: 2022.05.09 16:39:18 +05'30'

(Vipul Sharma)
Company Secretary & Compliance Officer

Encl: a/a

"Satin Creditcare Network Limited FY22 Earnings Conference Call"

May 05, 2022

MANAGEMENT: **MR. H P SINGH – CHAIRMAN AND MANAGING DIRECTOR**
MR. JUGAL KATARIA - GROUP CONTROLLER
MS. ADITI SINGH – HEAD STRATEGY

Moderator: Good morning ladies and gentlemen. Welcome to Satin Creditcare Network limited FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. HP Singh – Chairman and Managing Director of Satin Creditcare Network Limited. Thank you and over to you Sir!

HP Singh: Thank you so much. Good morning, everyone. Thank you for taking the time to discuss our financial performance in Q4 and FY22.

I hope you and your family are safe and keeping healthy. I am hoping you have already got our quarterly results and investor presentation. Those who haven't seen them yet can do so via our website and stock exchange.

Early signs of economic recovery were visible in the second half of the year, with the complete lifting of lockdown restrictions and significantly larger vaccination programs across the country. As previously stated the Company has taken a well-calibrated and careful approach in disbursing new loans with a strong emphasis on collection. We took the correct steps at the right time to reduce the risk of portfolio delinquency while maintaining asset quality. Our GNPA for the year stood at 8% with an adequate provision of 6.7%.

Our well thought out business acumen combined with robust underwriting measures has enabled us to remain resilient even in times of adversity faced by the business and the industry. Our AUM for the year ended 31st March 2022 stood at Rs. 7,617 crores. Going forward as the economy returns to normalcy, we estimate steady state AUM growth of 20 to 25% for microfinance, allowing us to reclaim lost ground, housing and MSME will grow at a much faster pace.

To achieve this outline growth over the medium to long term, the Company is well capitalized with the CRAR of 27.8% and a balance sheet liquidity of Rs. 1,291 crores. The Company has successfully raised Rs. 225 crores by way of allotment of equity shares, and fully convertible warrants to the promoter and non-promoter entities in January 2022. The Company has received Rs. 75 crores against allotment of shares in Q4 FY22.

As cases have begun to decline and more people are being vaccinated our collections are gradually returning to pre COVID levels. One big positive is that most restrictions have now been lifted in the major parts of the country where we operate and we are seeing a significant uptick in our collection efficiency on a sequential basis. Overall, the collection efficiency for Q4 FY22 stood at 100%. This improvement signifies our robust underwriting and collection framework as well as the resilience of our customer base.

In the near-term, the RBI new regulation will provide a more stringent and stronger framework with a level playing field for all lenders. This directive along with the framework such as scale-based regulation, income recognition, asset classification, prompt corrective action and information security will ensure the industry has healthy growth in a risk-adjusted manner and we as one of the industry's leading players are expected to rebound strongly.

Now going through the financial and operational highlights of the Company:

- Our AUM on 31st March 2022 stood at 7,617 crores.
- Our average ticket size or MFI lending for the quarter stood at Rs. 40,000.
- As of 31st March, we have a customer base of more than 28 lakhs.
- Our disbursement for the quarter stood at Rs. 1,900 crores as compared to Rs. 1,348 crores in Q3 FY22 and Rs. 2,376 crores in Q4 FY21. Our assigned portfolio stood at Rs. 1,204 crores.
    - Standalone disbursement for the quarter stood at 1,622 crores as compared to Rs. 1,085 crores in Q3 FY22 and 2,084 crores in Q4 FY21.
    - We are seeing disbursements activity to pick up as more population is now vaccinated and the economic activities returning to normalcy.
    - As of 31st March 2022, 100% of our disbursements are made through cashless mode while cashless collections stood at 6%. We have also adopted website payment options and UPI auto debit.
- NII for FY22 stood at Rs. 755 crores as against Rs. 742 crores in FY21.
- For Q4 FY22 our pre-provisioning operating profit stood at Rs. 76 crores as compared to 110 crores in Q4 FY21.
- PAT for FY 22 stood at Rs. 21 crores against a loss of 14 crores in FY21.
- We have made provisions of 345 crores on account of the COVID-19 pandemic and other external factors.
- Our Cost to Income ratio stood at 67.6% while our Opex to AUM stood at 6.4% for FY22.
    - We hope to reduce our Cost to Income ratio as well as Opex to GLP in the coming quarters.
- Coming to our collection efficiency, our collection efficiency trends excluding Assam are as follows:
    - Q1 FY22: 84%,
    - Q2: 90%,
    - Q3: 97% and
    - Q4 100%.
- We are seeing an improvement in repayment and collection month-on-month. Collection efficiency for the quarter stood at 100%.
- We have a well-diversified customer base, a well-penetrated branch network across states and 73% rural exposure.
- Our on-book GNPA stands at 8% and provisions of 6.7%.

- Our restructured book stands for Rs. 925 crore which is approximately 18% of the AUM, out of which approximately 70% clients are paying regularly.
- Our total operating costs has remained consistent since FY20 at about 400 crores. The elevated cost to income ratio is because we follow a calibrated approach of not chasing high growth during the pandemic. So, it is safe to assume that we shall achieve the planned growth with the same cost as the ratios will come down with increase in efficiency and productivity.
- During the quarter ended March 31, 2022, the Company has sold certain NPA loan assets amounting rupees to Rs. 53.14 crores to an Asset Reconstruction Company (ARC) at the sale price of 53 crores, where in company is holding 85% of the Security Receipts under the Trust incorporated by the ARC. As per the provisions of Ind AS 109 the said sale is not meeting the criteria of derecognition and will continue to be shown as financial assets of the Company.
- As of 31st March 2022, our total branch network count stood at 1,234 branches which is spread across 404 districts.
- We have a total state and UT's count of 23, which makes us a well-diversified PAN India microfinance player.
- As of 31st March 2022 97.3% of our districts have less than 1% of portfolio exposure.
- We have seen a significant reduction in our portfolio risk in terms of
  - Average exposure per district 0.25% FY22 versus 0.45% FY17.
  - Exposure to top 10 districts as a percentage of AUM: 14% in Q4 FY22 versus 21% In FY17.
  - Exposure to top four states contribute 53.7% in Q4 FY22 from 77.3% in FY17.
- Our well sought out diversification strategy has enabled us to sail through difficult situation and capitalize on our ideas of enriching our client lives through financing of various products. We were able to disburse nearly 83 crores during FY22 under the product finance category, which includes loans for bicycles solar products, home appliances, consumer durables, and water and sanitation.

An update on subsidiaries:

- Business Correspondent services under Taraashna Financial Services Limited has reached an AUM of Rs. 724 crores. As of 31st March 2022, Company operates through 158 branches and has more than 3.5 lakh active loan client.
- Satin Finserv Limited our MSME has reached an AUM of 166 crores with three consecutive profitable years.
- Satin Housing Finance Limited has now reached an AUM of 318 crores including DA of 26 crores, having a presence across four states with 3,585 customers.
  - SHFL has a 100% retail book comprising 68% affordable housing loans and 32% of LAP.
  - The Company has 15 active lenders including NHB refinance

- CRAR of 60.19% and gearing of 2.1x, total equity stand at Rs. 101 crores.
- The Company has Nil GNPA after more than four years of operation, including the pandemic.
- SHFL has two consecutive profitable years in the challenging business environment.

- At their respective meetings, the Boards of Directors of the Company's two wholly-owned subsidiaries, Taraashna Financial Services Limited and Satin Finserv Limited, considered and approved a draft Scheme of Arrangement for Amalgamation of Taraashna Financial Services Limited ("Transferor Company") with Satin Finserv Limited ("Transferee Company") and their respective shareholders and creditors (the "Scheme") under Sections 230 to 232 of the Companies Act, 2013.
- The Company has filed the first joint motion application before the Hon'ble NCLT Bench Chandigarh in Jan'22. The said first motion application is reserved and allowed by the said Hon'ble NCLT on hearing dated April 06, 2022.

Before we begin taking questions and answer, I would want to emphasize that as a responsible Company we are always working to enhance the lives of our stakeholders by encouraging financial inclusion. We are guided by our long-standing commitment to help the underprivileged in society. We are well-positioned to achieve growth and recoup lost ground in the next quarters propelled by our sincerity, compassion and long-term mission of delivering assistance where it is more needed. With this, I would like to open the floor for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen. We will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Rajeev Mehta from Yes Securities. Please go ahead.

Rajeev Mehta: Sir, I just wanted to understand the performance a little better. So, in terms of you know, PAR disclosure, if you can tell me what was the PAR30, PAR90 bucket as of March and how that bucket has moved between December and March.

HP Singh: PAR, let me look at the numbers I think Jugal you can share.

Jugal Kataria : PAR30 was around 10%, end of December, which has improved to about 9% now.

Rajeev Mehta : Okay, 9% Okay, of which 8% is a PAR90 right?

Jugal Kataria : Yes.

Rajeev Mehta: And this PAR 90 being 8%? Could you give us a split because we used to report non-paying clients, non-paying customers till last quarter, which was about 3 odd percent as of December. So, of this PAR90 8%, how much is non-paying?

HP Singh: The non-paying technically would be around the same range as such, because what we have really looked at is that in terms of a restructured book about 70% are regular and about 30% are irregular. Now irregular would also probably have somebody who would be non-paying, but non-paying remains in the same range of the total AUM of about 2 to 3%, is that what remains within range bound in assets.

Rajeev Mehta:: Okay and sir there is restructuring. I mean, it is a large number of 18%. So, if you can, so where is this 18% lying between one is that we have a PAR90 portfolio of say, PAR30 of 9%. So, this restructuring will have a significant overlap with this number right or restructuring is below PAR30.

HP Singh: That's what I said, when I said 70% are paying regular they probably does not come into the PAR bucket as such.

Rajeev Mehta: Okay. Yes, yes. Understood and also the fact that we did not choose to make an incremental provision in the quarter right and we would also have some write off, right. So, how are we looking at adequacy of current provisions that we are holding, and then how would incremental provisions play out or credit cost play out in the next few quarters, given our current, PAR mix.

HP Singh: I think Rajeev it has to be look in totality of the disbursement we do along with the AUM so our sense is the P&L does not get affected further on now from here I think the provisioning and I think, is still adequate enough for us, barring the write offs, and all which will come in the due course of time someday the balance sheet, this thing will cross over there, but if I give you an overall picture, the bigger pain is probably now behind us for us to concentrate more on growth, rather than continuously for the last two years, concentrating and talking about portfolio quality and the thing, these numbers, probably, I think, my sense is are behind us so it's only a question of time before the disbursement and the growth kicks in the moment that start kicking in and which has happened positively in the last quarter, as such I think all these numbers will become technically far more irrelevant as what they were relevant in the last two years, you know.

Rajeev Mehta: Okay, sir you have given us some sense about how are you looking at growth, which is about 20 odd percent in MFI and much faster in other products. From a credit cost perspective, would you want to kind of anchor our expectation for FY23 to a certain number or a certain range?

HP Singh: I would not like to bet on a number to be very honest with constraints of being listed entities and all you know, but I can probably give you that the GNPA numbers will be significantly lower than what they are right now so, FY23 would probably be that what we should really look at.

Rajeev Mehta: Got it sir and for the cost and you also spoke about cost to income improving so I would assume that we have got all the capacity already built for growth, right? So, do you think that a 20%

growth for the next two years will not require much of an incremental investment and that is why the numbers will swing on the cost matrix?

HP Singh: Absolutely, absolutely. So, Rajeev bang on what you said is absolutely right and so that's what we have also stated that with the infrastructure already there, but the infrastructure was maybe inclined more towards collections rather than disbursing and which we rightfully wanted to do also. Now, for us, since everything is behind us the cost remains the same practically, but the income levels and the asset quality starts improving. So, the cost to income will definitely have a positive impact. And then the regulations also now kicking in with the RBI circular, I think the yield is also probably pop up you know, because of risk based pricing now, being enforced.

Rajeev Mehta: Got it and we would have raised our yield by lending rates by.

HP Singh: About 1-1.5%.

Aditi Singh: So, Rajeev what we have done is, we have now come to a range of yield/ the lending rates. So, where in the lower rate of lending is also reduced by 25 bps and then we have we can go up to 25%. So, that is what the range we have. So, net-net, we will have a 100 to 150 bps of increase in our overall yield.

Rajeev Mehta: Just one last thing, if you can share credit cost trajectory for housing finance subsidiary in the last two to three years, how the credit cost has moved, I understand the NPA is nil, but could you also share how the credit cost is moving there.

Jugal Kataria: We have made broadly a little less than 1% provision on the entire book and it is now almost three full year of operations and with nil GNPA. So, it's a very granular retail book and we are focusing totally on quality. So, 1% still is provided in the books.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund, please go ahead.

Vivek Ramakrishnan: I had two questions. One is a follow up to the previous questions. You had mentioned GNPA of 8% and then 3% of the customers are non-paying and so and you are also projecting that the GNPA will come down. Of course, one would be the denominator effect, but on the numerator itself, would you expect that the balance 5% would be in a position to pay going forward or this is still very-very high amongst the customer base is question number one. The question number two is in terms of the sale to the ARC, given the fact that they are retail loans, would you still be you know, with the collection efforts still be done by you, because the ARC’s might not have the ability to reach out to those customers and collect the money. That’s all.

HP Singh: So, Vivek what, I will answer the second question first so for us, the pandemic, as well as, maybe before the pandemic we had taken a very conscious call to have a separate collection team, which actually focuses on larger DPDs as you know, and we have got a very strong force, which actually goes and collects from the delinquent customers and delinquent which I mean to say is anything which is, which is a GNPA for us, or an NPA from us, and we have had good results, in the past also and in the current phase, also, which probably leads us to believe that we will be able to still be able to manage to get a large number of these borrowers back into the fold and get our collection efficiency back and this probably also gives you a particular answer to the first question also. We are trying our level best, we are not somebody that once we write off, in fact, we've gone down to about 600 days DPD also to get money from those clients so our efforts will keep on continuing, at least for the next three to four years, even with all these GNPAs being there in process and that is what the basic resilience in our whole system is that. A complete force which really looks after the collection, and we don't leave it even till the time it is five years past due so for us that will give us probably an answer to the non-paying and the paying clients. Our feet force is specifically targeting these non-paying customers, as well as those partial paying customers, even those who have moved into NPA, and we hope to get very positive results for this in the near future. I cannot give you a timeline, that is a slow process of bringing these customers back and collection the efficiencies in these buckets back into the fold as such.

Vivek Ramakrishnan: I just in terms of the economic health of the customers itself, we see an improvement that their cash flows and, and their core business and so on, because they have all gone through tremendous distress.

HP Singh: So, whatever what had happened was the first year of the pandemic I think the second year probably is the bounced back in terms of the economic activity, even in the rural areas. So, technically, the income levels are back to normal. The only thing is how we are able to really comprehend and get the money the collection back into our system, and it is a slow process and once you have had overdue installment of about, let's say, 15 or 20, you can't expect the borrower at that level of the society to probably give you those 15 to 20 in one go, it will happen slowly and steadily. That is the only pain which will get elongated a little bit you know, which will keep on bothering us for some more time, that will be taken care of in the next couple of quarters for sure.

Moderator: Thank you. The next question is from the line of Siva, a retail investor please go ahead.

Siva: One question regarding the sale of 13,000 account to Asset Reconstruction Company. For how much it was then. We have sale of 13,000 accounts to that Asset Reconstruction Company. So, Rs. 53,000 crores have disposed to the Asset Reconstruction Company for how much it has sale up.

Jugal Kataria: So, there is some interest which has to come in future also now, the regulation has changed. So, we have sold it for Rs. 53 crore. We have received upfront around Rs. 8 odd crore and the balance based on the portfolio performance we will get over a period of time, but we have not derecognized those portfolio out of our book.

Siva: Okay and another question from my side is that what are initiatives taken from our side to encourage our employees and our customers for cashless UPI payments.

HP Singh: Siva we have all the tools which are there. We have website payment, we have a QR code on our loan card, we have UPI, we have a customer service app where you can actually make a payment from there. So, we have all the tools which are there to make a cashless collection.

Siva Yes, I should appreciate you but you we were the first one to initiate that UPI. Congratulations with HDFC Bank, but to insulate our customers so that our cashless get improved by quarter on quarter. Any initiative taken from our side.

HP Singh: So, yes, so we have got a separate team, which is working on the customer behavior. So it is very difficult for the rural customer to actually get into cashless collection mode because the banks are far away for them to deposit money in the bank and then you know, for us to do cashless collection through that is which is a bit challenging, but we have a separate team at the head office as well as the regional offices, which is working solely on improving the collection the cashless collection. So, our sense is that it is at 6% we will keep on increasing slightly bit by bit in the near future. But it is a change of the customer behavior, which will take some amount of time which is going to be there.

Siva: Okay and the last question. Last quarter we have a write off Rs. 10 crores and this quarter we have a write off of Rs. 7 crores. What is the situation there in Taraashna Financial Services, is it over.

HP Singh: It is second to what Satin is going through. I think it is the majority the pain is over now and we do not have any more pain which is left even in Taraashna Financial Services.

Moderator: Thank you. The next question is from the line of Ronak Singhvi a retail investor, please go ahead.

Ronak Singhvi: Good morning, Mr. Singh and entire team. Congratulations on a fantastic, for the turnaround this quarter. So, I had a couple of questions primarily around the strategic initiatives, which I guess you guys have taken specifically around this investment was made in a Fintech Company called Jay Kay Financials -Rupyo**.** So, how is it aligned to Satin future strategies will be helpful to understand that and second question is around the subsidiaries, the housing finance or MSME lending business, how we are looking to monetize it, because I see this reference that it is not getting valued in the market, but how do you intend to sort of get the valuation? Are you looking at raising funds in the subsidiary level or we will continue to sort of infuse capital from the holding Company?

HP Singh: So, Ronak, let me answer the second question first, because for us, I think, the holding Company right now is looking at infusing capital in these companies only because, one, they are well capitalized right now and we feel that probably, I think, why I can say point blank, and I think it's not been well monetized, not by us, but by the entire investor community who has not been able to really see the value which we have been able to bring aboard even during the hard days of pandemic as well as the demonetization when we actually started these new subsidiaries. Our all census once they reach a critical mass, which probably they are reaching faster than anything and because housing is about Rs. 312 crores with the percentages of growth, which we are looking at that as well as the MSME Company, which is finally going to be merged with our BC company, which is going to be at least in the range of about Rs. 724, crores and 166, you can add up together. So, the balance sheet becomes fairly large enough for both the subsidiaries to be really looked at. Our own senses, we are just waiting for a critical time, where we will actually be able to realize fully the potential value of these two subsidiaries, I think that is when we will really look at monetizing that. But now it is ultimately for everybody else to probably give it up because we have been giving this commentary for a long period of time for people to really understand the value of these two subsidiaries. Now moving on to the first question, Fintech for us is probably a play which we are more interested in terms of looking at digitizing our operations both front end as well as back end for the operations as such for the parent companies, a parent Company as well as the subsidiaries and that is what we are more at. So, today for us and acquisition of a customer is completely digitized work in process for the backend completely from our cash book and branches to various other forms of the HR software, the expense management software and various other software which are working in the Company. It is completely a digital operation. Our last piece, which is probably going to take us some more time, in terms of actually delivering the Fintech value to the outside world from our side is the cashless collection part, so the acquisition is getting completely digitized and it is about 70-80% digitize the back end operations are 70-80% digitize, it is only the cashless collection, which is the third form of our intervention as an organization, which has to probably go through that process of getting completely cashless and at the moment that is done, I think we will be the Fintech player by ourselves to be looked at a complete digitization process, where the added advantage which a normal Fintech player does not have his feet on street, so we have that added advantage also attached with us, along with Fintech business, this acquisition or this investment in Rupyo was just to see our product basically which is advance against salaries just wanted to invest a minor investment across there and we actually fund them in terms of giving out loans to customers for the salary part also. So, that is just a business play. Nothing in terms of how we look at it because we look at our own Company to probably see how Fintech really works out.

Ronak Singhvi: So, have we of disbursed any loan through Rupyo?

HP Singh: Yes a couple of loans, a few loans in a year.

Ronak Singhvi: Okay, so we plan to scale it some more from a business perspective.

HP Singh: Yes. from the business point.

Moderator: Thank you, ladies and gentlemen that was the last question. I now hand the conference over to Ms. Aditi Singh, Head Strategy for closing comments.

Aditi Singh Yes, hi, good morning, everyone and I thank everyone for joining this call this morning and thank you for your words of encouragement. I hope we have been able to address all your queries. So, for any further information you can get in touch with me. My name is Aditi Singh, I Head Strategy for Satin Creditcare or you can also reach out to Ms. Shweta Bansal DGM-IR working in my team. Thank you all, stay healthy. Stay safe.

Moderator: Thank you. Ladies and gentlemen on behalf of Satin Credit Care Network limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.