August 21, 2019

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

Scrip Code: SATIN

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

Scrip Code: 539404

Dear Sir/Madam,

Sub: Update on Conference Call held on August 9, 2019;

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 July 31, 2019 with respect to Conference Call held on August 9, 2019, 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
Digitally signed by CHOUDHARY RUNVEER KRISHANAN
Date: 2019.08.21 17:05:16 +05'30'

(Choudhary Runveer Krishanan)
Company Secretary & Compliance Officer

Encl: a/a

"Satin Creditcare Network Limited Q1 FY-20 Earnings Conference Call"

August 9, 2019

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. ADITI SINGH – HEAD-CAPITAL MARKET & INVESTOR RELATIONS, SATIN CREDITCARE NETWORK LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Satin Creditcare Network Limited Q1 FY20 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, 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 Ms. Aditi Singh. Thank you and over to you, ma'am.

Aditi Singh: Good evening everyone and thank you for joining us today to discuss Satin Creditcare Network Limited's financial results for the first quarter of the fiscal year 2020. Today we have with us Mr. H. P. Singh – Chairman & Managing Director; Mr. Jugal Kataria – Chief Financial Officer; Mr. Dev Verma – Chief Operating Officer and myself Aditi Singh – Head of Capital Market & Investor Relations.

We will begin the call with the opening remarks from Mr. Singh followed with opening the forum for question-and-answer session.

This conference call may contain forward-looking statements about the company which are based on the believes, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict.

I hope you had the time to go through the presentation before the call. Our focus will be more towards providing you insights on what we envision as the future of Satin's business and how we plan to evolve through our various endeavors. Our future performance will be testimony about how the strategies outcome has translated in actual numbers and growth. I shall now invite Mr. Singh to make his opening remarks. Over to you, sir.

H. P. Singh: Thank you, Aditi. Good evening everyone. We are pleased to inform you that the quarter went as per plan. Our major focus was on building up our processes, streamlining our operations and leveraging our technology while ensuring portfolio quality. We are undergoing a complete process reengineering to differentiate ourselves. We understand that we might have a controlled growth for a short while during the implementation of new initiatives and we are ready for that considering the larger picture.

Getting on to the numbers. Though we had a cautious stand on disbursements we delivered a healthy 18.5% year-on-year growth in our AUM to Rs. 7,139 crores. Our customer base grew to over 36 lakhs as compared to 30 lakhs in Q1 FY19 which was a 25% year-on-year growth. The new customer addition was 3.24 lakhs during this quarter. Disbursements for the quarter grew by 35.5% year-on-year to Rs. 1,806 crores.

Our return ratio also improved with ROA for the quarter at 2.4% as compared to 1.7% in Q1 FY19 and the ROE of about 13.4% versus 11.7% in Q1 FY19. Our NII grew by 15.6% to Rs. 201 crores while PAT for the quarter increased by 48.6% to Rs. 41 crores. Collection efficiency for loans disbursed post January 18 stood at 99.4% which comprises 95% of the portfolio.

It is also very interesting to share that for disbursements since April 2018 which is 85% of the portfolio, the collection efficiency is 99.7%. Our GNPA as on 30 June 2019 stood at 2.8% of the AUM versus 3.9% in Q1 FY19.

Highlights for the quarter: We continue to lay significant impetus on our digital initiatives to optimize cost by centralizing operations while increasing the ease for our customers. We are proud to have received the ‘first place’ amongst all the MFIs in customer service index evaluation conducted by MFIN for fair practices code, policies and processes.

While 100% of our disbursements are already in cashless mode, our cashless collections comprised 12% of the total collections. We are confident to take it upwards of 50% of total collections by March 20. All our branches and customer houses are geo tagged hence reducing any undue reliance on our loan officers while optimizing the day-to-day activities.

This is by no means is small, considering that we have 1,024 branches and around 2.5 lakhs centers. Real time credit bureau checks and instant account verifications have significantly reduced the disbursement timeline with focus on quality. We have also streamlined our business processes internally with our game changing digital transformation technology LMS. Its live tracking features with last mile connectivity provides us with real time updates and control of the day-to-day business operations.

We are also digitally reaching out to our customers with LoanDost, a digital lending platform with inbuilt psychometric and ability to disburse loans within 25 minutes without any human intervention. Now LoanDost also offers loans to certain employed individuals besides the target individuals. We are confident that significant investment made in process improvisation should help us drive system efficiency, resulting in enhanced productivity faster TAT and reducing the operating costs.

We continue to deepen our presence with a strong rural focus and expand our geographical footprints During the quarter we have expanded our operations to 10 more districts adding 65 more branches. Our portfolio risk in terms of average exposure per district. Exposure to Top 10 districts and exposure to Top 4 states continues to come down and currently stands at 55.2% further down from 64.2% in Q1FY19

Although our branch network expansion might have some bearing in terms of cost escalation in near future but we are sure of realizing the benefits of this scale as operating leverage starts to play out. We are further optimizing our existing branch network and customer ease to cross sell products via product financing. This not only enhances the productivity of our clients but also increases their income generating potential, thus mutually rewarding the company as well as its clients.

On the asset quality, we strongly believe in growth with a focus on quality and have put adequate systems and processes in place to achieve the same. We are selective in our disbursement and have tightened our credit norms. We have been cautiously screening our client base through psychometric tests, credit bureau checks as well as our in-house credit score card and continuously refining our customer base through our pre and post disbursement audit processes.

We have rolled out centralized shared services which provides backend support for credit appraisal, quality and customer support along with the post disbursement monitoring. This ensures uniform processes across our branches in Pan India. Consequently, our rejection rate has also gone up from 12% in Q1 FY19 to 18% in Q1 FY20. Our asset quality, hence continues to improve with receding GNPAs - 2.8% in Q1 FY20 versus 3.9% Q1 FY19.

Further testimony to our strong underwriting mechanisms is the recent study by Equifax which concludes 31 basis points lesser delinquencies in fresh disbursements for Satin than the industry average. Our collection efficiency continues to be robust at 99.4% for post January 18 loan portfolio. Recovery against the write off for the quarter was close to about Rs. 6 crores and we hope to do more in FY20.

Cyclone Fani in Orissa slightly impacted our PAR 1 loan portfolio. However, it is temporary and should normalize. In Assam and Bihar, we are also providing relief measures to our customers and do not expect any material impact on our portfolio. On liquidity and capitalization, this quarter there was an equity infusion of Rs. 60 crores by promoter via a warrant conversion. Additionally, IndusInd Bank also converted their outstanding convertible preference share worth Rs. 45 crores at Rs. 335 each which underlines their belief in our business model.

With this our tier 1 capital base has further strengthened with CAGR of 30.5% versus 28.5% as in Q4 FY19. Tier 1 comprising more than 23%. Our ratings continue to be A+ (Positive) for long term credit and A1 for short-term credit from CRISIL and CARE. Liquidity has not been a constraint for us. The company has a diversified lender base of 70 plus lenders and continue to maintain a healthy balance sheet liquidity with Rs. 1,786 crores of surplus funds.

We raised Rs. 1,428 crores of incremental funds during the quarter and no funds were raised by means of commercial papers. We have undrawn sanctions worth Rs. 1,412 crores. Our reliance on NBFC funding has further reduced to 10% from 25% last year. We are witnessing a strong demand for our PSL portfolio from banks and raised Rs. 585 crores via securitization and assignment.a structurally positive ALM also adds to our advantage.

An update on our subsidiary. We are growing our secured lending portfolio with subsidiaries, thus diversifying risk while achieving a better product mix. All our subsidiaries have been making good progress. We have infused Rs. 30 crores of capital in Satin Housing Finance Limited which has now reached an AUM of over Rs. 100 crores with nil delinquency. We have also received sanction for refinance facilities from NHB worth Rs. 5 crores in August 2019. Satin Finserv Limited, our MSME arm is also taking good shape post commencing operations in March 19.

Our Business Correspondent services under Taraashna Financial Services Ltd has reached an AUM of 542 cr with 3.76 lac active loan clients. . We plan to convert TSFL into an NBFC to tap the opportunities in the Co-lending space and new financial products.

BC arrangement with IndusInd Bank continues to make rapid strides with AUM reaching Rs. 647 crores as compared to Rs. 47 crores in Q1FY19. It will take us roughly 4 to 5 years to achieve a balance between microfinance and non-micro finance loans. We expect one-third of our portfolio comprising non-MFI loans by then. Presently, it constitutes 6% of our consolidated AUM.

This quarter promoter's pledge holding has reduced from a peak of 53% to 20.8%. And to sum it up, we seek strong growth across all lending products microfinance, housing, MSME as well as the business correspondence operation. We are hopeful of achieving a balanced and diversified portfolio mix of unsecured and secured book in coming years. We continue to maintain our niche in the underserved and unbiased rural area and deepen our presence by being a one stop solution provider to cater to all the financial requirements of our customer.

Our digital initiatives should further help us in cost optimization, leading to a profitable growth with improved efficiencies in the system. We are looking forward to an exciting future and we are trying to achieve our targets. We are confident of maintaining a healthy growth in AUM with the guidance of PAT of Rs. 260 crores for FY20.

Thank you and I open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, I had many questions starting with your process reengineering. If you could elaborate that. What exactly are you doing? A follow up on that would be on the psychometric test that you are introducing you must have run a pilot on that and must have back listed the number. So, could you share your findings? How accurate is it likely to be? How much improvement will you see because of this effort that you are putting in? Second set of questions is on the credit cost.

You have given the guidance, are you maintaining that? And the 2.8% Phase-3 assets that we are seeing what is likely to be the part of that and given our pretty impressive capital base, why don't we just write it off and get on with it so reduce GNPA number. I do not know whether its as simplistic as that, but still your comments on that? And finally, sir, since we have a very good capital base, are the credit rating agencies looking at some sort of an upgrade?

H. P. Singh: So, I will answer one-by-one though I hope in the order you asked me but let me try. So, on the process reengineering we have actually shared a little bit in this and probably there will be a lot which is there in our investor presentation it is there. But to mention a few examples so we have moved from our backend to a centralized shared service center where all uploading of KYC documents, customer support system has been done through a centralized shared service.

That is one. We have moved into technology which is amply demonstrated by our loan books capability of delivering a digital e-lending platform which is probably one of the first in the MFI industry or may be probably the first in the normal NBFC space been done by us. So, that is a huge technological achievement which we have been able to do which actually sets the course for our future how we will be able to transform our old economy NBFC in to may be a digital economy NBFC which we talk about as we go by.

There is ample evidence which we have showcased to a lot of our investor across the way we are able to demonstrate our ability to have live data every two minutes from anywhere in India. So, any disbursement taking place, any collection taking place anywhere across India is livecasted every two minutes and refreshed into our servers every two minutes and you can actually look at it from there.

Process engineering does mean and requires a lot of grit and determination to really go through these process and it will take some time away from your normal day-to-day businesses but we are focused on actually improving all these so that in the longer run we are able to differentiate between us and probably the rest of the peers of ours that we actually are on a mission where digital economy and digital lending will probably be our base now.

On the psychometric test we have ran pilots, it has been there for about a year with us. Just to give you a very small example. We ran through a district check for the last six months when the psychometric was introduced in our branches. We have actually done test on about 28,000 customers of our portfolio to psychometric test. We had only two customers which were in par as compared to about 46,000 customers non-centric during that areas in those branches where the PAR was close to about 35 people. So, that is the difference which we have been able to prove.

We ran the psychometric tests on our defaulting clients and practically none of them pass through the psychometric tests. That is the validation of what psychometric test probably gives in. The psychometric test is also backed by a lot of credit filters and the credit scorecard which we internally run amongst ourselves which I can probably not share the dynamics but it is there. We also run it through our credit bureaus which is Equifax to a large extent and we run through graduation scores, the MFI score and the center score which actually also demonstrates our ability to actually track and have a better portfolio quality. That is the second part of which you wanted to talk about.

In terms of our credit cost, I think we are probably in line where we are. It is a financial services company we have occasions of cyclones, floods and everything impacting and I think they are probably in line with whatever it is. The significant thing which you probably should look at it then as you said it and I said it in my opening remarks our portfolio collection efficiency from 1 January 2018 till date is about 99.4% but significantly when the overhang of the demonetization completely vanished by March 2018. From 1 April 2018 till now our collection efficiency now is at about 99.7%. This demonstrates what ability we will have in tackling what our credit cost will be.

On the GNPA side I think we have slowly been getting it down from a peak of 3.9% which was earlier to now about 2.8%. We hope that we are able to maintain or able to bring down the GNPAs slowly and steadily across over there. It is what we believe as the management as how we want to take it slowly because of a financial services company, there will always be NPAs and GNPAs coming across in this thing and with ECL being introduced across over here, I think the fact is that is ECL quarterly adequately provided for or not.

So, that is what our take on this. And I think if I missed out on any of your question, I can probably answer that. But that is largely what you can look at

Agastya Dave: Your direct assignment the economics of that. What is the discount rate you are getting as of now if you could disclose that or if you are not comfortable with that, could you indicate is it better than your average cost of funding otherwise or it is slightly worse off? You are just trying make use of the value of money. So, I just wanted to understand that.

Management: So, the margin on direct assignment is more than that we get on the on book borrowing and lending. So, there is a difference of between 1% to 1.5% that is the additional that we make on the direct assignment transaction.

Moderator: Thank you. The next question is from the line of Rajeev Mehta from Yes Securities. Please go ahead.

Rajeev Mehta: I had a few questions. Firstly on the MFI employees, if I look at the non-loan officer employee count in the MFI business, then the whole employees have come down by about 1,000 odd number. So, I can understand that it might be related to your process optimization and streamlining but still it is a huge reduction in the non-loan officer employee count in the MFI business?

H. P. Singh: So, when we were actually doing a manual background or a manual backend system we had employed about 900 BCCM which we used to call them, they were technically back ends which was employed in every branch of ours. Now once we were rejigging our complete process where we went into centralized shared services, the BCCM technically became redundant. So now we have a centralized knowledge processing team which actually practically does all the back-end work which the BCCM used to do.

So, that is a very significant improvement in terms of reduction of our backend employees. So, 900 BCCM turning into may be a 150 I think we have about a 100 centralized shared service center agents which are trying to do that. So, that probably gives you an answer to why there has been a drop in the non-loan officers in terms of our backend system.

And further as we go more into the process reengineering stage, it is just a start. I think we will probably be able to have improved operational efficiencies. It will take a while before it comes in. So, this is the first example which I can probably give it you as we get into this process reengineering mode.

Rajeev Mehta: Also when I look at our branch additions that we have done in the last two quarters, about 110 odd branches were added but the number of loan officers have not gone up. So, what explains this?

H. P. Singh: We want me to be happy about it or you want to be sad about it, tell me?

Rajeev Mehta: No, I mean it is a good thing but probably I think it has got a dual impact but just want to understand so the number of loan officers are not going up and the number of branches going up by 110?

H. P. Singh: See Rajeev, again the economies of operational efficiency. So, it is a very difficult line which we have to and a difficult balance which we have to maintain. See at one place we want to shed, I will be very honest with you,we want to shed the tag of being a North Indian player which we were always associated with. So, to have a pan India presence we had to open our branches in every possible states of India and we are proud to say that we have been able to achieve that in a very short span of time.

But having said that I think for us we are also now looking at the balance between process, operating efficiencies. So, it is a time where we are actually consolidating all our spaces and all our operational efficiency. Watch for this space more coming from us because we will be delivering more in terms of how we are able to transform and change Satin's complete dynamics when we operate our business.

Rajeev Mehta: Can you give us some anchor number in terms of Opex/GNP which I look at on a standalone basis for SCNL which is at about 6.4%? In medium term, say two years down the line, what is the number that you are targeting?

H. P. Singh: Rajeev, I will not give you our number but believe me what I have told you already and the things we are trying to do it definitely will have an impact on our operating efficiency on the positive side. That is what I can leave you with and that is surely we will be in the next few quarters or may be in a couple of years we will actually see the demonstration of what our capabilities are.

Rajeev Mehta: Couple of questions on IndusInd Bank BC tie-up. So, obviously this quarter was a low quarter when I compare it with the previous two three quarters. So, can you share the disbursement data under the BC tie up this quarter and the previous quarter?

H. P. Singh: See Rajeev, again when we actually embark on our reengineering, I think the reengineering was being done across all the verticals of our this thing. So, IndusInd Bank was also a place where we are actually rejigging our complete backend operationsl. And recently from a normal KYC which we were doing through our QR code we have actually moved on to an eKYC.

Now for us since that rejig was happening, it took a while for us to integrate our systems, our technology systems with IndusInd Bank technology system. But we are happy to state that we have now moved on to eKYC completely for the IndusInd portfolio.

But that did have some impact of our growth. So, our growth has not been as stupendous what it was earlier when this reengineering was not taking place. We still have been able to maintain Rs. 647 crores portfolio. Going forward now since that has been taken care of I think we will see more growth now coming in the further quarters of ours in the next couple of quarters.

Rajeev Mehta: So, can one assume the kind of a rate of portfolio addition that we saw in the previous quarter because that was something that we were looking forward to?

H. P. Singh: Just give us slightly bit of more time for us to reengineer ourselves. We are probably I think midway through that. We are implementing a lot of these systems across over there. But we still standby our growth rate of over 30% this year. That will come in and that is what we standby with.

Rajeev Mehta: And this accounting for this BC, is it in a gross basis? I mean as in we take the gross numbers of interest that we collect and then the expenses or how do we account for this BC income? Is it on a net basis otherwise?

Management: Yes, this is on a net basis only.

Rajeev Mehta: And where would that number lie?

Management: This is part of the fee income that we are showing.

Rajeev Mehta: Okay just one net number in the fee income you are saying?

Management: Yes.

Rajeev Mehta: And just lastly on Taraashna. We did add few branches out here even the employees went up but the portfolio has continued to kind of come off. So, what is the growth anticipation here?

H. P. Singh: See Rajeev, it all depends majorly on the partners. So, it will be current NBFC crisis going on I think what has happenedin the financial services space,the uptake was not that great in the last two quarters definitely for us. But having said that we got now IDFC fully on board. IDFC happened last month only for us and we are now looking at growth from this quarter onwards for Taraashna also.

So, probably whatever dip in the growth has been for Taraashna will not be there anymore because we have split up with a couple of our partners and now, we are fully geared up to take these partnership in the longer run further ahead. And there was a degrowth because of the Ratnakar Bank portfolio coming down. So, after having added IDFC Bank there will be growth.

Moderator: Thank you. The next question is from the line of Himanshu from Quant Capital. Please go ahead.

Himanshu: Sir, my first question will be are we not disclosing balance sheet? I actually could not find the balance sheet in the presentation or?

Management: So, we give half yearly balance sheet when it is audited and all. So, for the quarterly thing we are giving only P&L numbers.

Himanshu: Another one will be for the last two or three quarters we have seen on book portfolio going down while BC and assignment going up. So, it is a strategic focus and also with regards the fact that your capital adequacy is pretty high so I want to understand the rationale behind focusing more on BC and assignment while on book going down?

Management: We have mentioned this in some of our previous calls that we will maintain on book portfolio of roughly 65% at least and then balance could be off book between direct assignment and the BC tie up. So, we still maintain the same guidance and are working on the same lines. On the capital front we have got IndusInd Bank preference share conversion happened during this quarter promoters have given us more money and have converted their warrants. So, all that combined with BC and DA, the capital adequacy is close to about 30%. So, we are good to achieve our growth without any major capital infusion.

H. P. Singh: And just to add I think whatever raising which we are doing now we are focusing a lot on our non-microfinance subsidiary of us. So, for us currently from a 0% from where we moved,we are close to about 6%. So, we will like to maintain this that our microfinance and non-microfinance portfolio becomes two-third and one-third in the next four years or so. So, that is also one of the key factors which we are trying to drive and we learned this right after demonetization. One was geographical diversification, the other was product diversification.

So, we have taken both of them on a very serious note and we are going ahead with all what we are trying to do in terms of both. Geographically we are as of now can say that we are a pan India player and for other products through our three subsidiaries now gunning for this thing we also applied Taraashna for an NBFC license. We are probably will be looking at non-microfinance products in the near term future also.

Himanshu: Sir, just one last question if you allow me. So, this RBL and IndusInd and I am assuming IDFC is also the BC partnership. So, where does the customer ownership lies, does it lie with the Satin or does it lie with the banks?

H. P. Singh: It lies with the bank. So, RBL is not there anymore. It is IndusInd Bank and IDFC. IndusInd Bank is with Satin and IDFC is with Taraashna. The customer ownership lies with the bank but we maintain everything from a sourcing, acquiring, servicing as well as collection is all done by us. We get our service fee for that. But technically the customer is owned by the bank.

Himanshu: So, I understand it is on the books of the bank but what I wanted to understand was so after the loan cycle one actually which is first loan cycle?

H. P. Singh: loan cycle 2 is also given by us.

Himanshu: So, we get the fees and everything also on the loan cycle 2 as well and it will continue as it is?

H. P. Singh: So, what your question I think I could probably understand it does not become a customer per se of the bank that they can actually lend to him in the second cycle, no. It will only happens through us.

Aditi Singh: We still hold the infrastructure to do the disbursement and collection. The bank does not.

Moderator: Thank you. The next question is from the line of Asim Pant from HSBC. Please go ahead.

Asim Pant: Sir, just one question on the UP exposure now that I believe has grown by only 7% between Q1 FY20 and FY18, is that right?

H. P. Singh: Our exposure of UP has gone down with the figures which I can actually relate to, our peak exposure in UP was 43% at the end of about 2017 or may be at the starting of 2017. Today that exposure is at about 21% which is we are standing in 2019. So, our peak exposure in UP has gone down from 43% to about 21%.

Asim Pant: So, I was basically I had included the numbers the actual GLP growth between FY19 and now and that number looks to me to be around 7%. Is that right?

Aditi Singh: That is correct.

Asim Pant: Okay so sir, on that I just want to understand given the number of households in UP and probably at least at the very top level from it looks like the state is under penetrated. So, is there kind of saturation that you hit in terms of the number of borrowers you can find or is it a deliberate strategy to maybe not grow your portfolio altogether there?

H. P. Singh: Asim, so we are deliberately not going in UP because the external environment has rating agencies, lenders like HSBC and also everyone which probably says that concentration risk has to be diversified. We today in the UP are present in 40 districts out of 80 districts in UP. So, we are not there in even half of UP's geography. If you get a freehand to do it we can probably do whatever book size we have we can do it only in UP. But because of geographical risk and the external environment which we have to look at we do not want to grow and that is the reason why this numbers have come down over there.

Asim Pant: And sir, one more thing. With regards to this there were some news articles about this personal insolvency law being muted. How do you think about it is impacting your business or the microfinance sector as a whole if it were to kind of?

H. P. Singh: See I do not know there was a talk about it but I think actually on the ground practically it is very difficult to enforce that. Whatever you talk about, you are talking about a Rs. 35,000 loan then having assets worth this much. It is probably not, you do not have DRTs which are probably more in numbers. These DRT has also got four or five in the total of India. So, going through that I think it is very challenging and you can have something on papers but to implement and enforce it is practically out of contention.

And the biggest I think thing which you should probably take is that there are credit bureaus so that is more of a deepening thing where a guys knows that tomorrow if I default on my payments for me the loan book is completely lost for my next cycle. But that is the biggest thing rather than actually spoiling the credit culture by having these kinds of laws and all. That is practically not going to be feasible on to the ground here.

Asim Pant: So, sir, maybe one of the risk that some might say that people might use it opportunistically to mobilize mass defaults and also given that this law if I am not mistaken basically proposes that the whole credit record of a kind of borrower is reset?

Aditi Singh: It is not reset so then that borrower cannot borrow for a specified period of time. So, they actually have to go off the potential borrower's list for some time.

H. P. Singh: And Asim, one thing is there it is easier said than done but if you mobilize these kind of methods it never works in India. The mob mentality never works here. You have seen demonetization where the mob mentality was at its peak what happened ultimately, the borrowers who defaulted are defaulters. Now we have a lot of the borrowers coming back again and they could borrow basically because our name is on the credit bureau. We want to borrow now, please let us borrow. So, mass things like these and mass terms and condition and the things which are brought in across never works.

Moderator: Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh: Just a few questions from my side. One, if you could just kind of briefly tell us how has been your experience now when you have entered into these new states because you seemed to have build this business quite meaningfully and quite fast? That is my first question. Second, if you could just kind of briefly give us some indication now that you are in pan India where are the states which seems to be giving a spot of bother in terms of registration rates or high indebtedness? And third, there has been floods in a couple of states, there has been some issues around it. If you could just comment on the same?

H. P. Singh: So, Mahesh, new states I think if I want to give you in terms of penetration, Tamil Nadu was probably the most penetrated states among the MFIs. We are probably are the last player to enter Tamil Nadu. I think our portfolio in Tamil Nadu is close to Rs. 176 crores, which practically has a zero delinquency. So, that is what we are able to actually demonstrate on to ground even entering into a geography which was not technically been there for us.

The experience for us in newer states like Tamil Nadu, we are there in Northeast, we have entered states like Meghalaya and Tripura has all been perfectly been fine. I think we have been able to actually bring in experience people across in these states and we have been able to do justice to the portfolio.. And that is the reason why I said disbursements since April 18 onwards has a collection efficiency of 99.7%.

MB Mahesh: Just one question on this. Would you be a primary borrower in the places that you are entering today or you had to kind of get into customer base as a second MFI?

H. P. Singh: I think I can share our data point with you basically which probably gives us a pan India presence. So, to 57% we are the only lender to our borrowers, 57% at the time of lending.

MB Mahesh: And this would be a broadly similar number in the newer states that you are entering?

H. P. Singh: Of course 57% made of the sample sizes all India, basically you can probably see the sample size would be the same in the other states also.

MB Mahesh: And the rejection rates of the places where you have seen which is spot of bother?

H. P. Singh: No, it does not bother us because having grown in Tamil Nadu Rs. 176 crores in the last eight months probably for us rejection rates are taken into foray. There are still a lot of under penetrated areas and geographical areas where we can actually work very well even in these states. So, that is not a spot of bother for us.

MB Mahesh: Just one clarification. In these new states that you entered, the ROEs that you get is broadly similar to what our historical book is carrying or it takes a fair amount of time to get to a similar ROE level?

H. P. Singh: My own sense is 9 months Rs. 176 crores I think I have not mattered with earlier states where we have worked in but it is fairly comfortable to look at the same kind of an ROE for even this kind of a state. And coming back to your floods question, so for us the floods in Assam and Bihar probably I think I will give you a figure of Assam. We had close to about 9,000 people affected by floods in Assam. Today this was about a few weeks back. Today the impacted numbers have come down to about 5,000 in Assam. Bihar we have close to about near about a 1,000 numbers which is completely okay by now.

Orissa cyclone Fani we still have some where the borrowers are still not been able to get back in to their original mode. There is a slight impact in terms of Orissa yes but the few numbers that you talked about up till now for all these affected areas that would not be more than a couple of crores.

MB Mahesh: One last question. Given that there has been tighness in the liquidity of most NBFCs and given that you have had a reasonably surplus liquidity. On the ground have the other NBFCs started to withdraw or the things are the same that the NBFC-MFIs are broadly stable right now?

H. P. Singh: We would not know to be very honest Mahesh, we mind our own business. I think for us we need to look at ourselves. So, I cannot really answer that question.

MB Mahesh: Sir, just trying to understand whether the competitive intensity has kind of eased out which helps for the entire business for us?

H. P. Singh: For us I think we still are maintaining growth. We want to grow; we can grow anywhere technically. So, there is no impetus in terms of actually inhibiting our growth anywhere.

Moderator: Thank you. The next question is from the line of Himanshu from Value Quant Capital. Please go ahead.

Himanshu: Just one more question. So, I just wanted to know we are still maintaining the PAT guidance of Rs. 260 crores for full fiscal year and given the muted growth in this quarter and also the muted disbursement in this quarter, I just wanted to understand how we are expecting the full year to do?

H. P. Singh: See we are adding branches that is one thing which I can tell you. I think internally we are looking at opening up more branches because we want to deepen our whole legacy of being a pan India player. For us all this process engineering which we are trying to do may be we will have a controlled growth for a first couple of quarters. But I think in the later on quarters we will probably be having a very high scale of growth.

We still maintain our growth to be about close to about 30% as I have stated earlier and based on that growth of ours we still maintain that we will be able to reach our guidance of PAT numbers for the year.

Himanshu: Just one more thing. On the RBL tie-up that we had, any light that you can show as to why that tie-up is no more or why the partnership is no more?

H. P. Singh: See I think Himanshu, what you will have to really look at RBL acquired MFI called Swadhaar and for them it was actually a change in guard. So, I think they actually went ahead with their own acquisition and for them it make sense to probably work with the partner where they had actually put in equity. But having said that I think the BC business is like that. A few of them will come, a few of them will go.

We will add new more clients. Ultimately what we are looking at is the growth should happen in terms of our portfolio which now with IDFC Bank joining and may be a couple of other institutions trying to do business with us, I think that we will be back on the keel from now onwards.

Himanshu: And just one last thing. With the IndusInd Bank how do we see our long-term relationship? Do we see it is continuing only as BC or probably the Swadhaar and RBL way? Would you like to throw some light on that?

H. P. Singh: So, I do not want throw any light on to that. We want to remain a BC right now and let us continue to reap the benefits of BC. We will see how things grow in the near future. We will talk about it when it comes.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.

Gaurav Jani: Sir, just from a broader perspective you been into this for a while what would be the reason for a customer not paying up and he is slipping to an NPA and what steps have you taken over the years to control that?

H. P. Singh: Gaurav, why does a customer does not pay, I think probably there is stances by a psychologist and that is the reason why we could deliver psychometric tests now within our range. Because this is what we felt was probably the missing link as compared to what other MFI could probably do. We were to use to work on credit bureau and then straightaway go for this thing. Nobody could probably check the intent.

So, we are probably the first ones to actually look at the intent of a borrowers and have a psychometric test along with that. But we have other filters also, the scorecard through credit bureau we have our internal scorecard. These are all credit filters which actually could ensure our portfolio quality in the near future. That is one. And why do they do not pay, I probably do not know. But the only thing which I can leave it with you is that we are also one of the very few companies who have never let go of even our write offs which is happening with us.

Last year we were able to collect Rs. 19 crores of our write offs. The first quarter we have been able to collect close to about I think about Rs. 6 crores. Rs. 6 crores so if I look at it Rs. 19 crores for the last year including Rs. 6 crores is about Rs. 25 crores. We continue to do that. We will continue to do that till the time I would not say till my last breath but definitely I think it is something akin to that. We will continue to do that and we are very clear about it. That is how we are in terms of our bringing our write offs back in to the mainstream system.

Gaurav Jani: So, if I may just ask you. So, what would actually practically for our simple understanding what would the psychometric test actually capture and would it capture signs of over borrowing by the borrower?

H. P. Singh: So, the over borrowing and indebtedness is checked by the credit bureau. We look at the intent of the borrower. So, if the intent is not that in case of any clients or anything which happens their intent to pay will be questioned is what the psychometric really looks at.

Aditi Singh: We can discuss more of it offline.

Gaurav Jani: Sir, lastly if I may ask you on the Aadhaar now it is sort of included in the finance bill so do we see any change in the KYC documentation from here on?

H. P. Singh: The landscape is changing and so the industry as on today is using Aadhaar in general but there is some more clarity required but like we discussed in some of the earlier question is that for IndusInd we have started using eKYC etc so we will have more clarity on this going forward.

Gaurav Jani: So, Aadhaar is compulsory for us, right for our customers?

H. P. Singh: As on today we are also taking their consent and taking the Aadhaar. But we are taking other KYCs also but broadly it is Aadhaar right now.

Gaurav Jani: And I believe 90% plus would be Aadhaar?

H. P. Singh: Yes. We are taking it with the client's consent.

Moderator: Thank you. The next question is from the line of Rajeev Mehta from Yes Securities. Please go ahead.

Rajeev Mehta: Sir, this Rs. 6 crores collections from written off accounts, would it be in the line of impairment provisioning line or would it be a part of the revenue?

Management: This is part of revenue, the Rs. 6 crores of bad debt recovery is part of the bottom line, it is going straight to the bottom line.

Rajeev Mehta: So, it is going through the revenue you are saying?

Management: Yes.

Rajeev Mehta: And sir, when you speak about achieving about 66% odd MFI and 33%, 34% odd non-MFI mix, so obviously we are not assuming that we will be an NBFC MFI for long or by then. So, then what is the plan in terms of applying for an SFB license as and when that becomes available?

H. P. Singh: The reason why we have opened up these subsidiaries was basically because of that. So, the holding company as it stands right now will be MFI and the subsidiaries which is SHFL will be housing, MSME which is Satin Finserv is going to be that and any new products in the BC model is going to be through Taraashna.

Aditi Singh: So, at a consolidated level is the two-third value.

Rajeev Mehta: And I was since we were always wanting to scale up MSME incrementally in SFL in Finserv but this quarter also we have grown the book in SCNL for MSME. So, while we had SFL or I mean did we have to capitalize SFL and which is why we still grow the book under SCNL?

Management: That is right and we have infused some more capital in Satin Finserv in the second quarter. So, probably the entire book will start shifting to SFL only. That is exactly the reason as you said capital was small so we have balanced that in the first quarter.

H. P. Singh: And one very important point Rajeev, I think it been still early days as yet but we are probably the first HFC if you look at the ranks of our. We have built up a Rs. 100 crores portfolio with a zero delinquency portfolio which is a year and about five months old.

Rajeev Mehta: And sir, I believe this Rs. 287 crores of MSME portfolio will also have an element of lending to NBFCs and MFI. Is that a significant number in this?

Management: So, this is not very significant. This is roughly around Rs. 45 crores, Rs. 50 crores in Satin.

Rajeev Mehta: And these would be smaller MFIs predominantly?

H. P. Singh: That is right.

Rajeev Mehta: And if you can give us a break up of this incremental borrowing you did in this quarter of Rs. 1,440 crores? You spoke about Rs. 585 crores via securitization and assignment. The other part largely will be what bank term loans and some other instruments?

Aditi Singh: Can you just repeat your question, Rajeev.

Rajeev Mehta: Sir, broadly from other lenders?

Aditi Singh: Out of the total borrowing that we had this quarter, so approx Rs. 800 crores was banks and others and Rs. 585 crores were through assignment.

Rajeev Mehta: Sorry how much was from bank and others?

Aditi Singh: Little over Rs. 800 odd crores.

Rajeev Mehta: And so this was on book, right from banks and what is the average cost of these loans?

Management: In general the money is coming in the range of some 11% to 11.5%. Most of the on book money is in this range. There are exceptions both sides but most of the money is in this range.

Rajeev Mehta: And just one last thing I wanted to understand because when I look at the MFI AUM which is excluding the product and MSME and you also gave disbursement relating to it. So, despite doing these disbursements the book has not grown sequentially. So, if I work out the run off rates of the portfolio then I can see that the runoff rate for the MFI portfolio has been increasing in the last two, three quarters and the increase has been quite substantial. How should we read this?

Management: So, one that we have started bringing some amount of product lending there little bit of prepayments from customers towards the end of the loan. So, it is a combination of these two.

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

Gautam Jain: My question is related to your expenditure. What rate it would grow in fiscal 2020?

H. P. Singh: See Gautam, prediction of a number is I think kind of difficult at this stage but what I can tell you and which I have probably mentioned earlier was that all these operating efficiencies and backend systems being reengineered and technology playing an important part of that. As I mentioned as an example that at the backend we had about 900 BCCM which actually have turned into a 100 seater KPO center which does backend for us in the KYC space.

I think all these after a certain point of time will give us operating efficiencies and our cost to income ratio will definitely take a plunge from sometime onwards. But just give us some time before we are able to actually bring everything in focus. We have initiatives like geo tagging, we have got initiatives of OTP verification, psychometric tests, other filters of internal scorecards and everything which is working across over here.

We will be able to bring in justice in terms of brining our operating efficiency down to a certain level. That is for sure.

Gautam Jain: What is your branch expansion and hiring plan for the year?

H. P. Singh: There will be significant numbers in terms of a branch expansion. I can just give you that because as I said we want to shed the tag of being a Northern India player and we want to be genuinely a pan India player where you can see growth coming in from every possible states which is there across. There is a plan I cannot reveal number, but there is a significant plan of actually expanding our branches.

Gautam Jain: And in terms of employee hiring?

H. P. Singh: It will go commensurate with the branch expansion which will go. So, whatever we have in terms of our branch expansion it will be commensurate to the hiring being according to that.

Moderator: Thank you. We will be able to take one last question. The next question is from the line of Arun Kabra from Standard Chartered. Please go ahead.

Arun Kabra: This is regarding Bharat Financials' merger with IndusInd. So, will it impact any relationship with IndusInd?

H. P. Singh: So, I will just give you a brief. Our tie-up with IndusInd Bank has been after the merger with Bharat Financial and when they were announcing merger, we were going through that process. So, it does not actually affect us. So, we both are independent identities working on our own space. So, it does not affect our relationship in anyway having Bharat Financials being merged with IndusInd Bank.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Aditi Singh: I take this opportunity to thank everyone for joining this call in the evening. I hope we have been able to address all your queries however for any further information you may contact me or Strategic Growth Advisors, our investor relations advisors. Thank you once again.

Moderator: Thank you very much. On behalf of Satin Creditcare Network Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.