"Satin Creditcare Network Limited Q4 FY21 Earnings Conference Call"

June 15, 2021

Disclaimer:

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.

MANAGEMENT: **MR. HP SINGH – CHAIRMAN & MANAGING DIRECTOR, SATIN CREDITCARE NETWORK LIMITED**
MR. JUGAL KATARIA, SATIN CREDITCARE NETWORK LIMITED
MS. ADITI SINGH – HEAD, INVESTOR RELATIONS, SATIN CREDITCARE NETWORK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Satin Creditcare Network Limited Q4 FY21 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 and operating 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 Mr. Singh.

HP Singh: Thank you. Good morning, everyone. Hope you and your loved ones are safe and healthy. Thank you for taking out time to discuss our Q4 FY21 and FY21 Financial Performance. We have issued the detail Press Release and Investor Presentation for the Quarter and Full Year ended 31st March 2021. We hope that you've had a chance to review and understand that.

We are living through unprecedented times. However, I'm thankful to the support and efforts of our people. Microfinance sector is synonymous with resilience. Continuity of operations along with health and safety of our employees have remained our top priorities as we navigate through this crisis. We have left no stone unturned in cooperating with and following the prescribed measures issued by the authorities in order to mitigate the widespread of the virus and the impact on business. Our employees and staff have been strongly adhering to guidelines.

Highlighting of our Performance for the Quarter and Year gone by, FY21 was a challenging year for microfinance industry due to the pandemic and subsequent lockdown. However, business witnessed a strong recovery with the decline in cases reported, the introduction of the vaccination drive and gradual lifting of the imposed lockdown restrictions, and improved economic scenario helped our business with a sharp uptick in disbursement in the second half of FY21. During second half of FY21, we disbursed approximately Rs.4,190 crores which signifies progressive growth momentum. Growth and disbursements led to growth in AUM since the second half of FY21. As of 31st March 2021, our AUM stood at Rs.8,379 crores, registering a growth of 3% year-on-year and 6% sequentially. More importantly, our collection efficiency too saw sequential improvement quarter-on-quarter. Overall, the collection efficiency for FY21 stood at 94%. Additionally, we witnessed a month-on-month improvement in repayments and collection. Collection efficiency is back to pre-COVID levels clocking 105% in March 2021. We witnessed significant reduction in number of non-paying clients from 11% in September '20 to 1.3% in March '21.

The improvement signifies our robust underwriting and collection framework as well as the resilience of our customer base. For FY21 our net income stood at Rs.742 crores while our preprovisioning operating profit stood at Rs.292 crores. Adopting a conservative approach, we have prudently recognized total provision and write-offs of Rs.289 crores to account for the asset quality risk posed by the COVID-19 induced disruption and other external factors. With this, our cumulative provision stand at 5.1% of our AUM.

Though FY21 was filled with challenges, the company demonstrated resilience in times of adversity by taking thoughtful steps to mitigate the impact and overcome the challenges faced by the businesses as well as the industry. We adopted a cautious approach while disbursing new loans as our primary focus was to arrest asset quality stress.

For FY21, our gross NPA stood at 8.4% and net NPA stood at 3.3%. Additionally, the company has adequate liquidity and a strong balance sheet position which makes us well positioned and agile to achieve growth over the medium to long term while the demand remains strong.

Moving on to our capitalization and liquidity position, our capital base continues to be strong with a capital adequacy ratio of 25.3%, which is well above the regulatory requirements. In addition to that, we have proactively taken steps to augment our capital position by successfully raising Rs.120 crores via rights issue of partly paid equity shares. Of this, we have already received approximately Rs.90 crores. The balance amount will be called as determined by the board. During FY21, the company raised debt of Rs.4,312 crores including direct assignment transaction of Rs.743 crores.

Also, in Q1 FY22, the company raised $5 million from Development Bank of Austria through external commercial borrowing channel and raised Rs. 25 crores from a private bank.

Liquidity wise, we continue to remain in a comfortable position with cash reserves of Rs.1,469 crores as of 31st March 2021. Further, we have undrawn sanctions worth Rs.143 crores. Our structurally positive ALM also adds to our advantage.

On our geographic expansion front as on 31st March 2021, our total branch network stood at 1,257 spread across 388 districts. Our total states and union territory count is at 23 now. Our diverse presence across the six states coupled with a well penetrated branch network help us emerge as a strong pan India microfinance player in the industry.

As of 31st, March 2021, 95.8% of our districts have less than 1% of portfolio exposure, which we aim to bring it down further in the coming times. We have seen a significant reduction in our portfolio risk in terms of average exposure for district which stood at 0.26% in FY21 versus 0.45% in FY17. Exposure to top-10 districts stood at 14% in FY21 versus 27% in FY17. Exposure to top four states stood at 54% in FY21 from 77.3% in FY17.

We continue to be one of the leading microfinance players in terms of customer base, well penetrated branch network across the states and with 76% of rural exposure.

Our well thought diversification plan has helped us sail through these unprecedented times and leverage our idea of cross selling products. In FY21, we have been able to disburse close to Rs.67 crores under the product financing category which includes loan for Bicycles, Solar Products, Home Appliances, Consumer Durables, Water and Sanitation.

Considering the surge in cases in April 2021 with the advent of the second wave of the pandemic, we expect the statewide lockdown to influence the Q1 FY22 performance. The collection officers are finding it difficult in reaching out to customers. We have already witnessed a marginal drop in collection efficiency for the month of April 2021 which stood at 93%. Greater the adversity bigger the opportunity. Given the nature of this pandemic opportunities are immense to cope with the challenge of cash collection driving, financial inclusion and boosting cashless transaction, SCNL has made loan repayments more seamless for its customer by introducing UPI Auto Pay. SCNL is the first player in the microfinance segment enabling customers to repay their loan via UPI platform.

We have also facilitated our digital ecosystem across all our branches in India. Our efforts will enable us to improve our collection efficiency in the coming quarters and transform that into a digital focused financial institution.

As of 31st March 2021, our cashless collection stood at 8% while we have successfully implemented 100% cash disbursement across all our branches.

Now to give you a Quick Update on the Performance of our Subsidiaries, through which we are looking forward to growing our secured lending portfolio. Satin Housing Finance Limited has two successive profitable quarters despite challenging business environment. PAT for FY21 stood at 1.4 crores. Our book comprises of affordable housing at 79% and LAP at 21%. AUM stands at Rs.226 crores and disbursement for FY21 stood at Rs.118 crores, equity infusion was Rs.15 crores done during FY21, CRAR stood at 90.2% and SHFL has a credit rating of Care ‘BBB Stable’ with zero delinquency. SHFL witnessed an AUM growth of 63% for FY21 which is impressive in the current business environment. Satin Finserv has two consecutive profitable years with PAT of Rs.4.8 crores for FY21. SFL AUM stands at Rs.131 crores. Total net worth stands at Rs.107 crores. CRAR for Q4 FY21 was 81.4%. SFL is operational in eight states with 15 branches and 1,725 active loan clients. SFL had an AUM growth of 18% in FY21, has credit rating of Care 'BBB-' Stable.

Our AUM under Business Correspondent Services offered by Taraashna Financial Limited has increased to Rs.748 crores. As of 31st March 2021, the company operates in seven states through 217 branches. The company has more than 3.9 lakh active loans currently. The company added two new partners for Business Correspondence and started sourcing loans under Nai Roshni for SCNL as well as SFL.

Altogether, the contribution of our non-MFI lending portfolio has increased to 8% of the total AUM in line with the company's endeavor to diversify risk, while achieving a better product mix to achieve the next leg of growth. Our long term endeavor remains to achieve a significant contribution from our secured lending portfolio in the coming years. Going forward, we believe that there will be a pickup in consumption as the curve flattens, vaccination rate improves, and the local restrictions start to ease out which will build positive momentum for us as well as the entire industry. On that positive note, I would like to open the floor for questions. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Shreyas from Spark Capital Advisors. Please go ahead.

Shreyas: Just wanted to check in this 8.4% NPA that we have, is it possible to provide a split between how much is from the pre-COVID book and how much is from the post-COVID book?

HP Singh: My own sense is technically, if you really look at it, this is all the post-COVID book, there is very little which could broadly be in the pre-COVID book, majority is the post-COVID book.

Shreyas: Is there a possibility that you're considering restructuring also some of these post-COVID advances under the restructuring 2.0 guideline, if yes, could you give us a sense of what that quantum could be like?

HP Singh: Too early right now to probably have a quantum to be looked at. But definitely, yes, as compared to the previous first wave and the second wave, the difference probably lies in the fact that there was a moratorium in the last wave and this time the moratorium has not been there. But yes, definitely, yes, the DPD in the earlier thing has probably been there and because of lock downs, I think that there was some income generating losses which did happen to the borrowers. We might look at restructuring definitely in a more positive frame of mind rather than what the first wave had, but the quantum right now, I think it leaves us not to probably hazard a guess where it will go.

Shreyas: Could you give us a sense of how your 30-plus book looks like? And if there are state specific concerns on collection efficiency going into April and May?

HP Singh: Technically, 30-plus is also not very significant because if you really look at it probably we had one month complete lockdown, and I would say some states definitely had a one and a half month lockdown. We were able to do some collections of that lot. So my own thought process and the way it is, 30-plus would probably again be significantly less than what probably one to 30 will probably carry on.

Shreyas: Any view on state specific collection efficiency issues, anywhere you are using a lot of stress where you believe the collection efficiencies are expected to be lower than 75% for May and June?

HP Singh: You have to not look at this as a stress scenario, rather you have to look at this from a lockdown scenario. There's a difference between the stress building up and the lockdown scenario. Thankfully, what we've encountered during this collection, during the lockdown as well as now the opening up, the intent remains perfectly fine. So our sense is it's only because of the lockdown and the logistical measures that we were not able to reach them and get the collections done. So it's not a stress, but it's definitely, yes, a logistical issue which probably relates to the DPD in the early numbers.

Moderator: Next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza: Just had a question regarding the credit cost. So, like have we taken all credit cost in March? And also if you could give the credit cost for the second wave?

Jugal Kataria: We made the provision based on the ECL model and depending upon the past trend for five years, have made enough provision. There were very positive collection trends from December onwards till second, third week of April. So, all the sort of a provision that is required till 31st March has already been taken care of.

HP Singh: And just to answer your question on the credit cost for the second wave, too early to guess but the best part of the whole thing is that, because of logistical issues. Our sense is early DPD which will be affected in the second wave rather than the NPA level. So, in terms of credit costs, our own sense is that I think it will be lesser than what it was compared to the earlier wave which was I think it was a long period of moratorium, lockdowns and things happening across. And thankfully, there's been a very short period of lockdown. So, our sense is the credit cost will not be as negative as what it was earlier.

Moderator: Next question is from the line of Bala Prasanna from Maximum Investments. Please go ahead.

Bala Prasanna: Can you please tell me the marginal cost of borrowing in Q4?

Jugal Kataria: Most of the sanctions are in the range of 11%, cost of borrowing is broadly stable, it has not gone up, not gone down.

Bala Prasanna: The question is related to Satin Housing Finance Limited. Can you give me your vision of where do you see in terms of AUM one year to around five years and what do you target on SHFL?

HP Singh: SHFL, to be very honest, is an outlier in our subsidiaries. So being an outlier. I think the way it has panned out in the last three years with zero delinquency and I can probably give you that, in spite of the fact that lockdowns involved, we're still there, there's still an impressive collection efficiency. Our own sense is that SHFL will probably be one of the strongest subsidiaries of us which probably takes the lead in doing ramp up in terms of our growth. It grew by about 63% even in this pandemic and during this year which was probably more difficult to navigate. Looking at that if we grew by 63% in a difficult year, our own sense in the next five years it probably will have a very healthy growth looking forward.

Bala Prasanna: Last question is related to vaccination. So do you have any side of data regarding what percentage of employees are vaccinated either with first dose or second dose, something like that?

HP Singh: So this is what we are doing for the last one week once the lockdowns have started opening, all our regional offices are actually doing drives to get our employees vaccinated. In fact, in about eight regions this Sunday, the vaccination drive was going on for all our employees in the field. The head office is having a vaccination drive today. So if you really ask me the target set by our HR department is that by July end we want to vaccinate all our employees

Moderator: The next question is from the line of Vishal Rampuria from JB Capital Markets. Please go ahead.

Vishal Rampuria: I have got two questions to ask you. One is the past two, three years Satin is taking a lot of steps to improve the process and the technology usage. So can you help us understand where we are in terms of those processes, are we getting the required benefits, so what was envisaged when those things were rolled out or started with?

HP Singh: Vishal, I probably cannot have a direct correlation with the operating cost which probably has come down because I think if I do that right now based on technology I probably will not be giving you a very honest answer to it because there were lockdowns, there was probably dip in the expenses as compared to what it was, just a simple factor that travel being restricted if you really look at the expenses, but definitely, yes, still the fact was that the operating cost has gone down by about a per cent with us. But having said that, I think Vishal, what we are as an endeavor doing it in Satin is that we do rejig our processes compared to what the environment actually has been. And the environment not to say the least has probably been very challenging at every point of time. So you have to really change your track every six months the way it is going on. Having said that, definitely, yes, the thing which I said earlier that we are probably the only institution to get into UPI 2.0 but the process really works in a longer run but the benefit start arising maybe in a shorter spurt year-on-year. But yes, we are very definitely looking at digitizing completely our operations as well as digitizing our process. It's a thing which keeps on happening across the thing. It will definitely yes, at some point of time lead to more optimum efficiency as well as maybe a clear cut not increase in the operating cost or maybe a decrease in the operating cost.

Vishal Rampuria: I understand your point that last year was a difficult year because of COVID and lot of cost metrics, completely went into haywire. So forget about the cost metrics. I am only asking you about the operational efficiency which was a key reason why Satin went into change in your process, investment in your technologies. Are you seeing improvement in your operating efficiency, whatever be the key parameters, which you would have set out for yourself, for the company, are you seeing improvement there or not?

HP Singh: Vishal, we are seeing an improvement. That is the reason why I said. But you cannot technically compare the year gone by with the year which was previous to that. There is a difference. So this is what I said. Now, technically if you really ask me today, the whole spurt is on collection efficiencies as well as collection metrics. We have added close to about 1,000 guys into our field. If you really ask me in terms of the borrowers been done by our loan officers, it will not be commensurable to the way second wave and the pandemic behaving. So it is not a very clear year in terms of yes, everything is stable and we will really be able to do that. But having said that, because the environment needs changes, because of the pressure on the asset quality, we definitely have increased our feet-on-street. But the moment if you get stable across, whatever we brought in our process and technology, definitely, there is a huge uptick in terms of the advantages which will flow through that.

Vishal Rampuria: My second question to you is that what is the incentive scheme for the field officer, people who are involved in disbursing loan at a ground level and also people who are involved for the collection also?

HP Singh: Incentive schemes are not based on disbursements or anything, it is based on definitely the number of borrower service as well as it is based on the asset quality. So that is where portfolio quality where the incentive scheme works for the field employees.

Vishal Rampuria: Last quarter gone by, the operating expense ratio has increased to 6.37 as shown in your PPT. Any one-off expense to call out in this quarter?

HP Singh: As I said earlier, we have added more feet-on-street because the stress in the asset quality is there, and two, reach out to each and every borrower and motivate them to get back into the collection mode as well. That is why the feet-on-street has been increased. That is one of the main reasons why there is a slight spurt in terms of the operating cost.

Vishal Rampuria: So, you are saying that more expense is coming because of the investment in the recovery team?

HP Singh: Yeah.

Vishal Rampuria: The non-paying customer of 1.5% as on March, does it also include your off-book also?

HP Singh: No, this is on-book.

Vishal Rampuria: What is the number including the off-book?

HP Singh: I don't have a clear number basically. But off-book technically for us is DA

Moderator: The next question is from the line of Rishabh Bhatia from CIAT. Please go ahead.

Rishabh Bhatia: My question pertains to the comment wherein you mentioned that the stress is mostly due to collection and inability to collect and less due to the intent. I am wondering how much of a role rural monsoon would have in aiding our ability to collect, not just from the collection point of view but also from the ability to pay? And the current COVID scare in rural India significantly affects the ability to pay in terms of credit worthiness?

HP Singh: Let me answer on the monsoon first. So, as per the current way, I think the projections are being made, the monsoons are going to be normal which augurs well for the ability for the customer to really repay since we operate in about 76% in the rural economy. So that is a positive sign which is there. The second is scare of the second wave probably has died down to a large extent also in the COVID since the numbers if you look at even the urban space have been going down drastically. Similarly, the way the states have unlocked and things are opening up, the scare which was there in the larger part of May, I think is not there once the lockdowns happened. Definitely, we are looking at and the improvement is happening in the last one week or two weeks or so once the lockdown has eased off. And we are looking at far more positive impact on the collection efficiency also going forward.

Rishabh Bhatia: The credit worthiness is not significantly affected? And even if it is, it could be repaired by good monsoon or the proceeds of a good monsoon?

HP Singh: Yes, we technically also hope so.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: First question is on the credit cost, we have roughly provided for around 4% of the console book. What was the write-offs in this year sir?

Jugal Kataria: Close to about Rs.150 crores or so, roughly half is write-off, half is credit cost provisioning.

Sarvesh Gupta: So, this Rs.300-odd crores is inclusive of that write-off?

Jugal Kataria: That is over and above, lying in the balance sheet.

Sarvesh Gupta: So Rs.450 crores in total, right?

Jugal Kataria: So, there was something in the beginning of the year also. So the way to look at it is that we have around 3.96% as a credit cost for the year and the outstanding provision lying in the balance sheet is about 5.1%.

Sarvesh Gupta: So from Q4 of FY20 to FY21 maybe this was a slightly more figure than this Rs.450-odd crores, but you are saying that in FY22, you expect a lower sort of credit cost plus write-off?

HP Singh: We hope so. Technically, we are looking at a younger DPD which is probably coming up. So our own sense is that it will probably not reach the NPA levels and that's what our thought process is and the initial things look like. So yes, what you said probably hold true that the credit cost would probably be lower than what it was during this year.

Jugal Kataria: Just to add, when we are expecting the economy to grow close to double digit, when we are expecting a normal monsoon, all those things will overall impact the livelihood of all the borrowers and in turn the repayment capacity.

Sarvesh Gupta: Your top state which is UP never really had some sort of a big COVID scare as such, right, at least in the official numbers. So how is the behavior of the borrowers in UP and Bihar in May and June? These two states seem to be the least severely affected by COVID second wave.

HP Singh: Honestly, the numbers do not say this. The scare was all across India in every state. But having said that, I think UP and Bihar have been more resilient. In fact, that has been there even in the first wave also. And thankfully, our largest geographies have probably been far more resilient and are able to really bounce back much better than probably the...

Aditi Singh: Just to add, UP, Bihar, Punjab and MP have 54% of the AUM, had a collection efficiency of 98% throughout the year.

Sarvesh Gupta: Any guidance on the loan book growth for this year that you are targeting?

HP Singh: Not any guidance which we are giving but we are saying that we will remain very muted in terms of our growth projection because we still have to remain focus on portfolio quality and building up our process with the technology. I think that is where our main focus lies right now.

Sarvesh Gupta: Now, with regard to the new regulations draft has been announced, so in case the draft is implemented what is the sustainable impact on our NIMs and hence the ROAs in the business, do they have any impact?

HP Singh: See, I probably will not be able to give you a right answer on this but yes, it does have a positive impact in terms of our ROA and NIMs because the draft regulation says margin cap goes away and also in terms of the rule and norms and all that, probably is taken away. So, it becomes a level playing field even for the NBFC, MFI to operate in this segment which earlier was probably more skewed towards the banks and the other institutions. So, my sense is I can't guess but yes, it will be a positive impact on the ROAs as well as the NIMs.

Moderator: The next question is from the line of Nidhesh Jain from Investec India. Please go ahead.

Nidhesh Jain: Can you share some more data in terms of asset quality in the microfinance segment as of March '21 in terms of PAR30, PAR 60, data?

Jugal Kataria: As I said in one of the previous answers that PAR numbers are well under control and much better than the previous quarter. But first we will share with the exchanges and then with outside.

Nidhesh Jain: Also, asset quality in the housing finance and MSME finance, I understand these are smaller part of the business. But if you can share how is the GNPA number in these two businesses as of March '21?

HP Singh: Housing finance, that's what I said, it's a 0 delinquency number and in SFL it's about 1.5%.

.

Nidhesh Jain: Do you see a possibility of capital raise in this coming financial year, do you think we are adequately capitalized, is a tier-1 ratio that we have as of March '21?

Jugal Kataria: Tier-1 is close to 20%. Overall, we are at 25%. And we are not anticipating very aggressive growth for this year. We feel that our present capital adequacy is sufficient for our business plan. We have to receive another Rs.30 crores out of the rights issue proceed, that should come sometime in second quarter. So, I think we don't need capital right now, we don't need too much capital to support growth of our subsidiaries, etc., they are also well capitalized for the time-being. No immediate plans but we will decide as we move along.

Moderator: The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi: Sir, my question was with respect to collection efficiency against the billing. So, what would that number be for Feb, March, April, May and June?

Jugal Kataria: I don't think that will have any meaning because when there were overdues we will allocate first due first collection. So when there are high number of PAR clients and you allocate it to the previous month. The way we look at is what is the billing for the month versus what is the collection for the month including arrears, but we don't include prepayments in that. So to that extent, this number is quite reflective of how many clients are paying over life time. This is a better and right reflection of the collection trend.

Shreepal Doshi: The cumulative collection efficiency for FY21 is 94%. So have we not counted the moratorium time period and then only accounted for the remaining time period?

Jugal Kataria: There was no demand during the moratorium period. So when we have given moratorium that means there is no billing for that period. The customer who could pay that has been taken in billing as well as in collection. But once we have given the moratorium, that is not considered as amount due because that is what the entire purpose of moratorium was.

Shreepal Doshi: We have given number of nonpaying customers. Sir, what would be the number for partly paying customers?

Jugal Kataria: So, we have given that number last quarter as sort to say we have 105% collection for the month of March. So most of the customers have started repaying and paying month-on-month basis in the month of March.

HP Singh: But the other thing also, I think partly paying technically would probably be not that big basically. This is 1.3. You can probably look at maybe some slight uptick in terms of partly payment. But we don't have the numbers right now. We probably can do it offline with you at some point in time.

Shreepal Doshi: You have given the write-off number to be Rs.150 crores for the year. What is our write-off strategy, I mean, how many days do we tend to write it off or was it a proactive measure to write off early?

Jugal Kataria: We continue to keep making effort till the time we decide that the cost of recovery is more than the recovery itself. We continue to keep making effort and we have collected around Rs.13 crores out of the write-off amount. So we normally write off it from the books when it is 480-days plus, but make adequate ECL based on our trends, etc.,

Shreepal Doshi: On the other businesses like housing and SME business… I know earlier participant also asked, but what is the thought process on after say 20, 25 sort of a number wherein what kind of AUM number you are looking at? And what kind of RoA RoE numbers its going to be like? And in future do we plan to split these businesses into a separate entity like separately listed or sell it off, so if you can just give some color on those lines?

HP Singh: We are building it up to be very honest and right now if I made any guess I think it will probably be too speculative to look at it, but the thought process is since both these businesses are profitable right now for us, I think we are looking at maybe a significant growth in both these portfolios as well as the company. we would look at monetizing both the subsidiaries of ours at a certain point of time, that is what our thought process is, but once it becomes very significant enough to look at and we are building this up in the same level to look at it. So we will definitely look at how we monetize that in a better space to get the benefits even for the parent company from both these entities.

Shreepal Doshi: Can you just give some color on the ROA, ROE sort of business models that we are building for these two businesses?

HP Singh: It's too early in our life to probably do that. The strength is overall good growth and portfolio quality, that is what we are probably constantly looking at building it up. ROA, again, will probably be looked at how our growth happens and how we are really looking at. But MSME definitely is high ROA growth level trajectory. Housing, yes, to a certain extent, is also an ROA trajectory but maybe slightly lower than what MSME would be but yes, the idea is again to really monetize both these assets of ours in the times to come so that the benefit also goes back to the parent company as well as building these businesses to a certain scale.

Moderator: The next question is from the line of Vivek from DSP Mutual Fund. Please go ahead.

Vivek: I think most of my questions were answered. So I will just ask a larger macro question. In terms of the resilience of your customers have really been extraordinary in terms of how the collection efficiencies picked up and you don't see it in urban India. So, there seems to be like a two India story going on. So could you please spend a couple of minutes explain the macro part of the story, what gives you the confidence that the customers will come back so strongly because they already have?

HP Singh: See, if I give you a prelude into the first wave when it was four months of complete moratorium and not been there. In fact, our thought process was also that once you are in touch with your customers and there is a high touch point game, there will be challenges in terms of the collection efficiency bouncing back but rightfully and thankfully did. Similarly, what we see even now, since the biggest part of micro finance is the high touch mechanism of a customer and we do bi-weekly collections. Our sense is that once you are able to motivate, meet the customer, look at the levels of bringing him back into the system of collection efficiency as well as the credit bureau and all related aspects to it, I believe the factors are probably far more positive to get better collection efficiency and lower credit cost, but definitely, yes, the installments are less as compared to probably the way it pans out in terms of higher ticket size loan. My own sense is all these factors put together, rural, normal monsoons, all these factors which bunch together give us probably that confidence that yes, whatever happens and we have been seeing from demonetization onwards, so it's not been any year which has been a lull, demonetization, then the pandemic, two years in a row. So three out of five or four out of five years have probably just been that. But still the resilience of the customers to come back and be there in the system is probably a noteworthy to look at the portfolio quality in that context.

Vivek: Since you had many years of experience, would it be fair to say that the steadiness of cash flows has improved over a period of time, in the sense that now this is a borrowing pattern, but the income streams become larger, more steady compared to the past or is it still very volatile?

HP Singh: I believe it's not volatile. I think that's probably the best thing about it is not only stream of income which comes from a household in the rural space. There are at least bare minimum two to four streams of income which come in. So even if there is kind of a lockdown or a pandemic or something like externally which happens, there could be a challenge in one stream of income but maybe all three streams of income probably just go down and for you not to repay is one of the key issues which is there in terms of repayment. I can't say about the intent issue but definitely yes, that is something which is probably not factored in the cash flows which probably work, but yes, definitely, the cash flows also bolstered up in terms of three or four streams of income for the household, the collection efficiency keeps on happening the way it is.

Moderator: The next question is from the line of Amit, retail investor. Please go ahead.

Amit: My question related to the small finance bank license. In the past I think you had indicated you would be open to going for that license. Just wanted to get some color on a) the interest and b) the timing?

HP Singh: Again, I can't give you anything on this. Right now, the efforts and everything is on collection efficiency and asset quality. I think for us maybe the next six months or a year is to look at all these. I can't give you any concrete thought process of what we are looking at in terms of SFB or anything. Right now, fully concentrated on looking at this. So maybe when the opportune time comes, I think we might take a look but nothing as of right now.

Moderator: The next question is from the line of Dhiraj Sachdev from Roha Asset Managers. Please go ahead.

Dhiraj Sachdev: What is the average yield on micro finance, housing and other segments?

Jugal Kataria: While being the pricing in micro finance we maintain the 10% margins, so lending close to around little over 21%, though there has been some yield loss because of overdues, etc., during the last year or so. In terms of housing, our blended yield is close to around 14.5% and SME we broadly lend at 22%, 23%.

Dhiraj Sachdev: Within housing, though it's a still subsidiary but how much is retail and how much is non-retail?

Jugal Kataria: Everything, 100% is a very-very granular retail book with good mix of salaried, non-salaried, over 85% the clients are taking it for their own usage, etc., There is very small book. It's a very-very granular retail affordable micro housing portfolio part.

Dhiraj Sachdev: But the other thing is in the presentation I am seeing the number of customers in micro finance has reduced over the last three, four years or so from 35 lakhs to about 30 lakhs, but as our gross loan portfolio has gone up from about 7,000 crores to 8,300 crores. So can we assume or interpret this as the average ticket size rising per customer?

HP Singh: So, this is mainly related to the inflation which is there, technically, the inflation costing, this thing, but broadly remain in the range of about Rs. 30,000, Rs. 32,000-odd, majority for the last couple of years we are looking at customers largely rather than acquiring new customers. So that is where you will see probably a difference. So there could be still some opportune happening across. I don't think that was 30 lakhs customers, I think the highest went was up till about 32 lakhs customers which is now down to about 29. 5- lakhs odd customers.

Dhiraj Sachdev: But as the average ticket has gone up, they are more seasoned book on the…

HP Singh: It's more of a seasoned book, more repeat customers are coming in, slight uptick in terms of the average ticket size.

Dhiraj Sachdev: Third is you mentioned about collection on UPI platform. How much is the disbursement also online completely instead of loan officers physically doing the KYC, etc., I am talking about not only the disbursements but also the online KYC, everything online without having a face of the customer, is there anything in the system?

HP Singh: The disbursements are completely online straight to their bank accounts. KYC also we do a shared service this thing where KYCs are digitally backed up with the election commission website. So I will say probably the maximum part is all digital. We are trying to also do a lot of system checks in that where we are able to build up completely digital mapping of KYC as well as collection but still sometime away where we are able to do KYC and all, I think we are not technically allowed to do eKYC and all but the moment that comes true, I think we are technologically compliant to address that.

Moderator: The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi: Just had one more question which would be with respect to what measures did we take during the second wave in terms of, did we give any EMI holidays or repayment holidays to our customers or the normal collections went on as it is?

HP Singh: No holiday which was given. Technically, wherever the curfew which used to happen during the afternoon till the evening, we used to do the collections since early morning. Wherever we were able to reach the customers, where the branch was not infected, our employees were not infected, we could probably do a little bit of that. But where there was complete lockdown, we were not able to reach them, that is where large part of the problem did lie. So that is how during the complete lockdown days in various states this all was panning out.

Moderator: The next question is from the line of Shreyas from Spark Capital Advisors. Please go ahead.

Shreyas: In relation to your portfolio in Assam and West Bengal, given that most of the peers spoken about the risk on the portfolio in those two states, could you directionally without any number guide us on what your views are on additional increment disbursements to those two states and the portfolio address if at all in those two states?

HP Singh: Assam, I think still lot of conversation which is going on with the state government in terms of what they deem to probably give it as loan waivers and everything but nothing which has probably been concluded. And our sense is I think the impact would probably be our own sense is will not be that big in terms of where it will go and we provided lot of it in our balance sheet. Having said that, there is no disbursement right now which is taking place, in fact, the disbursement has stopped in Assam since the last, my sense is, about six to eight months. That is where Assam stand. West Bengal, because of lockdown still going on, the thing is we have done sufficient ECL for that but nothing which probably gives us a right of concern technically in West Bengal, but yes, we Assam we are just waiting for the state government measures to probably come in, in terms of the bill, the loan waiver which will come about. So we will see once that comes in. And large part of our Assam portfolio is also under assignment. So that is one factor which we are also looking at in a positive frame of mind.

Moderator: Ladies and gentlemen, that will be the last question for today. I will now hand the conference over to the management for closing comment.

Aditi Singh: Hi, good morning, everyone,and thank you for taking out time and coming to attend our call this morning. I hope we have been able to address all your queries. For any further information, please get in touch with me, my name is Aditi and I head the Investor Relations for Satin Creditcare. You can also get in touch with Strategic Growth Advisors or SGA who are our IR advisors. And I would like to again take this opportunity to thank everyone for joining the call. And I am sure we will weather this crisis together and emerge stronger. I wish everyone a great health. Thank you. Bye-bye.

Moderator: On behalf of Satin Creditcare Network Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.