February 14, 2025

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

Symbol: SATIN

The Manager,
BSE Limited,
25th Floor, P. J. Towers,
Dalal Street,
Mumbai-400001

Scrip Code: 539404

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

Dear Sir/Madam,

With reference to our earlier intimations dated February 10, 2025 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, as amended, please find enclosed Transcript of Q3 and 9M FY25 Financial Results Earnings call of the Company held on Monday, February 10, 2025.

The link to access Transcript of Earnings call is https://satincreditcare.com/wp-content/uploads/2025/02/SCNL_Earnings-Call-Transcript-for-the-quarter-ended-31Dec24.pdf.

This is for your information and record.

Thanking you.

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

VIKAS GUPTA Digitally signed by VIKAS GUPTA Date: 2025.02.14 16:13:09 +05'30'

(Vikas Gupta)
Company Secretary & Chief Compliance Officer

Encl: a/a

SATIN CREDITCARE NETWORK LTD.
Reaching Out!

"Satin Creditcare Network Limited
Q3 and 9 Months FY '25 Earnings Conference Call"
February 10, 2025

SATIN CREDITCARE NETWORK LTD. *Reaching Out!*

DOLAT CAPITAL

CHORUS CALL

MANAGEMENT: **MR. HP SINGH – CHAIRMAN CUM MANAGING DIRECTOR**
MR. JUGAL KATARIA – GROUP CONTROLLER
MS. ADITI SINGH – CHIEF STRATEGY OFFICER

MODERATOR: **MR. AMAN MEHTA – DOLAT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Satin Creditcare Network Limited Q3 and 9 Months FY '25 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aman Mehta from Dolat Capital. Thank you, and over to you, sir.

Aman Mehta: Thank you, Manav. On behalf of Dolat Capital, I welcome all participants on the call and thank the management of Satin Creditcare Network Limited for the opportunity to host this call. For today's call, I have with me the members of the management and leadership team. This includes Dr. HP Singh, Chairman cum MD; Mr. Jugal Kataria, Group Controller; and Ms. Aditi Singh, Chief Strategy Officer.

And with this, I now hand over the conference to Dr. HP Singh, Chairman cum MD, to preside over the call. Thank you, and over to you, sir.

HP Singh: Thank you, Aman. Good evening, everyone. Thank you for joining to discuss our performance for the third quarter and the 9 months of the financial year 2025. We are already a month into 2025, and I hope it has been a fruitful and healthy start for all of you. I wish you all continued success and well-being. I trust you would have had a chance to review our quarterly results and investor presentation. If not, they are readily available on our website and stock exchanges.

In my years of experience in the microfinance sector, I have witnessed its evolution through periods of uncertainty and challenges. There have been moments when questions arose about its resilience and the perceived vulnerabilities of its business model. But time and again, the sector has not only endured but has emerged stronger, demonstrating the depth of its foundation and the strength of its purpose.

Even now, as it evolves through a volatile phase, it is reinforcing its framework with a renewed commitment to best practices, charting its path forward. But in navigating these challenges, we cannot lose sight of what truly defines the sector. It is its cause in the inclusion space. While some borrowers may struggle with repayments, it is important that we do not let these cases overshadow the needs of those who genuinely rely on access to credit.

For instance, if you look at the PAR numbers of Satin, PAR 1 stands at 6.4%, meaning the vast majority of borrowers continue to repay responsibly and on time. It is our responsibility to ensure that these committed borrowers are not deprived of financial access due to the challenges faced by a few.

In fact, our PAR 1 has improved from the last quarter, which is an encouraging sign. This reaffirms the continued demand for credit, improved repayment behavior and the importance of ensuring access for those who need it most. Every day, we see stories of resilience and ambition, individuals who take small loans and turn them into life-changing opportunities.

This is the true strength of microfinance, and we at Satin are proud to be a part of this larger mission, standing alongside those who are shaping their own future. At Satin, the journey of 34 years of experience has given us not only the wisdom to navigate challenges, but also the resilience to emerge stronger each time.

Our legacy and sustainability are built on a foundation of strong governance, best-in-class risk management, innovative approaches, disciplined underwriting and robust business model. These principles have been instrumental in ensuring that no crisis defines us. Rather, it is how we overcome them that shapes who we are.

Whether it was a 2010 Andhra Pradesh crisis, despite having only started the JLG model in 2008, we raised capital of INR 24.3 crores and continue to grow through those turbulent times. Or during demonetization when the entire sector faced disruptions in portfolio quality, we were more impacted due to our significant portfolio in UP.

Our own PAR 1 bucket peaked at 45%, and yet, we remain focused on recovery and steadily brought it under control. Even during COVID, when stress levels were high across the industry, Satin managed to keep its credit cost among the best in the industry.

As well as in today's challenging environment, we continue to hold one of the strongest positions in terms of asset quality, demonstrating our disciplined risk management and operational excellence. That has been the story of Satin all along. We have never waited for challenges to pass.

We have worked through them, strengthened our fundamentals and emerged more resilient each time. This resilience is reflected in our 14 consecutive profitable quarters achieved despite sector headwinds. During this reporting quarter also, we have registered a profit of INR 31 crores, coming across amongst the best in the industry and also reinforcing our financial strength, operational efficiency and disciplined execution.

Our consistent performance and commitment to excellence have also been recognized on prestigious platforms. We are honored to have received renowned accolades, including being named the Microfinance Organization of the Year at the Global Inclusive Finance Summit 2024 and being recognized among the top 15 companies with Great Managers at the Great Managers Award 2024 for the fourth time.

In the reporting quarter, I would like to touch upon the SROs guardrails, which continue to reinforce the industry's focus on transparency, asset quality and stakeholder protection. Since the company has been following the good practices even before the implementation on Guardrails 1.0, currently, there has not been much impact on our portfolio.

With Guardrails 2 coming into effect completely from 1st April 2025, we are fully prepared for a seamless implementation as reflected in our December 2024 performance. As of December 2024, only 5.4% of our existing clients had more than three lenders at the time of disbursement.

Further, for loans disbursed from April '23 to December '24, the percentage of clients with loan exposure exceeding INR2 lakhs remained minimal at just 0.03%. These numbers reaffirm our disciplined approach and readiness for the regulatory shift. More details on this are available in Slide number 5.

We would now like to draw your attention to Slide 6, 7 and 8 on the asset quality update. Our portfolio has experienced reversal in delinquency trend with improvement becoming materially visible across various markets since November, strengthening further in December and January. Net fresh PAR flow has seen a significant decline, reducing from 1.61% in October 2024 to 0.45% in January 2025.

Additionally, PAR 1 stood at 6.4% in Q3 FY '25, improving from 6.8% in Q2 FY '25. When compared to the industry, Satin continues to outperform. As per CRIF Highmark's data, the PAR 1 for NBFC-MFI stood at 13.9%, whereas ours remained significantly lower at 6.4%. Furthermore, in our top five states, Uttar Pradesh, Bihar, Assam, West Bengal and Madhya Pradesh, PAR 1 stands at 5.6% compared to the NBFC-MFI industry average of 15.3%.

This outperformance is driven by a strong client relationship and disciplined portfolio management, particularly in key states. The reversal in our delinquency trends aligns with our expectations, reinforcing our confidence that credit costs for the year will remain within the guided limits. With improved borrower discipline and a focused recovery strategy, our overdue portfolio has been stabilizing across key geographies.

Early indicators suggest a steady normalization of repayment behavior, further strengthening our outlook. The collection efficiency for the X-bucket stood at 99.8% during Q3 FY '25, again demonstrating continued portfolio stability. Additionally, we registered strong recoveries against write-offs amounting to INR 27 crores for the first 9 months of FY '25.

In our top four states, which collectively account for approximately 61% of our own book portfolio, the PAR 90 stands at 3.0%, notably below the national average of 3.9% as on December '24. While there has been a slight degradation in asset quality across these states, this has been largely influenced by on ground external factors such as localized weather-related disruption and borrower stress in certain pockets.

However, fresh PAR inflows are significantly reduced, indicating early signs of stabilization. Specifically, Uttar Pradesh and Bihar contributing around 41% of our on-book portfolio exhibit strong performance with PAR 90 figures below our national average. This is particularly noteworthy given the recent industry reports indicating rising delinquencies in Bihar and Uttar Pradesh.

Despite these challenges, our portfolio in these regions have demonstrated resilience, reflecting the effectiveness of our strategies. Encouragingly, approximately 69% of our portfolio across states has a GNPA of less than 3.9%, reflecting the strength of our asset quality and disciplined credit practices.

Additionally, West Bengal is showing signs of improvement with PAR 1 decreasing from 8.6% in September 2024 to 7.7% in December 2024. This positive trend indicates effective portfolio management and recovery efforts in the region.

In line with our prudent risk management approach as we continue to maintain a healthy provision buffer to safeguard against any potential uncertainties, as of December 2024, we have an on-book provision amounting to INR322 crores, which represents 3.9% of our on-book portfolio, well above the regulatory requirement of INR136 crores as per RBI norms.

We have created a management overlay of INR16 crores, reinforcing our proactive approach in strengthening our financial position and creating an additional cushion for the coming quarters. In the last quarter, we highlighted a transitory increase in delinquency influenced by various external factors across a few geographies, namely Punjab, Rajasthan, Maharashtra, Odisha and Jharkhand.

I'm happy to share that our performance in three of these states, Punjab, Rajasthan and Maharashtra has shown signs of improvement. Together, they account for approximately 10% of our on-book portfolio and PAR 1 on these states has declined as a result of focused intervention on a quarter-on-quarter basis.

As on December '24, in Punjab, PAR 1 reduced by 240 basis points quarter-on-quarter to 4.6%, while the industry average remains significantly higher at 32%. In Rajasthan, it declined by 303 basis points quarter-on-quarter to 7.8%, whereas the industry stands at 21.2%. In Maharashtra, it dropped by 310 basis points quarter-on-quarter, now standing at 8.5%. As per industry, it is 8.7%.

This improvement is a result of our proactive intervention, including stricter underwriting standards for new client acquisition, a calibrated slowdown in disbursement in impacted regions, optimization of CSO spans, deployment of additional collection officers and a strengthened client engagement framework. With delinquency trends showing clear signs of improvement, our commitment to grow remains strong as reflected in our AUM.

The consolidated AUM grew by 10% Y-o-Y to INR12,128 crores, while the standalone gross loan portfolio increased by 10% to INR10,778 crores. For 9 months FY '25, consolidated disbursement stood at INR7,568 crores, registering a 2% growth, while standalone disbursement reached INR6,955 crores, up 1%.

This consistent disbursement trend underscores our disciplined lending approach. Furthermore, the quarter-on-quarter stability in disbursements have contributed to a sequential AUM growth of 3%, reaffirming our commitment to sustainable expansion.

I would like to take a moment to discuss the current status in the state of Karnataka. Given our relatively low exposure in the region, we have decided to pause disbursement there for the time being. We are currently in wait-and-watch mode, carefully assessing the evolving situation. Based on our observation and market conditions, we will take appropriate actions as needed.

Our consolidated branch infrastructure stands at 1,535 branches spread across 483 districts and 29 states and UTs. On a standalone basis, we operate in 1,421 branches. Coming to our financials now. During 9 months FY '25, the company's overall revenue grew by 24% year-on-year to INR1,979 crores on a consolidated level, and on a standalone basis, it reached INR1,815 crores, marking a 25% increase.

The pre-provisioning operating profit stood at INR625 crores, registering a growth of 26% year-on-year on a consolidated basis. On a standalone basis, the PPOP stood at INR610 crores, up by 29%. This growth reflects our focused strategy and operational efficiency in spite of the difficult dynamics.

For 9 months FY '25, the consolidated PAT stood at INR164 crores with a ROA of 2% and ROE of 8.8%, reflecting our sustained operating profitability. Beginning in Q1 FY '25, we proactively initiated early recognition of stress across the portfolio, enabling us to address challenges head on and implemented targeted interventions.

As mentioned in our previous results, these initiatives included focused recovery strategies, new customer acquisition guidelines, strengthened underwriting practices and enhanced processes. These efforts have started yielding positive results as we've seen visible improvements in key performance indicators, reinforcing our commitment to maintaining a healthy and resilient portfolio.

There have been ongoing discussions around employee attrition in our sector. To address this, we have proactively implemented multiple employee welfare initiatives aimed at enhancing engagement, retention and overall workplace satisfaction. We remain committed to creating a supportive and rewarding environment for our employees, ensuring that we attract and retain top talent. Additionally, we strongly believe in recognizing and nurturing internal talent by providing them with the opportunity and positions they deserve.

On the borrowing front, in 9 months FY '25, the company raised INR6,216 crores at the group level from various lenders, maintaining healthy liquidity. Further, the company's financial position on standalone basis remains strong with CRAR of 27.4% as of 31 December 2024. The company has adequate liquidity of approximately INR1,581 crores, coupled with transaction of INR1,435 crores as on date.

As we move forward, our guidance remains unchanged from the previous quarter, and I'm pleased to share that as of 9 months FY '25, we have delivered consistent results in line with the guidance. We have achieved an AUM growth of 10% Y-o-Y against our guided range of 8% to 10%, which reflects robust performance and effective execution of our growth strategy. Additionally, our credit cost stands at 5% annualized, well within the guided range, underscoring our disciplined risk management, operational efficiency.

Now let me run you through the financial and operational highlights of our company. Starting with consolidated highlights. We have a customer base of 33.9 lakh customers as on 31 December 2024 with presence spanning in 1,535 branches across 483 districts in 29 states and

UTs of India. Our top four states contribute to 56% of AUM as at Q3 FY '25, and the states are UP, Bihar, Assam and West Bengal.

Now coming to standalone highlights. Our average ticket size of MFI lending for the 9 months FY '25 stood at INR53,000. We have a well-diversified customer base of approximately 33.2 lakh clients with 76% rural exposure. PAN India presence with 1,421 branches. PAT of 9 months FY '25 stood at INR175.5 crores, ROA of 2.2% and ROE of 8.5%. The shareholders' equity stood at INR2,830 crores as on 31 December 2024.

GNPA as on December '24 stood at 3.9%. The overall provision coverage ratio increased to 99% versus 83% in December '23. Total borrowings stood at INR7,829 crores as on December 31, 2024. Debt-to-equity ratio as on December 31, 2024, stood at 2.8x. As on 31 December 2024, 96.9% of our districts have less than 1% of our AUM.

An update on subsidiaries. As a one-stop diversified financial services provider for rural India, our subsidiaries work collectively to expand financial access, leveraging our strong microfinance outreach, we provide affordable housing and retail MSME loans to clients who have completed two or more loan cycles with us and require higher credit scores.

Satin Housing Finance Limited has now reached an AUM of INR872 crores, which grew by 44% year-on-year, having presence across 19 states with 8,464 customers. SHFL has a 100% retail book, GNPA of 1.7% as on December '24. The company has 31 active lenders, including NHB refinance, CRAR of 59.61% and gearing of 1.9x. PAT of 9 months stood at INR2 crores. Credit rating of A- stable from ICRA & Infomerics.

Satin Finserv, the company's MSME lending arm has reached an AUM of INR479 crores. We are running down the business correspondent book and focusing on building retail MSME book going forward. MSME on-book portfolio grew by 50%, CRAR of 42.2% and gearing of 1.8X, 18 active lenders, including banks, impact funds, etc. Credit rating of A- stable from ICRA.

As we approach the end of our discussion and before we move into the Q&A, I would like to take a moment to express my appreciation for our strong and dedicated management team. Their expertise, strategic vision and a strong commitment have played a critical role in navigating challenges, strengthening our foundation and driving our performance.

With a team of seasoned professionals from diverse backgrounds, we have created a leadership framework that is aligned with our mission of driving sustainable growth and financial inclusion. This is a team that has grown with the company, evolving alongside the business and demonstrating resilience in an ever-changing landscape. Their collective experience and ability to execute with discipline and foresight have been instrumental in maintaining our strong market position.

In closing, as we forge ahead on our journey of growth and innovation, we are confident in our ability to achieve higher growth while maintaining financial discipline and operational excellence. With a clear strategy, strong fundamentals and an unwavering commitment to financial inclusion, we remain well positioned to navigate challenges and unlock new opportunities.

Thank you all for your valuable time. We look forward to answering all your questions during the Q&A session. Thank you.

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

Moderator: We have our next question from line of Anant Mundra from Mytemple Capital.

Anant Mundra: Firstly, sir, congratulations on a great set of results in such challenging times. You've shown excellent performance in our X-bucket collection efficiency and it's quite commendable. Sir, I just wanted to understand. So, my first question was around when do you expect the credit cost to normalize because for us, as I see currently, our SMA zero bucket has considerably reduced quarter on quarter because our X-bucket collection efficiency is good. But the stage two assets have kind of bloated and that could be an irritant for us going forward. So, when do you expect the lag of that to completely be over?

HP Singh: See, my own guess is I think if I give you brass tacks baseline numbers till October, I think we were still having PAR flows coming in. But since November, as indicated in my speech earlier, we've arrested the flow. I think it is not there. So, my sense is that whatever happened during October, give it 90 days for it to reach its peak basically. So, I think at the end of this quarter will be maybe probably the last of our quarters to have a little challenge.

But beyond that, since November, December, January, I think these 90 days have been pretty good. I think it would probably be much better from my sense is April onwards in any which case. It is just probably the October month which is probably just a slight irritant which is there for us. The rest of everything is much below our earlier estimated PAR flows which were there.

Anant Mundra: Okay. So, there could be some flow or that September, October bucket into Q1 of next year. So maybe Q2 is something where we can expect absolute normalization in credit course?

HP Singh: Absolutely. 100%. And that's why I said October, 90 days from there, 31st of October, it comes into January. That's the only irritant we've got. But if you look at our numbers from November, December, January, I think the next 90 days probably this thing. And we hope looking at how we are looking at containing the PAR flows and the way we've been able to address the challenges, I think for us, February, March also bodes very well.

So I think we are probably on the way where we have arrested, our PAR 1 which came out from 6.8% to 6.4%. I think that is probably one of the biggest signs which we are probably demonstrating in our portfolio.

Anant Mundra: Do we expect any further challenges arising from Guardrails 2.0 which will be implemented from April? Like could there be a fresh round of PAR accretion because of that?

HP Singh: So our rejection rates, which are currently at about 60%-odd will increase by another 8% to 10%. So, I think we will have probably more difficulty in navigating our growth, but we will certainly be able to do that because we've already worked on Guardrail 1, our rejection were 60%. I think they will increase to about 70%-odd once we implement Guardrail 2.

But our technology and our software and everything is ready. The moment it is implemented, we'll be the first one to implement that and move forward. But no accretion on the credit quality because of that. And in fact, it's going to be better and healthier for us.

Anant Mundra: So sir, if I see one data point, so our Satin plus 3 customers has actually gone up from -- portfolio from 4.2% to 4.5% quarter-on-quarter. So, it appears that we are giving out loans to the Satin plus 3 customers, which we will not be able to going forward from April. So, do you expect like -- do you feel like there could be some stress because of that because those customers will no longer be eligible?

Aditi Singh: We have said that the rejections will increase by 8% to 10%. We were lending to them because it was allowed. So, whether it was 4.2% or 4.5%, it was well within the allowed limits.

HP Singh: That's what I said. We will have an increase of about 8% to 10%.

Anant Mundra: So, I would also assume that because the collection efficiency has been good, can we expect disbursements to increase quarter-on-quarter from Q4 significantly as compared to Q3 because Q2 to Q3 has been kind of flattish?

HP Singh: No. We will be very cautious. I'll be very honest with you. I think for us, right now, our whole focus is completely on PAR quality. Profitability for us, growth is not something which we are really looking at. We have enough time on our hands to look at growth. But I think first, we want to set all this right. We've got 2 states which are still demonstrating a stress.

We want to work on those and have all the states practically out of the stress. Orissa and Jharkhand, we are working very, very hard on that. And let's see if we are able to get some more positive results on that, then overall, I think our asset quality will probably be the best.

Anant Mundra: Got it. So, for Q4, we can assume the same sort of disbursement number that was there for Q3?

HP Singh: Yes. Kind of that.

Anant Mundra: And the collection efficiency trend so far in Q4 from Jan till Feb 10th has been in that 99.8%, for the X-bucket?

HP Singh: Yes, it has been.

Anant Mundra: Positive trend is continuing?

HP Singh: Yes. It is.

Anant Mundra: And sir, this management overlay of INR16 crores that we have, that's lying in -- is it in the Stage 2 bucket or is it in Stage 1? Where does it lie?

Jugal Kataria: So this is on 1 to 90, we have created that overlay.

Moderator: The next question is from the line of Pranav Gupta from Aionios Alpha Investment Managers.

Pranav Gupta: Congratulations on a good set of numbers. Sir, just a couple of questions. The first being that if I look at Satin plus 3 or Satin plus 4 customers, that number has been fairly under check, especially over the last couple of quarters. When we sort of compare this with the industry, industry numbers are significantly higher.

Could you -- and I mean, I would assume that a large part of the curtailed stress in our book versus peers has been mainly because of this number being lower. Could you talk about some of the measures that have led to this number?

Because a lot of other players when we speak to them, mentioned that maybe they were the second or the third lender, and lender plus 3 or lender plus 4 is being caused because of a couple of other players who lend later. So how do we protect ourselves against that? And what has led to this good performance on this over-leveraged customer base?

HP Singh: See, Pranav, it's not only just one factor which defines your asset quality. It is a combination of a lot of factors. This is one of the key factors, definitely, yes. But I have nothing in hand to probably look at it that what happens after I've disbursed. But for us, it is not only we are looking at the 3 lender base or 2 lender base.

We have credit scores which work full-time for us. We maintain a policy of doing one loan per customer. We never have looked at overleveraging our customer at any which point. We have worked on NTC, new to credit clients in about 800 of our branches which was not implemented. Now we started with 200-odd branches, went up to 500, has gone up to 800. New to Satin clients also in about 300-odd branches, we stopped that. So, it's not just limited to only one guardrail, which is there, which people are talking about it. There's more to it. We've taken several initiatives in terms of looking at employee benefit schemes. In fact, if I share a data point with you, for us, our regional managers technically out of about 104, about 85% of them have a vintage of more than 5 years. So, I think it's a combination of everything which works together. So, we've actually looked at complete ecosystem rather than just looking at one aspect of doing credit discipline. So, this is how we've worked. This is how Satin works basically.

So, this is where it is. We've never given loan to any delinquent customers ever. Now that is also one of the key factors which is there. So, I think the combination of all this actually entails where we can talk. I think with a lot of stress that, yes, our credit cost is 5%, which is practically one of the best in the industry, and it will probably remain at that. So, it's not just that. I think there's a lot of other things which have gone into this.

Pranav Gupta: Fair enough. The second question was on your top 2 states. You mentioned in your opening commentary and it's visible in the numbers as well that we are much better than the industry in terms of the stress that we have seen in those states.

How should we look at this going forward in the sense that do we believe that once the industry starts seeing growth and maybe we are more comfortable in terms of increasing disbursements, these couple of states or maybe some of the ones that are recovering pretty well can drive growth going forward given that maybe industry is a couple of quarters sort of behind us in terms of either recognition or in terms of the stress pool that we see. How should one think of those couple of states?

Aditi Singh: So, you are essentially saying the states where we are doing well, when things settle, we may push the accelerator for growth. Do I hear you correct, Pranav?

Pranav Gupta: Yes. So, the question is twofold, right? Obviously, one part is what you said that those 2 states, I mean, UP and Bihar are huge markets where opportunity under penetration is still relatively higher. And the industry out there is and industry numbers suggest that most players are sort of worse than where we are. So, once we are comfortable in terms of the stress pool that we have there, should we think we will start growing faster or before the rest of the industry given that we are sort of behind in terms of recognition?

HP Singh: So, Pranav, we've got our own guardrails on various states and everything to probably look at. Again, as I said, it's a combination of a lot of factors. How is the team in a particular state performing? What is the vintage of my supervisors over there? Where all geographies we think that we can be able to still have an increased depth in terms of expansion, in terms of our geography.

So, I think for us, as I said, FY '26 is again very cautious. We want to completely put in place everything we've got in our armory in our bucket to probably look at asset quality. That's our foremost thought process. But wherever if we need to accelerate at some point of time, definitely, we will do that. And we have all the necessary resources for us also to do that also.

But I think right now, for us, it is that are we able to maintain the credit cost at the level where we are? Or are we able to bring it down from wherever we are. I think for us, our endeavour is to bring down our credit cost from what levels we are. And that's our main focus right now.

Growth will come. Growth is not a problem. Growth is not something which we are more worried about. It will come at any point of time when we want to do it. But right now, I think the focus is asset quality and the team which is working on the ground.

Pranav Gupta: Right. Sir, just one last question. Industry overall has seen a lot of attrition issues, especially in the field officer category. What has our attrition been like in the last, say, 12, 18 months? And could you give that number out?

HP Singh: It's been stable, but if I give you my -- we've got one data point which we look at it. My loan officers, which have a vintage of 1.5 years plus is close to about 40%. So, I think that is something which probably gives us that confidence that even on the loan officer on the ground, we still have a 40% vintage of our loan officers still there with us for the last 1.5 years plus.

Moderator: We have our next question from the line of Amit Mehendale from RoboCapital.

Amit Mehendale: My first question is just a follow-up on the last comment on credit cost. I think this year, the guidance was around 5%. So, can we expect next year FY '26 to be around 3.5%, 4% type of credit guidance?

HP Singh: Your guess is as good as mine. We are working towards that only. That's what I said. For me, for all of us sitting down in this room and in the entire field, this is what our go-to figure is. We want to bring it down below 3%. That's what our challenge is, and that's what we want to do.

Amit Mehendale: Sure, sir. And assuming that looking at how PAR 1 has turned out for this quarter and even if I extrapolate that further for 2, 3 quarters, typically, in 6 to 9 months, typically, I think if things settle down, then we could start looking at growing the book again. Is that a fair window of time?

HP Singh: That's a fair this thing. That's what I said first. Right now, I think thinking about growth is not what is foremost in our mind. Our first foremost thing is, as what you rightly said, for us, we want to beat those 3% credit cost numbers, and we want to beat that. And then for us, growth will never be a challenge. Growth is something which we can probably be able to do.

Amit Mehendale: Right, sir. And just one last thing. How do you see the non-microfinance book growing? I mean, I don't need -- I'm not looking for any numbers, but like, say, 2, 3 years out, what is the big picture thing? Do we want to scale that book aggressively the non-MFI book? Or how do we see the composition between MFI and non-MFI book?

HP Singh: See, our idea for the non-MFI book, both are secured lending portfolios. And our whole thought process is that we want to calibrate it and also have an increasing trend across over there. The base is small. So doing a 40%, 50% year-on-year growth is not a challenge over there, and we want to do that.

But since the overall ecosystem is somewhat very shaky right now, I think the stress is -- I think a lot of people are saying is moving from the unsecured to the secured business. So also, we want to be very cautious over there. And that's why we are treading a very straight line also across over there.

We're not getting too much into the depth of just looking at pure growth. We're also streamlining our processes and systems in both these companies to look forward so that we are not caught mapping at any point of time over there also.

Moderator: We have our next question from the line of Yash Dedhia from Maximal Capital.

Yash Dedhia: Sir, firstly, your PAR 1 number, which is 6.4% as on December, how has this number trended in January and February till date?

HP Singh: I gave you that we'll remain within our credit cost guidance, probably do not have actual numbers as such, but it will remain within this threshold only.

Aditi Singh: But we have given you like sir said in the beginning of his speech, that the flow has reduced to one-fourth of what it was, and it is holding on. So that should answer your question.

Yash Dedhia: Okay. And what is your Stage 2 and Stage 3 provisioning as of now? Stage 3, we know, but Stage 1 and Stage 2 provisioning?

Jugal Kataria: Stage 1 is about 0.3% or so. Stage 2, our LGD is about 63%, and we multiply the PD to get that number. So, there are different PDs for 31 to 60 and 61 to 90. But LGD is 62.3% or so in both the categories.

Yash Dedhia: So, what is the overall, sir, cover on the Stage 2, if you can tell me the absolute number and what is the provisioning that we carry as of now?

Jugal Kataria: Stage 1, the overall provisioning is about INR33 crores and Stage 2 is about INR71 crores.

Yash Dedhia: INR71 crores. And what is the Stage 2 number as of now? 5.7% is it?

Aditi Singh: PAR 30 is 5.7% and PAR 60 is 4.9%.

Yash Dedhia: Okay. Understood, sir. And one question related to the industry. So, you mentioned a comment that in Karnataka, you have stopped the fresh disbursements. But given the new sort of draft guidelines, proposed guidelines, so how do you see this impacting the industry and your own presence in Karnataka?

HP Singh: See, we've got a very small portfolio. And as per the draft ordinance, which we have seen, I think it makes RBI registered entities out of the purview of the ordinance. So, I don't think so that there will be any major effect coming in. But we still want to take a very cautious stand. That's the reason why we, till the time the dust doesn't settle down and other things are not very clear, we stopped our disbursements over there.

Yash Dedhia: Okay. And finally, on your disbursement growth, so now that you have achieved 99.8% X-bucket collection efficiency, which is as good as normal times. Why shouldn't we increase our disbursements to a large extent in Q4 over Q3? What is the rationale behind keeping it at the same level as quarter 3?

HP Singh: We want to run it the way we've run it always. So, I think for us, it's always tread with caution. We've always done that. And right now, also, we feel, I think, early days as yet, but we just want to tread with caution. And as I said earlier, growth can come at any point of time. Okay, it's easy to give money. It's very difficult to recover. So, let's do the difficult part first.

Moderator: We have our next question from the line of Shreyas Pimple from JM Financial.

Shreyas Pimple: My question was on net interest margins specifically. We have seen both on standalone as well as consolidated level, net interest margins improved majorly because of increasing yields and lower cost of funds. Can you elaborate on what is driving this change?

Jugal Kataria: So one that our cost of fund is broadly under control. We have got some good sanctions in spite of whatever is happening in the industry. PAR 1 numbers are improving. So to that extent, yield loss on portfolio is relatively less quarter-by-quarter. A combination of all that, we are managing our treasury better by keeping optimum liquidity, etc. A combination of all these factors, so to say, is reflecting in the NIM.

Shreyas Pimple: Understood. And sir, the operating expenses have risen majorly because we have strengthened our collection team. When do you see the operating expenses coming under control? Would this be the trend that operating expenses would be around 6.8%, 6.9% of the consolidated AUM. How do you see that going ahead in FY '26, '27? If you can elaborate on that, please?

HP Singh: I think it will take maybe another 2 quarters or so. So we feel that some additional expense on the additional manpower is required to keep the portfolio quality under check. So we'll do that for next 1 or 2 quarters and then take a call when to, sort of say, bring it back to the normal levels. I think we'll keep an eye on for next 1 or 2 quarters and then try to bring it down.

Shreyas Pimple: And on the last part, the 2 states that we have seen the largest stress in Odisha and Jharkhand, can you elaborate a little bit what is causing the problems in these states? And what are the actions that we have taken? How do you see the normalization coming in, in those states? If you can elaborate on that, please?

HP Singh: There's nothing much to elaborate. This is probably the sector headwind, which is happening across every state. We've just picked out 2 states where we have a slight stress, which is there. We are working on our management team across over there. We've made some changes across over there.

We feel that as we bounced back in Punjab, Rajasthan and Maharashtra. I think we know where to work on it and where to look at it. And in fact, we'll work around it. I cannot give you very specific instances of what to do.

Aditi Singh: I think we have given some of the measures in the slides. So of course, while they only look like worse, once you implement that rather seriously and religiously, they do yield results.

Moderator: We have our next question from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: First question is, what was the write-offs for the quarter?

Aditi Singh: INR169 crores.

Ashlesh Sonje: Secondly, you have given an X-bucket collection efficiency of 99.8% this quarter. Can you share the number for the previous quarter? And what is it typically during normal times?

Aditi Singh: So I don't have it handy. We can take it offline, please.

Ashlesh Sonje: Lastly, how do you define X-bucket collection efficiency? What goes into the numerator and what is in the denominator? If you can share that, please?

Aditi Singh: So we take the current loans and their collection against their demand.

Ashlesh Sonje: And do you include the arrear collections, if at all, in the numerator?

Aditi Singh: It does not have arrears, otherwise, it will be 100 plus.

Ashlesh Sonje: So this number technically cannot be beyond 100.

Moderator: We have our next question from the line of Amit Mehendale from RoboCapital.

Amit Mehendale: Sir, my question is more on the sector. We have been following the sector for now many years and seeing 3, 4 cycles. Typically, what are the lead indicators that you think one can track when the credit quality -- apart from PAR, what can an analyst or management typically track to see that the collection efficiency is going down or the stress is building up?

HP Singh: About the sector, I think you analysts probably know it much better than me. To look at what do you have to really look at. It's all same across collection efficiencies, GNPAs, write-offs, credit cost. I think you covered it all, the analyst…

Aditi Singh: There is anomaly in disbursement…

HP Singh: I think you have all the points which are there. And that's why I said maybe in my speech, and I think you have to do your basics, right? I think basics, the moment you do your basics right, I think lending business is all about the process and systems being followed to the hilt. I think that is probably the one line answer which I can give.

But yes, I think you can track it across collection efficiencies, your credit costs and your PAR DPD buckets and everything. And you have everything. The data is there for you to track it where it's going wrong, where it's not going wrong, where it's probably working right. I think that's where it is.

Amit Mehendale: I think I was asking from the -- in the back. Typically, in Q1, right, around June and July, I think most of the companies typically said that this is one-off due to elections and so on, and it didn't turn out to be so. So, I was just asking in that context. I mean, I got the answer here.

HP Singh: So, these factors do count in. Heat wave was pretty bad. Same was the floods, which were there. Practically, you won't believe it, but flood this time was like practically in every state, every state. Like you talk of Rajasthan also, there were floods also in Rajasthan. So, you have to actually -- and it's a door-to-door collection business.

It's a physical business which where you take collection. It's not easier where you can do a check collection or where it actually you need to hold center meetings, you need to be there. The borrower has to come in. So, I think it really weighs on everybody's logistics mind to probably look at it.

So, I think that is also one of the key factors which have probably been a part of where we all have suffered because of that. And it's been a continuous journey of climate change, which is happening across. I think you know it or not, but about 10 days during December was very severe cold wave, all across Northern India, obviously. It does affect your collection efficiency to a certain extent.

Moderator: We have another question from the line of Mona Khetan from Dolat Capital.

Mona Khetan: A few questions from my side. Firstly, you said that on growth, you'll be pretty cautious. So just trying to understand that once things normalize, what sort of run rate on growth could we expect from Satin?

HP Singh: See, 10% to 15% is what we look at it that from now onwards, whenever we are looking at growth, I think it would be in the range of 10% to 15%. Because, again, since we've seen 6, 7 years of crisis growing maybe because of external factors, internal factors, whatever, I think the model throws up.

My sense is that 10% to 15% is what we're looking at for SCNL, but for the subsidiaries, definitely, they are on a different trajectory of a lower base. I think they will probably grow at a faster pace rather than. But microfinance definitely is 10% to 15% is what we're looking at.

Mona Khetan: And just trying to understand at the branch level, what sort of center meeting attendance are we seeing currently? And is there any change that we are anticipating in that? Or what will be a more normalized number on the center meeting attendance as we go ahead in your case?

HP Singh: See, last one year, it has been in the range of 60% to 70%. My sense is it is bound to be in that range only. There's not going to be anything which probably will talk about it that it goes upward from there. But it won't deteriorate also, I think, because the basic fundamental JLG mechanism works on center meeting.

But it's 60% to 70% is what you can take a fair estimate. Certain states will have higher. Like Assam for us has about 90%-95% attendance rates. But as compared to maybe an Odisha, there we have about close to about 50%-odd or 55%. Varies according to state to state, basically, that is where the difference lies. But my sense is overall average about 60%, 70% is going to be what the attendance rates are going to be.

Mona Khetan: And was this number in the similar range maybe 5, 7 years back as well? Or was it fairly different than.

HP Singh: 5, 7 years, it used to be 85% to 90%.

Mona Khetan: But this is the more normalized range given the changes we have seen in terms of digitization and everything?

HP Singh: I think we all will have to live with the 60% to 70%. The range would be there between 55% to 70% is that the range we will all have to live in.

Mona Khetan: And just finally, if I have to understand of your FY '25 opening book, how much has slipped to the 90-plus bucket in the last 9 months? What would that sort of number be on the gross slippage for 9 months?

HP Singh: FY '25, 9 months. Yes. INR389 crores.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I now hand the conference over to Ms. Aditi Singh for closing comments. Over to you, ma'am.

Aditi Singh: Thank you, everyone, for taking out time coming on our call, and also on a lighter note, encouraging us to grow faster. We hear you all. But we will maintain that our focus is very much there on the asset quality and looking at our strengthened processes. We have tried to communicate that the worst is definitely behind, and we are very much in control in the asset quality and the fresh PAR flows as established in the presentation and the data set shared by the CMD also in the beginning of the call.

We have tried to take all your questions and try to answer them to a satisfaction. However, should you still want to discuss something, you can reach out to me. My name is Aditi Singh or to my teammate, Ms. Shweta Bansal from the Investor Relations team, and we'll be more than happy to discuss with you anything you want to clarify. Thank you so much, and have a great evening, everyone.

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