Satin Creditcare Net

Operator: Ladies and gentlemen, good day and welcome to Satin Creditcare Network Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pratik Matkar from JM Financial. Thank you, and over to you, sir.

Pratik Matkar – JM Financial: Thank you. Good morning, everyone, and welcome to Satin Creditcare Network Ltd. Q2 FY27 earnings conference call. First of all, I would like to thank the management of Satin Creditcare Network Ltd. for giving us the opportunity to host this call. From the management team, we have Dr. H P Singh, Chairman cum Managing Director, and the senior management team. I would now like to hand over the call to Dr. H P Singh for his opening remarks, after which we can open the floor for Q&A. Thank you, and over to you, sir.

Dr. H P Singh – Chairman cum Managing Director: Thank you. Good morning, everyone, and thank you for joining us for Satin Creditcare Network Ltd.'s H1 FY27 earnings call.

When we spoke in May, we said that FY26 had tested the sector and separated the institutions that were structurally sound from those that were not. In July, we said that the test was behind us and that the question that matters now is who is positioned to grow in a way that holds up when the next cycle turns. Q2 is further proof that we were—we are not just emerging stronger from the last cycle, but building the resilience to grow sustainably through the next.

H1 FY27 marks a defining milestone for Satin, with a standalone PAT of 192 crores, the highest ever, closing in on our FY26 full-year standalone profit of 264 crores in just six months, alongside our 21st consecutive profitable quarter. On a consolidated basis, H1 PAT stood at 201 crores against 58 crores in the first half of last year. This performance reflects the philosophy that guides us: dream big, deliver bigger.

The first half of FY27 reflects the progress we have made in strengthening our underlying business and positioning Satin to capitalize on the evolving microfinance landscape. Following a challenging period for the sector, improved borrower indebtedness, industry guardrails, and greater credit discipline have contributed to a more conducive operating environment. However, we remain conscious that the sustainability of this recovery will depend on prudent underwriting, responsible customer selection, and consistent collection performance. At Satin, we have remained focused on these fundamentals while pursuing our growth opportunities.

We want to address two important points that were discussed in earlier quarters. The first is the monsoon. We had earlier indicated that the revised outlook warranted caution on rural cash flows over the subsequent 2 to 3 months. That period has now passed, and the recovery has been very encouraging. Assam, where 4 districts were severely impacted by floods, has almost fully recovered, with no discernible impact on our credit cost. 42,394 borrowers were granted a moratorium, and nearly 90% have resumed repayments during the moratorium period itself, reflecting the gradual restoration of livelihoods. This is also a very positive indicator of our robust underwriting, thus resulting in negligible impact on credit cost. As a genuine customer-centric

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gesture, we have decided to pass on the entire insurance payout that will be received under our NatCat insurance program to the affected customers. Importantly, we did not need to utilize any portion of the management overlay for this event, reflecting the resilience of our portfolio and the effectiveness of our risk management framework.

The second point is geographical diversification. We want to address concerns around Karnataka and Maharashtra, which have both been viewed as stressed states this year owing to drought conditions. Our exposure is negligible. Karnataka and Maharashtra account for 1% each of our on-book portfolio. This leaves us well protected from stress in these markets and allays concerns about the possibility of asset quality being impacted. Also, as of now, we have not witnessed any stress in repayment in these states.

Consolidated AUM reached 10,089 crores, growing 31% year-on-year. Standalone AUM stood at 8,688 crores, up 23% year-on-year. Consolidated disbursements for the quarter stood at 2,097 crores, up 41% year-on-year, taking first-half disbursements to 4,192 crores, up 48% year-on-year.

Consolidated profit after tax for the quarter was 107 crores, up 231% year-on-year and 43% sequentially. Standalone profit after tax was 102 crores, up 231%. Consolidated PPOP grew 53% to 194 crores in the quarter and 43% to 359 crores for the half year. Consolidated ROA for the quarter stood at 4.5% and ROE at 22.8%, and after adjusting the buffer, adjusted ROA was 5.5% and ROE was 27.7%, respectively. I shall discuss this in detail in a while.

Our operating expense ratio was 6.6% against 7.2% a year ago. Cost-to-income improved to 41.6% from 49.8%. Standalone return on assets for the quarter was 4.9% and return on equity was 20.6%. For the half year, reported ROA stood at 4.3% and ROE at 17.8%. ROA after adjusting the management overlay stood at 6% and ROE at 25% for the quarter.

On asset quality, we delivered a very strong quarter. What is remarkable is the phenomenal reduction in slippages. Slippages in H1 FY26 were 317 crores, and they have drastically reduced to 103 crores during H1 FY27. There is a decline of 68% year-on-year, that is, about one-third. Standalone GNPA improved to 1.9% from 2.2% in June and 3.5% a year ago, which in absolute terms is 167 crores. PAR 1 plus stands at 2.9%. Ex-bucket collection efficiency was 99.8%. Coverage has strengthened sharply across every bucket. Stage 3 coverage is now 91% against 85% in June. Stage 2 coverage has gone up from 21% in June to 62%. Our on-book provision stands at 263 crores against gross NPA of 167 crores and against a provision requirement under RBI norms of 152 crores. In other words, our provision exceeds our gross non-performing assets, and net NPA on this basis is negative. Our overall provision coverage ratio is 153%, up from 115% in June. We also recovered 16 crores against write-offs during the first half of this financial year.

On credit cost, our reported figure for Q2 FY27 was 2.47% against 4.83% a year ago. For the half year, it stands at 2.77% and, excluding the overlay, 2%. Both are below the 3% to 3.5% range we guided for FY27, and we feel confident about maintaining this momentum.

Now, the part that matters the most. In July, we told you that we intended to keep building our buffer through the good quarters. We have taken the management overlay from 36 crores to 50 crores this quarter. Excluding that overlay, our credit cost for the quarter would have been 0.99%, and our standalone ROA and ROE would have been 6% and 25%, rather than the 4.9% and 20.6% we

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have reported. Our consolidated ROA and ROE for the quarter would have been 5.5% and 27.7%, and not the reported 4.5% and 22.8%. We have therefore absorbed roughly 100-plus basis points of ROA into the balance sheet, and we had every opportunity to declare more stellar profits. We said in July that we would keep doing this, and we have done it. We will continue to disclose both the reported and the adjusted numbers every quarter so that you can see exactly what we are choosing and appreciate our prudence. We are aiming to build a cycle-proof return profile, and a buffer built when credit experience is benign is the means to achieve the same.

There are two operating developments this quarter. First, we have adopted the Gramin score for credit evaluation of our microfinance customers, alongside pin-code-level risk scoring with early warning indicators. This gives us—gives us a bureau-validated, rural-calibrated view of borrower quality at the point of underwriting, layered on top of our own internal policies. Our sourcing-to-disbursement ratio stands at 34%. Secondly, cashless collections have reached 25% of total collections, and we want to be precise about how. This has happened organically through customer adoption rather than through any mandate or incentive from us. Disbursements remain 100% cashless.

The non-MFI portfolio now stands at 20% of consolidated AUM against 15% a year ago, and we are on track to achieve the target of 30% by 2030. Satin Finserv continues to be the standout, with AUM of 1,761 crores, up 184% year-on-year and 29% sequentially, now across 140 branches in 16 states, with 19 branches added during the quarter. GNPA improved to 3.07% from 3.49% in June, with CRAR at 26.94% and net worth of 461 crores. Disbursements for the half year were 967 crores.

Satin Housing Finance stands at 1,219 crores, up 19% year-on-year, with CRAR at 57.67% and gearing at 1.70x, across 59 branches in 22 states, and net worth of 370 crores. We have slowed origination in housing for 2 quarters while we rebuilt the sourcing and underwriting process end-to-end, and we have grown the field team from 370 to 512 during the quarter in preparation.

Satin Technologies continues to commercialize through the quarter, with its core banking platform progressing through customer UAT, and {? Cartrita Labs ?}, in which we hold a 68% stake, advancing its quantum-safe cybersecurity offerings towards certification. The HRMS platform remains live in production with an expanding customer base. Satin Growth Alternatives has achieved the first close of its Category II AIF in a record time of 4.5 months after getting the license, with institutional and high-net-worth LPs being onboarded against a strong deal pipeline, and the first deployment has already been done.

The benefits of diversification are becoming clearer. Our subsidiaries are still scaling, with each carrying a fixed-cost base before reaching optimal portfolio size. SFL has nearly tripled in a year and is approaching the scale at which operating leverage will become visible. Our current consolidated returns therefore reflect the investment phase, not the steady state.

Capital adequacy strengthened to 27.89% from 26.74% in June and 26.5% a year ago. Net worth stands at 2,437 crores, up from 2,243 crores in June. Total on-book borrowings were 6,033 crores, with a leverage ratio of 2.9x, down from 3.2x. We raised approximately 2,630 crores during the quarter and 5,630 crores across the first half, and we hold undrawn sanctions of roughly 4,600 crores, with liquidity of 2,235 crores as of September 30. Our marginal cost of borrowing reduced by 65 basis points year-on-year to 10.28%. We also continue to be supported by a broad lender

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base of 69 active lenders, with our 10 largest lenders accounting for 55% of borrowings. The promoters have committed 100 crores through warrants, and the first tranche of 25 crores has already been received by the company. This investment was made at 260 rupees per share, which was 17% above the SEBI pricing formula of 222 per share.

On guidance, let me set out where we stand against the FY27 guidance we gave you. On standalone credit cost, we guided 3% to 3.5%; we are at 2.8% for the half year, and that is after adding to our overlay rather than releasing it. We are ahead. On standalone return on assets, we guided 3.5% to 4%; we are at 4.3% for the half year on a reported basis, which is above the top of the range, even after absorbing the 50-crore buffer. We are ahead. On consolidated AUM growth, we guided 20% to 25% for the full year. We have grown 9% in the first half, which annualizes to roughly 19%. We are approaching the range rather than inside it, and we want to be straightforward about that. The second half is seasonally our stronger period for disbursement, and on the basis of our current pipeline, we expect to land within the guided range for the full year. Our long-term target of 32,000 crores of consolidated AUM by 2030 is unchanged, with 30% from non-microfinance business. We have now achieved 50% of that target.

We serve 34.1 lakh clients across 2,075 branches, 27 states and 5 union territories, 608 districts, 4.1 lakh centers, and 1.14 lakh villages, through 18,978 employees. We added 1.9 lakh new clients during the quarter, taking the first half to 4.2 lakh new client additions. This stellar performance is delivered by a stable leadership team with over 10 years of average vintage, and our field leadership of 200 personnel at regional manager, zonal manager, circle head, and business head levels, with nil attrition. As always, our priorities remain unchanged. We will [cut off]

Management: Continue to focus on profitable growth rather than growth at any cost, further strengthen portfolio quality, expand our diversified lending businesses, improve operating efficiency, and deliver sustainable long-term returns to our shareholders. Thank you, and I will now hand back to the moderator to open the floor for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Deepak Poddar from Sapphire Capital. Please proceed.

Deepak Poddar – Sapphire Capital: Am I audible, sir?

Operator: Yes, sir.

Management: Yes, sir, you are.

Deepak Poddar – Sapphire Capital: Okay. Thank you very much, sir, for this opportunity, and many congratulations on a good set of numbers. Sir, I just wanted to understand, in terms of geography, whether there is any micro-market where we are facing an issue. You alluded to some of these points in your opening remarks, and I just wanted to discuss them in more detail. Are we facing any

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issues in any of the states?

Management: Deepak, I highlighted the states with drought conditions. As I told you in my remarks, these are states with a very negligible portfolio. Along with that, we are not facing any stress in repayment up till now. So, I think there is currently no micro-state, major state, or any other area where we see stress. Regarding the Assam floods, we have already indicated to you that we are very positive about the situation. During the repayment period, 90% of repayments have already started, which is a very, very encouraging sign. So, I think it is progressing well, in spite of the fact that there are a couple of difficulties due to drought as well as the monsoon. There is absolutely no reason to fear any kind of stress in any state.

Deepak Poddar – Sapphire Capital: Understood. You also mentioned that we are not facing any issue in repayments in Karnataka and Maharashtra, right?

Management: Yes, there is no stress in repayment right now.

Deepak Poddar – Sapphire Capital: Okay. Across the states, I see that our ex-bucket collection efficiency has been above 99.5%, including Assam, right?

Management: Yes, it is so across all regions.

Deepak Poddar – Sapphire Capital: Understood. On the management overlay, our PCR is already at 133%, and we hardly have any net NPA. We have provided an additional 14 crores this quarter, so that is how it has increased from 36 crores to 50 crores. What is our policy going ahead? Given that our PCR is already at 133%, will we continue to provide some management overlay, or are we done with it?

Management: Right now, we still want to create a buffer that is significant enough to insulate ourselves from any kind of crisis or problem that occurs in microfinance. The narrative we keep hearing from many people is that it is a very cyclical business, with different events occurring over time. That is the reason why, as a management team, we took a very prudent decision to have a buffer during the favorable period. That is the whole thought process: we will start creating buffers for ourselves. We have probably reached the midway point. Our internal target was that we would probably close at about 100-odd crores. However, it will ultimately depend on whether we feel that we need to make more provisions. Our initial thought is that we would like to create a 100-crore buffer for ourselves to insulate us against any future events that might occur.

Deepak Poddar – Sapphire Capital: Understood. On the guidance front, we are already ahead. You are saying that this 9% is annualized to 19% year-to-date, right? But on a year-on-year basis, our AUM has still grown by about 31%, correct?

Management: Yes. What happens is that the last 2 quarters are always the best quarters for us. So, if we have been able to do 19% in the first half, we will probably be able to achieve better growth. The guidance remains the same. Our endeavor is to hit the upper bracket of that guidance of 20% to 25%, and we are well positioned to do that.

Deepak Poddar – Sapphire Capital: The reason I ask is that, as of the first half, our AUM growth is 31%, so we are also well ahead of the 20% to 25% bracket we are discussing. Is there any thought

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process to revise upward any guidance in terms of AUM or ROA?

Management: Deepak, just one thing. The 31% already considers the strong Q3 and Q4 we had last financial year. If you look only at the sequential performance in this year, it is 9%, which annualizes to 19%. If we say 25%, give or take, and it goes to 30%, I do not think we need to revise it again, but we will surely be at the upper band of 20% to 25%, which is 25% plus.

Deepak Poddar – Sapphire Capital: Understood. So, across these 2 or 3 parameters, we are looking at the upper band of the range, right?

Management: Yes, very much.

Deepak Poddar – Sapphire Capital: Credit cost and ROA. Understood. I think that would be all from my side. Wonderful performance, and I wish you all the best. Thank you so much.

Management: Thank you, Deepak. Thank you so much.

Management: Thank you, Deepak. Thank you.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one on their touchtone telephone.

The next question is from the line of Giriraj from Visaria Family Trust. Please proceed.

Giriraj – Visaria Family Trust: Hello, team. Congratulations on a very good set of numbers. One clarification, Mr. Singh. You mentioned that we had made an additional 50-crore management overlay in Q2, right? So, cumulatively, we had probably made an 86-crore provision in the first half. Am I thinking about that correctly?

Management: No. Cumulatively, we have made 50 crores. This quarter, we added another 14 crores to the buffer of 36 crores that had already been created. So, cumulatively, it now stands at about 50 crores.

Giriraj – Visaria Family Trust: When I look at slide number 15 of your presentation, the loan loss ratio is 2.2%, but the adjusted loan loss is only 1%. So, this 1.2% is the management overlay, right?

Management: Yes.

Giriraj – Visaria Family Trust: But that amount was actually 50 crores.

Management: Yes, it is only 50 crores. If we had forgone that, our profits would have been higher and our credit cost would have been lower.

Giriraj – Visaria Family Trust: I am saying that the difference between 1% and 2.2% is 1.2%. Last quarter, the difference between the adjusted loan loss ratio and the loan loss ratio was 0.9%, whereas this time it is 1.2%. So—

Management: Giriraj, just one clarification here. ECL is always stated on the entire model from scratch. Theoretically, if my ECL was 100 crores last quarter, and if my model indicates 80 crores

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this quarter, that does not mean that I have reduced it by 20 crores. When we say 50 crores, it means that, when we restated the entire ECL, we found that the 36 crores was also not needed. Therefore, the entire 50 crores is an overlay. When we make the adjusted ROA calculations, we account for the entire 50 crores and then restate the numbers because we are fully entitled to release even the 36 crores, as that is not something the model has indicated at all.

Giriraj – Visaria Family Trust: Understood. Now it is fully clarified. One question: what is our branch-opening guidance for the remaining second half of this year and for next year, FY28?

Management: In the second half, we will open close to 50-odd branches. Next year, looking at how we are able to plan this year, it could probably be in the range of 100 to 150 branches. That is the broad range we should be able to achieve.

Giriraj – Visaria Family Trust: Would you like to provide some color on FY28 growth? We have given a FY30 guidance of 30, so should we expect linear growth?

Management: We are taking it step by step, but I think the overall guidance we have given for 32,000 crores stands. Around 60% to 70% would be microfinance, and the balance 30% would be non-microfinance. Hence, you can extrapolate that on a year-to-year basis.

Giriraj – Visaria Family Trust: Thank you, Mr. Singh and team.

Management: Thank you so much.

Operator: Thank you. The next question is from the line of Rohan Joshi, an individual investor. Please proceed.

Rohan Joshi – Individual Investor: Hi, sir. Thank you for giving me the opportunity. According to me, and please correct me if I am wrong, the standalone PAT for this quarter was 172-odd crores, with an ROA of 4.9%. I just wanted to ask what the key drivers of sustainable ROA over the medium term are. What should an investor assess regarding the reported returns for this quarter along with the management overlay?

Management: You were not very audible to us.

Management: I heard you. You want to understand what led to the increase in ROA. Was it increased profit?

Rohan Joshi – Individual Investor: Yes.

Management: It is attributed to the reduction in credit costs, Rohan. As sir mentioned, slippages have been phenomenal in the first half of this financial year. Slippages contributed 103 crores in the 6 months, and this quarter barely contributed anything. Since the credit cost is low, our NIMs have always remained intact. Our opex has come down year-on-year by 60 bps, so that is one delta. Another delta is the reduction in credit cost by almost 200-plus bps from the last financial year.

Management: Our NIM has also improved during the quarter. The cost of funds, liquidity, and other factors are under control. It is a combination of all those factors.

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Management: The major and most significant factor has been the reduction in credit cost, while every other lever also worked well for us.

Rohan Joshi – Individual Investor: Understood. You also mentioned that credit cost had reduced by more than 200 bps year-on-year. What should we expect going forward? Do you have any ballpark estimate of how it will turn out in the future?

Management: The credit cost guidance we have given is 3% to 3.5%. I think the sector also factors a normalized credit cost into its model. Even if I consider our cross-cycle credit cost for the last 6 and a half years, which includes the worst cycles, it was 3.3%. So, I think we should be in a good position. We should be very comfortable.

Rohan Joshi – Individual Investor: Thank you. That was all. Thank you so much.

Management: Thank you.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one on their touchtone telephone.

The next question is from the line of Saumil Shah from Paras Investments. Please proceed.

Saumil Shah – Paras Investments: Good morning, and thank you for the opportunity. I wanted to know about our PAR 1 number. It has been consistently declining over the last few quarters. How do we see this PAR 1 number progressing for the remaining half of this year?

Management: On a year-to-year basis, our PAR 1 has improved from 5.79% to 2.92%. We always feel that when you are managing collections and have a proper handle on underwriting, there is scope for further improvement. Having said that, there has already been a drastic reduction, and this should continue as we move forward. Typically, the first half is affected by the monsoons, heat waves, and other factors. Once we reach the second half, I think we will see something more positive in terms of PAR 1 as well.

Saumil Shah – Paras Investments: So, more or less, could we remain at this level or perhaps even move further down from this number?

Management: The endeavor is always to bring it down.

Saumil Shah – Paras Investments: What was the collection efficiency for the month of October? We are almost at the end of October. How is it progressing?

Management: It is practically the same. October has not yet closed, but up to now it is practically the same.

Saumil Shah – Paras Investments: On our NIMs, if we look at this quarter, they have improved significantly, from 14.3% last quarter to 15.9%. What is the reason for such high yields? Is it due to the liquidity tightness in our industry, allowing us to generate higher yields, or do you have any other thoughts?

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Management: It is a combination of all the factors. Our yield has improved because of better portfolio quality, and the cost of funds has also come down. We have been able to manage liquidity better. There was also a slightly higher DA. The combination of all these factors resulted in a better NIM for the quarter. However, we feel that an NIM of around 14.5% to 15% is sustainable.

Management: You can look at a stable yearly NIM of about 14.5%. There could be quarterly variations, where there may be a reduction in opex or a slightly higher increase in DA. However, on a stable basis, year-to-year, you should look at approximately 14.5%.

Saumil Shah – Paras Investments: Normally, for our industry as a whole, the second half is always stronger than the first half. How do we see this progressing for this year? Are we seeing any effects from El Niño, or could the geopolitical issues currently going on cause the second half to be weaker than the first half?

Management: Up to now, the geopolitical issues have had no impact during the weak quarters, despite the fact that we have been seeing them for close to a year. So, I do not think they will impact us during the stronger quarters. Regarding El Niño, I mentioned in my remarks that the states where this has probably been present account for a very negligible portion of our portfolio. Besides that, we are not facing any repayment stress even in these states.

Saumil Shah – Paras Investments: May I ask one or two more questions?

Management: Please, please.

Saumil Shah – Paras Investments: On our subsidiary, Satin Housing, we are seeing de-growth in AUM quarter-on-quarter. What is the reason for that, and how do we see this subsidiary performing in the remaining half?

Management: In housing, we are re-engineering our products and the way we conduct business. Over the period in which we have operated the housing business, we have felt that we need to move away from urban housing towards rural housing in a larger way. That is exactly what we are doing now. This is one of the key reasons why we are proceeding slowly and recalibrating the entire product and business model. Once we have recalibrated it, we will be able to grow. You will now see slow and steady growth coming from housing as well.

The way we were looking at it earlier was that we were also concentrating somewhat on the urban affordable housing finance segment. We are foregoing that now and concentrating only on rural housing finance, where we believe there is significant demand. With the parent company having its network and our distribution outreach being able to address that demand, I think we are now well positioned to pursue growth in housing finance.

Saumil Shah – Paras Investments: So, it may not be as strong as Satin Finserv?

Management: It will not be as strong as Satin Finserv, that is for sure. However, give or take another couple of quarters, I think we will probably come up the curve in the way Satin Finserv came up the curve.

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Saumil Shah – Paras Investments: I wanted your views on the government introducing MDR on UPI payments. How do we see this impacting us? We must also be receiving payments through UPI, right?

Management: Yes. Currently, approximately 25% of our collection portfolio is cashless. Having said that, our installments are technically below Rs.2,000. So, I think the effect for us is not going to be significant. It will be very negligible because the installment amount is probably one of the key factors taken into account for UPI MDR as well. Therefore, the impact on us will be very limited.

Saumil Shah – Paras Investments: And regarding repayment, they are discussing—[cut off]

Operator: Sorry to interrupt you, Mr. {? Saumil ?}, but can you please rejoin the queue?

Saumil Shah – Paras Investments: No, I was not answering. The management was answering.

Operator: Sorry, was someone speaking?

Management: Yes. Just to add, regarding loan repayment, the MDR fee will be Rs.5 and not a percentage of the report. To that extent also, the impact will be negligible.

Saumil Shah – Paras Investments: But I think that Rs.5 applies to insurance, petrol pumps, and similar transactions, right?

Management: There are discussions that it will apply to loan repayments as well.

Management: However, the broad basis is that it is below Rs.2,000, so I think that [trails off]

Saumil Shah – Paras Investments: Yes, correct.

Saumil Shah – Paras Investments: Regarding the insurance credit and life insurance, is it a similar situation?

Management: It is the same, basically.

Management: We do not have any income from that. We do not have any income.

Saumil Shah – Paras Investments: That is all from my side. Thank you, and all the best.

Management: Thank you. Thank you.

Operator: Thank you. The next question is from the line of Bunty Chawla from ASK Investment. Please proceed.

Bunty Chawla – ASK Investment: Thank you for giving me the opportunity.

Management: Thank you.

Management: Bunty, your voice is very feeble. I cannot hear you, Bunty.

Bunty Chawla – ASK Investment: Am I audible now?

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Management: Yes, you are.

Bunty Chawla – ASK Investment: As we saw in Q1—sorry, in Q2—there has been a sequential increase in the cost of funds. We are now seeing that the rate hike cycle has started. What is the thought process? How much could the cost of funds increase if we assume a 50-bps or 75-bps rate hike? Ultimately, what would be the impact on the margin? Linked to that, what is the reason for the increase in gross yield from 21% to 23%?

Management: We have raised some subordinated debt, because of which the reported cost of funds is slightly high, but we have reported a sequential reduction in the cost of funds. Our marginal cost of borrowing is 10.28%. Our performance is good, we have been speaking to lenders, and we have more than 4,000 crores of sanctions in hand. We do not anticipate the cost of funds going very high, despite the 25-bps increase that people are discussing for December as well. However, if it does increase drastically because of the overall ecosystem, we always have the ability to pass it on to our customers. As we said, our NIMs would broadly remain in the range of 14.5% or so. That will be maintained.

Bunty Chawla – ASK Investment: On yield, sir?

Management: The NIM of 14.5% will be maintained.

Bunty Chawla – ASK Investment: What is the specific reason that gross yield has improved from 21% to 23%?

Management: It is a combination of DA during a particular quarter. In the case of DA, the net income goes up, and if the amount is slightly higher, the reported yield is slightly high. However, that is a normal cyclical factor. Our DAs are broadly in the range of 23% or so. Therefore, it is a factor of that.

Bunty Chawla – ASK Investment: Secondly, regarding NatCat, you provided some data points. How much is covered, and how much of our portfolio is covered under the credit guarantee scheme?

Management: Regarding NatCat, practically now—

Management: 78%.

Management: There is 78% to 80% coverage. That is the data point. Regarding the credit guarantee—

Management: We are eligible.

Management: We are eligible, but we are not taking it. The credit guarantee scheme is technically more feasible when your NPAs are high. Otherwise, if your NPAs are at a lower level, taking a credit guarantee scheme is not feasible enough.

Bunty Chawla – ASK Investment: That was very helpful. Thank you, and best of luck.

Management: Thank you. Thank you.

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Operator: Thank you. A request to all participants: please restrict your questions to 2 questions per participant. For more questions, please rejoin the queue. The next question is from the line of Aditya Mundra from MyTemple Capital. Please proceed.

Aditya Mundra – MyTemple Capital: Am I audible, sir?

Management: Yes.

Management: Hello.

Management: Yes, yes, you are.

Aditya Mundra – MyTemple Capital: Sir, thank you for the opportunity. In this quarter, we have seen a higher yield because of the DA component as well. Is it safe to assume that from next quarter onwards, and perhaps for the second half, the yield will normalize to the range of 14.5% overall?

Management: That is the NIM. That is the NIM.

Aditya Mundra – MyTemple Capital: Sorry, I meant the NIM. The NIM will also be—yes, sorry, please continue.

Management: As I said, in a stable state of affairs, you should look at a NIM of about 14.5%. That will be the stable state. There could be quarters that are higher or lower, but if you look at the stable state, it should be 14.5%, not anything beyond that.

Aditya Mundra – MyTemple Capital: Does our entire cost of borrowing get repriced when repo rates are hiked, or how does it work? Does it happen immediately?

Management: Broadly, 50% of our borrowings are on floating rates, and there are different dates on which these are revised, both upward and downward. It is not immediate. Both upward and downward revisions happen periodically, depending on the sanction terms. Some facilities are repriced on a 6-monthly basis, and some are repriced on an annual basis.

Aditya Mundra – MyTemple Capital: So, even the 50% floating-rate book may not be repriced on a T+1 basis or even on a quarterly reset? Or will that portion be repriced—

Management: No, no, so as I [overlap]

Aditya Mundra – MyTemple Capital: Okay.

Management: As I said, there are agreements with the lenders. Some facilities are repriced on a 6-monthly basis, and some are repriced on an annual basis. Any upward or downward revision happens periodically, not immediately.

Management: Aditya, you should look at it from this perspective: when we reprice, we negotiate with our lenders. Therefore, any upward movement is negotiated with them. That is the reason why, when we said that the incremental borrowing cost last quarter was 65 basis points lower, that is the answer to it. So, technically, there will not be any increase in our borrowing cost.

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Aditya Mundra – MyTemple Capital: But, sir, the floating rate is entirely repo-linked, right? There is no T-bill or any other benchmark?

Management: Most of them are repo-linked. Some are linked to the internal bank MCLR and so on, but they work in one direction only. For your understanding, as we explained earlier, you should assume that our NIMs would broadly be around 14.5% across the cycle. Any increase or decrease in the overall cost of funds and other factors will be factored into our lending rate. We will try to protect a 14.5% NIM over a period of time.

Aditya Mundra – MyTemple Capital: Understood, sir. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Sanyam Jain from Valgrow Capital. Please proceed.

Sanyam Jain – Valgrow Capital: Hello. Am I audible?

Operator: Yes, sir.

Sanyam Jain – Valgrow Capital: Since the repo rate has been revised, and in the December MPC meeting we are also expecting an increase of 25 to 50 basis points, what is the plan for fundraising and the refinancing strategy for the next 4 to 6 quarters? Historically, we have seen that during interest-rate upcycles, the microfinance industry has struggled. My second question is that, since there is a cap on how much interest we can charge microfinance customers, how much room do we have to pass on the increased cost while maintaining the repayment ability of customers as a whole?

Management: Let me clarify the first point. There is no cap on the interest rates charged to borrowers. That is not applicable. The second important point for you to understand, which was also indicated by Jugal earlier, is that you should broadly look at the NIMs. Any increase in yield or any other factor is within the range of levers that we manage, but the ultimate objective is to protect our NIMs. Therefore, any floating-rate interest hike will probably not have an impact on us, which is why we said you should look at NIMs. In fact, in the last quarter, our NIMs increased from 14.5% to 15.8%. What we are going to protect is 14.5%. Even if there is a slight increase in borrowing rates, we are well protected to maintain that stable NIM for the full half year, at least for this year.

Management: To add to your question on fundraising, as we have written, we have almost 4,000-plus crores of sanctions in hand and 2,200 crores of liquidity in hand. The overall sector is also doing well, and our performance is much better than that of all our peers. We do not anticipate any challenge in raising the required funding for growth.

Sanyam Jain – Valgrow Capital: Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of {? Prasun Kumar ?} from {? [unclear] ?}. Please proceed.

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{? Prasun Kumar ?} – {? [unclear] ?}: Hello, team. Congratulations on a good set of numbers. I just had one question. Some states are going to elections next year. Do you see or forecast any kind of effect on our loan book or on slippages?

Management: Sorry, Prasun, your voice is breaking. We can barely hear you, if at all.

{? Prasun Kumar ?} – {? [unclear] ?}: Is this better?

Management: Yes.

{? Prasun Kumar ?} – {? [unclear] ?}: Next year, some states are going to elections. Do you see or forecast any kind of effect on our loan book or on slippages?

Management: No, absolutely not. That is the reason why we said you have to look at the entirety of the situation. Events will come and go, and this is one such event. We have created buffers, our underwriting is very strong, our technology is very strong, our growth is strong, and our collection efficiencies are strong. These are [trails off]

Management: These are factors that encompass whatever happens in terms of local elections, state elections, or national elections. These are factors that we take in our stride in order to perform well. So, I think there is absolutely no concern regarding the elections coming up next year.

{? Prasun Kumar ?} – {? [unclear] ?}: Got it, sir. Thank you very much, and all the very best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Shaju Paul from Growth Investors. Please proceed.

Shaju Paul – Growth Investors: Sir, congratulations on a great set of numbers and consistent performance. I am very glad to note that your 200 top officials and senior management employees have been consistently with you. That also reflects the great culture you have set as an employer.

My question is about the fact that the numbers seem to be growing consistently. When we look deeper into the profit numbers, a good amount of profit is coming from fair-value recognition, FX plus derecognition gains. Can you provide more detail on these items, particularly regarding how much of this will remain consistent over the coming years and whether any part of it is one-time? How should we view these numbers so that we can assess the predictability of earnings? That is the context of my question.

Management: Shaju, let me answer this for you. There is no one-off income reflected in the profits. That concern should be allayed first. Secondly, DA remains practically within the band of about 21% to 23%. That is the band we have throughout the year, and that is what we are achieving. So, if you think that any income is inflated in terms of DA income, it is not. It is a stable, steady-state DA of 21% to 23% that we generate throughout the year. I think that should allay your concerns about the income.

Shaju Paul – Growth Investors: That means we could see these as regular business income and expect consistency, even though they are classified differently, because these incomes are regular

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in nature?

Management: That is why I gave you the explanation. When we look at these two items, they represent the stable state of affairs.

Aditi Singh – Chief Strategy Officer: Absolutely. It is one of the tools, or instruments, with which we raise liquidity. You would appreciate that, at any point in time, there is also a pool that we are servicing and incurring a cost on, which we had assigned or completed a DA for in earlier quarters. We are not adding any more income from that, so it balances that out as well. In the long run, you would say that it all normalizes and there is no one-off.

Shaju Paul – Growth Investors: That is great to hear. One question from a valuation perspective: considering the kind of growth you are delivering quarter after quarter and the consistent performance, especially in a difficult sector like microfinance, you seem to be doing extremely well. However, the market does not seem to be recognizing it from a valuation perspective. Do you have any plans to correct the valuation mismatch that you see?

Management: That is something that is not in our hands, and we would not like to comment on it. It depends on how people view it. Our job is to deliver consistent, good performance, and that is what we keep doing. For us, this is not an indicator that makes us feel either good or bad. We are happy with what is happening in terms of our performance.

Shaju Paul – Growth Investors: Got it, sir. Thank you.

Management: Thank you.

Operator: Thank you.

Management: Can I add something? Sorry, just a second. I want to take half a minute to add to the previous question. I think the stakeholders can draw comfort from the fact that the promoters have infused 100 crores at almost a 17% premium to the SEBI formula price. That shows our confidence in the business. However, the market price is where it is, and it has covered some distance. Hopefully, with performance, it will improve further.

Aditi Singh – Chief Strategy Officer: Yes.

Operator: Thank you. The next question is from the line of Priti Singh, an individual investor. Please proceed.

Priti Singh – Individual Investor: Hi.

Management: Hi.

Priti Singh – Individual Investor: Am I audible?

Management: Yes, you are.

Priti Singh – Individual Investor: Good morning. I wanted to know the number of loan officers for H1 FY27.

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Aditi Singh – Chief Strategy Officer: Approximately 15,300. No, that would be the overall employee count. Loan officers are slightly above 11,000.

Priti Singh – Individual Investor: I was comparing the loan officer count for Q4 FY26, which was around 11,867, and Q1, which was 12,511. The Q2 number is not mentioned in the investor presentation.

Aditi Singh – Chief Strategy Officer: Q2 is 11,122. As I said, it is slightly above 11,000. It is mentioned. You will find the breakdown when you look at the graph. There is a consolidated number, and then the individual standalone numbers are mentioned there, Priti. For clarity, it is 11,122.

Priti Singh – Individual Investor: What is the write-off amount for Q2 FY27?

Management: 73 crores.

Priti Singh – Individual Investor: Thank you. Thank you, ma'am.

Management: Thank you.

Operator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Aditi Singh – Chief Strategy Officer: Good morning, everyone. My name is Aditi Singh, and I am the Chief Strategy Officer at Satin. I would like to close by repeating and reiterating what we have been telling the market. Two quarters ago, we told you that we would use the favorable part of this cycle to build a cover rather than print a better number, and that we wanted our returns to be measured by those that hold through a cycle rather than at the top of one cycle.

I also mentioned how we have always been consistent, whether in terms of cross-cycle returns or cross-cycle credit cost. This quarter, we had the clearest opportunity to declare our best-ever returns, but we still opted not to do so. Instead, we maintained our discipline and provided a buffer.

The book is clean. Our provisions now exceed our gross NPAs. The state we asked you to watch for flood stress has come through with the lowest PAR 90 in our portfolio. The states the market is worried about are states where we are barely present. We took the overlay from 36 crores to 50 crores anyway, and this is our commitment.

This is the whole of our case, and it is worth stating plainly. We are building a 32,000-crore diversified financial services group by financial year 2030, with one-third of that book outside microfinance, and we are a little over halfway there. Everything we do is measured against that end state rather than any single quarter, and an institution that intends to be there in FY30 does not spend its good quarters on headlines. We believe in dream big, deliver bigger. Thank you for joining us.

Operator: Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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