Company Name: Satin Creditcare Network Ltd

Quarter under review: Q1-FY27

Satin Creditcare Network Ltd– Q1-FY27/ Concall Highlights:

Satin Creditcare Network Ltd (Consolidated)					
INR In Cr	Q1-FY27	Q4-FY26	Q-o-Q	Q1-FY26	Y-o-Y
Total Income	765	923	-17.1%	708	8.0%
Net Interest Income	514	542	-5.1%	411	25.1%
PPOP	267	290	-7.9%	201	32.8%
PAT	123	162	-24.3%	45	NA
Diluted EPS	11.15	14.73	-24.3%	4.10	NA

Operational Highlights:

- PAR 1 improved to 3.0% in Q1 FY27 from 3.7% in Q4 FY26 on a standalone basis, reflecting strengthening asset quality.
- Collection efficiency for the X bucket remained strong at 99.9% during Q1 FY27, underscoring disciplined credit execution.
- Credit cost reduced by over 177 bps to 3.06%, including management overlay buffer of INR 36 Crores, (in line with the guidance provided for FY27: 3-3.5%). Credit Cost excluding management overlay stood at 1.97%.
- Marginal Cost of Borrowing reduced by 37 bps YoY to 10.52% (excluding sub-debt)
- The Company continues to benefit from a stable and experienced management team, with the core leadership having an average tenure of over 10 years.
- Promoters will infuse INR 100 Crores Equity Share Capital at ~17% premium to minimum issue price as per SEBI Regulations – demonstrating strong promoter commitment.
- Strategic Entry into Kerala in June 2026 – strengthening South India presence across Tamil Nadu, Karnataka, Andhra Pradesh & Telangana
- Stable Management Team with vintage of 10+ years; Zero attrition in field leadership comprising of 200 personnel at RM, ZM, Circle Head and Business Head levels
- Our capital base is strong with a Capital Adequacy Ratio of 26.74% as on 30th June’26
- Total on-book borrowings stood at INR 10,216 Crores as of 30th June’26
- On-book Gross Non-Performing Assets (GNPA) stood at 2.18% (INR 219 Crores), reduced from 3.74% in June’25 reflecting improved delinquency control and strong risk management practices.
- Stage 3 coverage ratio is 84.66% as on 30th June’26 vs 72.85% as on 31st March’26
- The Housing Finance Company witnessed a YoY AUM growth of 31.40%, with total AUM reaching INR 1,263 Crores, with a customer base of 12,412
- SFL Recorded an impressive 133.67% year-on-year growth reaching an AUM of INR 1,360 Crores, driven by robust disbursements across the MSME and green finance segments.

Key Questions & Answers discussed during the Concall:

- **What is the rationale behind the INR 36 crore management overlay, and how much more buffer will be built?:** We created the INR 36 crore management overlay based on current operating and macro conditions. We have not set any target for future overlays, as it will depend on how the business environment evolves. The current buffer itself could be sufficient if conditions remain stable.

- **Is the guided RoA of 3.5–4.0% on a reported basis?:** Yes. Our 3.5–4.0% RoA guidance is on a reported basis, including the management overlay. Excluding the overlay, our RoA for the quarter would have been around 4.2%

- **What is the rationale behind the promoters' INR 100 crore equity infusion?:** The INR 100 crore equity infusion is intended to support the growth of our subsidiaries. Our standalone capital adequacy of 26.74% is sufficient to support 15–20% growth, but subsidiaries require additional capital. For instance, Satin Finserv delivered 134% YoY growth and has strong growth plans.

- **What is the normalized PAR-1 level and credit cost outlook?:** credit cost. A PAR-1 of around 3% has historically been the normal level for our business. We continue to guide for 3–3.5% credit cost, but our objective is to outperform this guidance and eventually operate at 2.5–3.0%

- **What is the impact of maintaining surplus liquidity?:** We maintain higher liquidity as a prudent measure, although quarter-end balances are temporarily elevated due to funding inflows from our 77 lenders. The negative carry is around 15–20 bps at quarter-end, while the impact over the full quarter is only around 5 bps, and we continue to optimize this.

- **What is the sustainable level of DA (Direct Assignment) income?:** We maintain our DA book at around 20–22% of standalone AUM on an annual basis. DA income can fluctuate across quarters, with Q4 typically being stronger due to seasonality. While Q1 DA income was INR 94 crore (vs. INR 140 crore in Q4), we expect Q2 and Q3 to remain at similar levels to Q1.

- **What were the gross slippages and write-offs during the quarter?:** Our gross slippages were INR 49 crore, while write-offs stood at INR 127 crore during the quarter. The higher write-offs also helped reduce our GNPA by around INR 90 crore.

- **How do you see RoA trending over the coming quarters?:** Our consolidated RoA was 3.3% in Q1, which is typically the weakest quarter for the industry. We expect RoA to improve sequentially, and our guidance remains conservative with the aim to outperform it.

- **Are you seeing any stress due to the Assam floods?:** We remain comfortable with the situation. Assam has historically demonstrated strong repayment behaviour, and we believe the disruption is temporary. We are also protected through Natural Calamity (NatCat) Insurance, which covers around INR 149 crore, equivalent to about 5% of our Assam exposure.

- **How are collections progressing in Assam, particularly in the flood-affected districts?:** Collections remain impacted only in 2–3 flood-affected districts, covering around 40,000 customers. Our Assam portfolio is INR 149 crore, of which around INR 100 crore is covered under Natural Calamity (NatCat) Insurance. The remaining exposure is adequately provided for through our management buffers. Outside these affected districts, collections are running at 100% of target, meaning 95% of the Assam portfolio remains unaffected. After insurance, our net uncovered exposure is only around 1% of the Assam portfolio.

- **When will the subsidiaries start contributing meaningfully to profitability?:** Our subsidiaries have already started contributing and are expected to deliver improving profitability quarter after quarter. While they are still relatively small, we expect their contribution to increase meaningfully as they scale up.

- **Why has the consolidated growth guidance been revised from 25–30% to 20–25%?:** We prefer to remain conservative in our guidance and aim to outperform it. While we had earlier indicated 25–30% consolidated growth, we are now guiding for 20–25%, although we remain confident of delivering healthy growth.

- **What is your early outlook for FY28 growth?:** While we are not providing formal guidance for FY28, we expect the business to operate in a stable growth range of 20–25%, assuming the operating environment remains supportive.

- **Given the favourable industry environment, why not pursue 30–40% growth?:** We believe growth should be balanced with portfolio quality. While the opportunity exists to grow even 30–40%, our focus is on calibrated growth backed by strong collection efficiency, asset quality, and disciplined underwriting. Our priority is sustainable growth rather than maximizing disbursements, and our improving GNPA and credit costs reflect this approach.

- **What is the sustainable NIM (Net Interest Margin) going forward?:** Our NIM has remained broadly stable. It improved from 13.16% to 14.48%, 14.50%, and 15.85% over the last four quarters. The 15.85% in the previous quarter was an exception due to seasonality and higher DA levels. Going forward, we expect NIM to stabilize in the 14.35–14.50% range, with only minor quarterly fluctuations.

- **What is the update on the CGFMU (Credit Guarantee Fund for Micro Units) scheme?:** We have not opted for the CGFMU scheme. Earlier, when GNPA was around 3.5–4%, it could have been relevant. However, with our GNPA improving to around 2.1%, we do not see a need to participate in the scheme.

- **What caused the forex-related movement in interest expenses this quarter?:** We had INR 1,573 crore of ECB borrowings outstanding as of 30 June, and 100% of these exposures are fully hedged, so there is no exchange rate risk on our balance sheet. The forex movement is purely an accounting impact, as derivative gains/losses and exchange fluctuations are recognized in different line items and periods. The net impact for the quarter was only a negative INR 3 crore, which is not material.

- **Why have credit costs increased despite improving asset quality?:** The increase in credit cost is driven by our decision to build additional provisions rather than deterioration in asset quality. Slippages declined from INR 90 crore to INR 49 crore, while GNPA improved from 3.1% to 2.2%. At the same time, we increased the management overlay from just over INR 20 crore to INR 36 crore, which led to higher reported credit costs despite stronger portfolio performance.

Key Participants:
- *Vivek Sukhani- ICICI Pru Life Insurance*
- *Parth Jariwala- DAM Capital*
- *Manoj Oberoi- Yes Securities*
- *Deepak Poddar- Sapphire Capital*
- *Varun Gajaria- Boring AMC*

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