

Proxy Advisory Report

Satin Creditcare Network Ltd

COMPANY INFORMATION	MEETING DETAILS	E-VOTING DETAILS
BSE CODE: 539404 NSE SYMBOL: SATIN ISIN: INE836B01017 Industry: NBFC Email: secretarial@satincreditcare.com Phone: +91 124 4715 400 Registered Office: 5th Floor, Kundan Bhawan, Azadpur Commercial Complex, Azadpur, Delhi-110033	Meeting Type: EGM Meeting Date: 31 st December, 2021 at 11:00 AM Venue: Video Conferencing / Other Audio Visual Means Notice Date: 6 th December, 2021 Notice: Click here Annual Report: FY 2020-21 SES PA Report (Last AGM): Report	e-Voting Platform: CDSL Cutoff Date: 24 th December, 2021 Remote E-voting Start: 28 th December, 2021 Ends: 30 th December, 2021

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	SES Observation #	Rec.	Rationale
1	Increase in Authorised Share Capital of the Company and Consequent Alteration of the Capital Clause in the Memorandum of Association of the Company.	O	LC	FOR	No Concern identified
2	Issuance of Equity Shares on a Preferential Basis to the persons belonging to the Non-Promoter Category.	S	LC	FOR	No Concern identified
3	Issuance of Fully Convertible Warrants on a Preferential Basis to Persons Belonging to the Promoter & Promoter Group and Non-Promoter Category.	S	LC GC	AGAINST	Major dilution to existing shareholders, issue at discount to market price

O - Ordinary Resolution; S - Special Resolution, Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, FC - Fairness Concern, TC - Disclosures & Transparency Concern, GC - Governance Concern

RESEARCH ANALYST: MANSI SINGH

CONFLICT DISCLOSURE: SES - NO CONFLICT | ANALYST - NO CONFLICT

INTERACTION WITH THE COMPANY - NO INTERACTION



COMPANY BACKGROUND

COMPANY OVERVIEW

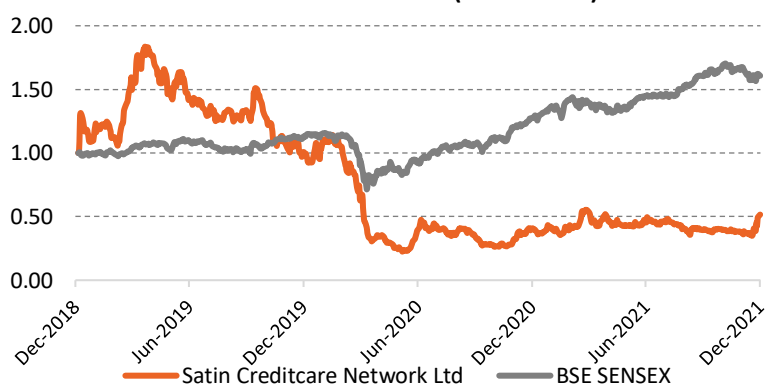
Satin Creditcare Network Limited is a non-deposit accepting Non-Banking Financial Company and is registered as a Non-Banking Financial Company Micro Finance Institution with the Reserve Bank of India in November 2013. The Company is engaged primarily in providing micro finance services to women in the rural areas of India who are enrolled as members and organized as Joint Liability Groups

MARKET DATA (As on 10th December, 2021)

Price ₹	97.85
52 Weeks High/Low	112.65/66.70
Market Cap (₹ Cr.)	727.33

Source: BSE

Stock Price Trend (Normalised)



Source: Capitaline

NUMBER OF SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES (AS ON 31ST MARCH, 2021)

SUBSIDIARIES	ASSOCIATES	JOINT VENTURES
3	0	0

Source: Form MGT-7

FINANCIAL INDICATORS (CONSOLIDATED)

(In ₹ Crores)	2019	2020	2021
Net Worth	1,149.45	1,448.69	1,486.16
Total Assets	6,740.96	7,299.62	8,044.71
Total Debt	3,755.53	4,114.62	3,947.02
Loan & Advances	4,548.62	4,941.11	5,811.16
Operating Revenue	1,442.61	1,499.52	1,375.70
Total Revenue	1,445.14	1,503.44	1,380.18
Operating Profit	968.28	814.54	638.72
Net Profit	201.50	154.98	-13.98
OPM (%)	67.12	54.32	46.43
NPM (%)	13.94	10.31	-1.01
EPS (₹)	41.37	28.69	-2.26
Face Value (₹)	10.00	10.00	10.00
P/E Ratio#			NA~
P/B Ratio#			0.44

 Source: Capitaline | # Share price as on 10th December, 2021 | Kindly [Click here](#) to view list of abbreviations and formulas used in above table | ~Loss for FY 2021

PEER COMPARISON (2021)

CreditAccess Grameen Ltd
3,796.38
15,059.24
9,163.68
11,720.48
2,460.74
2,466.07
1,147.86
131.40
46.65
5.33
8.90
10.00
68.24
2.49

OWNERSHIP STRUCTURE

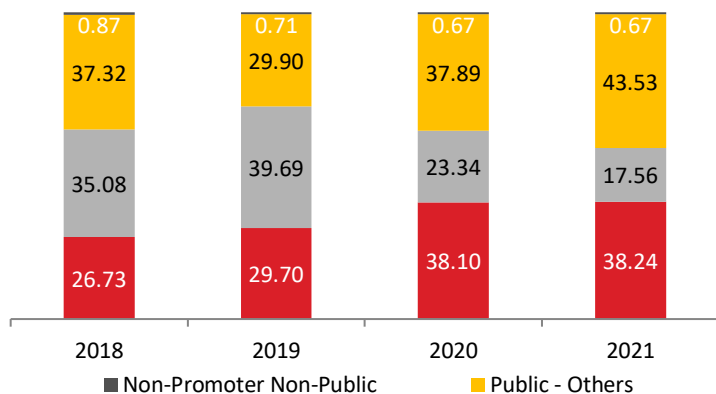
SHAREHOLDING PATTERN (%) (SEPTEMBER)

DISCUSSION (1st October, 2020 to 30th September, 2021)



Meeting Type: EGM

Meeting Date: 31st December, 2021



Graph: Yearly Shareholding Pattern

Source: Capitaline

Shares at the start of period: 7,20,20,477

Shares forfeited: (54,366) On account of forfeiture of unpaid partly paid up shares.

Shares at the end of period: 7,19,66,111

CHANGE IN SHAREHOLDING:

CATEGORY	% CHANGES	REASONS
Promoter	(+) by 0.14%	Shares purchased from secondary market
Public Institution	(-) by 5.78%	-
Public Others	(+) by 5.64%	-

Pledge: Promoters have Pledged 3.09% of their shareholding.

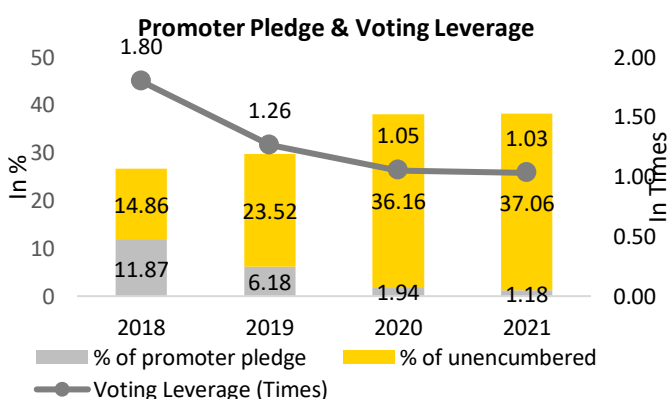
MAJOR PUBLIC SHAREHOLDERS (SEP' 21)

Nordic Microfinance Initiative Fund Iii Ks	6.48%
Aditya Birla Sun Life Trustee Private Limited	3.93%
Massachusetts Institute of Technology	3.09%
Indusind Bank Limited Treasury Dept	3.04%
SBI Emerging Asia Financial Sector Fund Pte Ltd	2.63%

MAJOR PROMOTER SHAREHOLDERS (SEP' 21)

Trishashna Holdings & Investments Private Limited	35.4%
Anureet HP Singh	1.01%

PERCENTAGE OF SHARES PLEDGED BY PROMOTER (SEP)



DISCUSSION

DETAILS OF ENCUMBRANCE	SEP' 21
Promoter shareholding	38.24%
Promoters shares encumbered	1.18%
Unencumbered Ownership	37.06%
Reason(s) of encumbrance reported?*	NA

*Disclosures required only in case pledge % is equal or exceeds
a) 50% of promoters shareholding in the company; or
b) 20% of the total share capital of the company.

INSTITUTION SHAREHOLDING VS FREE FLOAT

Particulars	SEP' 20	SEP' 21
Total Shares	7.20	7.20
Promoter Shares	2.74	2.75
Non-Promoter Non-Public	0.05	0.05
Free Float (FF)	4.41	4.40
Public Institution	1.68	1.26
Institution vs FF	38.12%	28.74%
SES Institutional Grade	C	C

No. of shares in Crore

Explanation: Generally, it is expected that a higher Institutional shareholding would result in better Corporate Governance Practices due to stewardship activities of investors. To analyse the entry and exit of Institutional shareholders in a Company and to capture such triggers, SES has come up with Institutional grading criteria as given in the table. The grading criteria provides a higher grade in case the percentage of Institutional shareholding vs free float is higher and vice versa.

Institutional Holding	GRADE*
More than 75%	A
>50% to 75%	B
>25% to 50%	C
0% to 25%	D

*Percentage is proportion of Public Institutional shareholding vs Free float. Free Float is total shareholding reduced by Promoter and Non-Promoter Non-Public shareholding.



RESOLUTION ANALYSIS

RESOLUTION 1: CHANGE IN AUTHORIZED CAPITAL

Increase in Authorised Share Capital of the Company and Consequent Alteration of the Capital Clause in the Memorandum of Association of the Company

FOR

SES RATIONALE

Compliant with Law. No concern identified.

SES ANALYSIS

COMPANY'S JUSTIFICATION

In order to create sufficient headroom for the: (i) issuance of equity shares and fully convertible warrants on a private placement basis as proposed in the Notice; and (ii) issuance of equity shares in future in one or more tranches, the authorized share capital of the Company needs to be increased to the extent mentioned in Item No. 1 of the Notice and consequent changes are required to be made in the Capital Clause of the Memorandum of Association of the Company.

SES VIEW

The Company is proposing to increase its authorised share capital as below:

	EXISTING	PROPOSED
Authorised Capital		
Equity Shares	95.00 crores	105.00 crores
Preference shares (Authorised)	75.00 crores	75.00 crores
Total	₹ 170 crores	₹ 180 crores

Consequently, the existing Clause V of the Memorandum of Association of the Company be and is hereby altered and substituted by the following as new Clause V:

"The Authorised Share Capital of the Company is INR 1,80,00,00,000/- (Indian Rupees One Hundred and Eighty Crore only) divided into 10,50,00,000 (Ten Crore and Fifty Lakhs) Equity Shares of INR 10/- (Indian Rupees Ten only) each and 7,50,00,000 (Seven Crore and Fifty Lakhs) Preference Shares of INR 10/- (Indian Rupees Ten only) each."

The existing Equity paid up capital of the Company is ₹ 71.97 crores.

No concern has been identified in the proposed resolution.



Meeting Type: EGM

 Meeting Date: 31st December, 2021

RESOLUTION 2 & 3: PREFERENTIAL ISSUE

#2: Issuance of Equity Shares on a Preferential Basis to the Persons Belonging to the Non-Promoter Category	FOR
#3: Issuance of Fully Convertible Warrants on a Preferential Basis to Persons Belonging to the 'Promoter & Promoter Group' and 'Non-Promoter' Category	AGAINST

SES RATIONALE

- #2: Issue to non-promoters, no major dilution, funds received upfront
- #3: Major dilution to existing shareholders, issue at discount to market price, not a viable option for urgent need of funds

SES ANALYSIS
DETAILS OF THE PROPOSED ISSUE
Securities to be issued: Equity shares and Fully convertible warrants

Proposed allottee:

S. No.	Name of the Proposed Equity Allottee/ Proposed Warrant Allottee	Type of Security	Maximum Number of Equity Shares/ Warrants to be issued
1.	Trishashna Holdings & Investments Private Limited	Warrants	1,23,07,692
2.	Florintree Ventures LLP		1,23,07,692
3.	Aarti Agrifeeds LLP	Equity Shares	7,69,230
4.	Adesh Agricare LLP		7,69,230
5.	Adesh Agrifarm LLP		7,69,230
6.	Trimudra Trade & Holdings Private Limited		7,69,230

Size of the issue: Equity Shares for an amount not exceeding ₹ 25 crores and Warrants for an amount not exceeding ₹ 200 crores

Price of the issue: ₹ 81.25

OBJECTIVE OF THE PROPOSED ISSUE

The Company requires infusion of funds for **enhancement of capital base** and to augment the **long-term funding needs** of the Company (including long term capital requirements for **pursuing growth plans**, to **increase the capacity** of the Company to lend) and for general corporate purposes.

PAST EQUITY ISSUES

Year	Type of Issue	Subscriber	No of shares	Issue price/share (₹)
June, 2019	Conversion of warrants	Trishashna Holdings & Investments Private Limited	17,91,044	-
June, 2019	Conversion of 0.01% Optionally convertible cumulative Redeemable Preference Shares	IndusInd Bank Limited	13,43,283	335



DILUTION TO SHAREHOLDING

Shareholder Category	Existing		Post Pref. Allotment of Equity Shares		Post conversion of warrants	
	Shares	%	Shares	%	Shares	%
Promoter						
Trishashna Holdings & Investments (Warrant issue)	2,54,77,128	35.40	2,54,77,128	33.95	3,77,84,820	37.91
Promoter others	20,44,607	2.84	20,44,607	2.72	20,44,607	2.05
Promoter Total	2,75,21,735	38.24	2,75,21,735	36.67	3,98,29,427	39.97
Public						
Public others	4,39,61,430	61.09	4,39,61,430	58.58	4,39,61,430	44.11
Florintree Ventures LLP (Warrant issue)	-	-	-	-	1,23,07,692	12.35
Aarti Agrifeeds LLP	-	-	7,69,230	1.03	7,69,230	0.77
Adesh Agricare LLP	-	-	7,69,230	1.03	7,69,230	0.77
Adesh Agrifarm LLP	-	-	7,69,230	1.03	7,69,230	0.77
Trimudra Trade & Holdings Private Limited	-	-	7,69,230	1.03	7,69,230	0.77
Total Public	4,39,61,430	61.09	4,70,38,350	62.68	5,93,46,042	59.55
Non Promoter-Non Public	4,82,946	0.67	4,82,946	0.64	4,82,946	0.48
Total	7,19,66,111	100	7,50,43,031	100	9,96,58,415	100

Assuming full conversion of warrants, there shall be a dilution of **27.78%** to the existing shareholders of the Company.

DETAILS OF ULTIMATE BENEFICIARIES
IX. Identity of the natural persons who are the ultimate beneficial owners of the equity shares proposed to be allotted and / or who ultimately control the proposed allottee(s):

Name of the Proposed Equity Allottee/ Proposed Warrant Allottee	Details of the Beneficial Owner
Trishashna Holdings & Investments Private Limited	Mr. H P Singh
Florintree Ventures LLP	Mr. Mathew Cyriac and Mr. Gautham Madhavan
Aarti Agrifeeds LLP	Ms. Achal Ramesh Chaurasia and Mr. Ramesh Lakhulal Chaurasia
Adesh Agricare LLP	
Adesh Agrifarm LLP	
Trimudra Trade & Holdings Private Limited	Ms. Nidhi Sachinkumar Gupta and Ms. Shradha Chandrasingh Gohil

OTHER DISCLOSURES

Change in control: No change in the control or management of the Company

Lock-in period: In accordance with Chapter V of the SEBI ICDR Regulations

Timeline for allotment: Within a period of 15 (fifteen) days from the date of passing this resolution

Certification from statutory auditors: Certificate obtained from M/s S S Kothari Mehta & Company, Chartered Accountants

Shareholders' Rights: Shall rank pari passu with the then existing Equity Shares of the Company



Meeting Type: EGM

Meeting Date: 31st December, 2021

Directors' interests: None of the Directors or key managerial personnel or their relatives is in any way concerned or interested, financially or otherwise, in the above referred resolutions except Mr. Harvinder Pal Singh (Chairman cum Managing Director), Mr. Satvinder Singh (Non-Executive Non Independent Director and brother of Mr. Harvinder Pal Singh) and their relatives being the promoters of the Company and associated with the Proposed Warrant Allottee i.e. Trishashna Holdings & Investments Private Limited.

SES VIEW

#2: The Company is seeking shareholders' approval for preferential issue of 7,69,230 equity shares each to 4 Non-Promoter shareholders which are:

- Aarti Agrifeeds LLP
- Adesh Agricare LLP
- Adesh Agrifarm LLP
- Trimudra Trade & Holdings Private Limited

aggregating around 30.77 lacs equity shares.

Shareholders may note that:

- The Company would raise a sum of ₹ 25 crores in aggregate.
- Issuance of equity shares would cause a dilution of ~4% to that of the existing shareholders.
- Price of issue has been fixed at ₹ 81.25 which is also the floor price as per SEBI ICDR.

Therefore, there is no premium charged over the floor price by the Company.

Shareholders may note that price offered is slightly higher than the previous day closing price from the date of the Board meeting (6 Dec- ₹ 76).

Also, the Company would receive the entire capital upfront, therefore, no concern is being identified.

#3: The Company is seeking shareholders' approval for Issue of 2,46,15,384 warrants (1,23,07,692 warrants each) at ₹ 81.25 per warrant to:

- Trishashna Holdings & Investments Private Limited (Promoter); and
- Florintree Ventures LLP (Non-Promoter)

to raise capital of up to ₹ 200 crores in the next 18 months.

Shareholders may note that:

No urgent need for funds:

- The Company would receive only ₹ 50 crores now, and the remaining ₹ 150 crores would be received at the time of conversion, if any.
- Therefore, the Company would not get the entire money now, which indicates that there is no urgent need of funds.
- The Company has stated that it requires funds for long-term funding needs and general corporate purposes. However, raising money through convertible warrants is a long-term process spanning over 1.5 years.
- Also, conversion of warrants into equity shares would result in an overall dilution of ~22% to the shareholding of existing shareholders, which as per SES, is quite significant.
- SES is of the opinion that the Company must ideally opt for Rights issue with a right to renunciate, unless there is any urgency for funds. Issuance of warrants clearly indicate that there is no urgency of funds.

Promoter insulating themselves against dilution:

- The Company is proposing to issue 1.54 crores equity shares (assuming full conversion of warrants) to Non-Promoter shareholders.



Meeting Type: EGM

Meeting Date: 31st December, 2021

- This would have resulted in dilution to the shareholding of the Promoters from existing 38.2% to almost 29.2% post issue to Non-Promoters.
- However, consequent to issue of 1.23 crores warrants to Promoters, the Promoter shareholding would stand at almost 40% assuming exercise of warrants.

Therefore, it appears that the Promoters are insulating themselves against dilution by subscribing to warrants. Had this insulation been by way of equity shares, SES might not have raised concern, since the Company would have received entire money upfront.

Pricing of Warrants:

- The Company has priced the warrants at ₹ 81.25 per warrant which is the floor price determined as per SEBI ICDR norms.
- Equity shares raised under resolution #2, is also at the same price.
- SES is of the opinion that warrants must be priced using such pricing models (such as Black Scholes model), which also takes into account premium for the 18 months period also.
- Warrants are effectively Call Options where the subscriber can enjoy the upside for 18 months by paying only 25% upfront.

Therefore, SES is of the opinion that warrants cannot be priced at par with equity shares, since both are 2 different instruments.

In view of the above, SES is raising concern.



Meeting Type: EGM

Meeting Date: 31st December, 2021**Disclaimer
Sources**

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

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All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: The Company has not met statutory compliance requirements

FC – Fairness Concern: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

GC – Governance Concern: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

TC - Disclosures & Transparency Concern: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information

Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

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