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## Small is big for smart Satin

Vidya Viswanathan  
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SATIN Creditcare is a financial institution on the fifth floor of a grey, unfashionable commercial complex in a rundown area of Delhi called Azadpur. A rickety lift clanks up to the company's office. The table in the conference room has deep scratches and the upholstery on the chairs has not been changed in a while. Clearly, not signs of a fast growing energetic business, you think. Yet this was the company in which the Bellwether Fund, whose charter is to invest in urban microfinance companies, has invested in recently. But doubts get dispelled within the first five minutes of conversation with HP Singh, who founded the company 20 years ago. He is a turbaned Sikh over six feet tall, clad in a stylish tan suede jacket. Satin gives credit to small shops for their working capital and collects money back in daily installments. Its loans range from Rs 10,000 to a lakh and the loan period is a year. The average loan size is Rs 30,000.



H P Singh

Satin's 12,000 active borrowers include kachoriwalas, paan shops, dhabas, small grocery stores, vegetable-sellers, sweet shops and cycle-rickshaw owners across Delhi's National Capital Region (NCR) and 17 nearby cities in Haryana, UP and Rajasthan. "We lend to any legal business," says Sandeep Singh, a loan verification officer.

"Our total loans outstanding are now Rs 25 crore. This is a bottom of the pyramid business. Our USP is daily collections and we offer loans to any legal business which has a daily cash flow," says the soft-spoken Singh, a qualified chartered account who lives in an up-market colony in nearby Model Town. "We have grown three times in the last two years. Our loans disbursed increased from Rs 13 to 37 crore in the period," says Jugal Kataria, the company's chief financial officer. Now comes the most interesting part. Satin's 12,000 active borrowers include kachoriwalas, paan shops, dhabas, small grocery stores, vegetable sellers, sweet shops and cycle rickshaw owners across Delhi's National Capital Region (NCR) and 17 nearby cities in Haryana, UP and Rajasthan. "We lend to any legal business," says Sandeep Singh, a loan verification officer who has been working with Satin for 12 years.

The company, however, was started before microfinance became fashionable in India. Singh started Satin with Rs 50,000 as a company to finance purchases of Shriram Honda Gensets in 1990. "Nobody wanted to sell gensets in East Delhi colonies like Seelampur and Nandnagari. We realised that if gensets had to be sold to small shops in these areas they had to be conveniently financed. Citibank was the only player in the financing market and they were not interested. So we took it up," says Singh. In those days Satin was a family business: Singh's wife maintained accounts, his brother did the verifications and his father looked after collections. Shriram Honda was impressed with their sales and decided to give them a line of credit where they collected their payments after 60 days. "We rotated this money. In 1991, sales from east Delhi were 20 per cent of the Delhi branch. Nobody expected us to succeed. We hit upon the idea of daily collections one day. We did Rs 50 lakh of sales in two years," says Singh.

The business, which was then a Non-Banking Financial Corporation (NBFC), kept growing. Friends and relatives who saw potential in the business invested and the company went public in 1996 on the Delhi Stock Exchange. The company was allowed to take daily deposits till 2004. In the Internet boom of 2000, 12 per cent of the business' daily cash flow," says Umesh Varshney, a back-office loans processor, who has been with the company for seven years. Varshney points out that all their work is automated and the daily collections are insured since the company deals with cash even though it makes out the loan amount payment by cheque.

Many of Satin's borrowers are its neighbours in the same commercial complex. One of the company's earliest borrowers is Surendra Singh who runs a streetside eatery employing 11 people. He makes kachoris in the morning, serves platter meals in the afternoon, and shifts to selling burgers in the evening. He took his first loan from Satin in the early nineties to buy a refrigerator. He then bought a washing machine. Now he has Rs 40,000 working capital loan. "This allows me to buy material like atta (wheat flour) in bulk for 10 days. I pay a daily amount of Rs 135 to the company," says Singh, who owns a house in nearby Naaniwala Bagh. Ask Singh what the interest is and the answer is that he has never bothered to calculate. A recent customer is Ganesh Gupta, a paanwala who started borrowing in the last three years. Gupta has been in the complex for nearly 13 years. He came from Gorakhpur 30 years ago to work as a labourer in a motor coil factory and set up his shop when the factory closed its business. He is still fighting a civil case against the factory. Gupta was forced to borrow when he was robbed of Rs 1 lakh.

He borrowed Rs 5,000 the first time, Rs 10,000 the second and now has a Rs 15,000 loan which he repays at the rate of Rs 58 everyday. "There is no loss in this. It allows me to fund working capital," says Gupta, whose loan is guaranteed by another small shop next door. Gupta has a house of his own in Saroopnagar. A loan from Satin helped Vinod Kumar, a small provision shop owner to get into digital photography. Kumar's family occupied a place in Khyber Pass in old Civil Lines when his family came to Delhi after Partition. He operates out of his home. There is a small provision store and an STD booth in the front while the family lives behind. Kumar first borrowed from Satin to buy a scooter. Then he borrowed Rs 50,000 to buy a still digital camera. He also took Rs 15,000 as loan to buy a digital flash. He owns a digital video camera, too. He employs two boys to shoot at weddings. If he loans out equipment he charges Rs 800 per night. If he takes pictures himself, he charges Rs 1,500 per assignment. In the peak wedding season, he could get three assignments a day. He processes the pictures on a computer (donated by his brother) in his bedroom which is in a loft in his high-ceilinged one-room house. Most of Satin's borrowers have no other avenue to borrow from. If they do, it is at very high interest rates. Vinod Gupta, a Class 8 dropout, who now owns 35 cycle rickshaws, is an example. Gupta lost his job when lotteries closed down in Delhi in 1999. Somebody suggested that he should get into the rickshaw business and so he borrowed Rs 20,000 at 5 per cent interest per month from a neighbourhood lender and bought seven rickshaws. He returned the money in six months. Subsequently, his first cousin who owns a sweet shop suggested that he borrow from Satin. He has borrowed three times. The first loan amount was Rs 20,000 to buy five rickshaws two years ago. Then he borrowed another Rs 30,000 and now has a loan of Rs 40,000. He collects about Rs 900 a day and has to pay Rs 135 a day to Satin. He has hired a man at Rs 3,000 a month to maintain the rickshaws.

Vinod Gupta's first cousin, also Vinod Gupta, who runs Gupta's Sweet Shop in Khyber Pass, is also a Satin customer. He has recently taken a loan of Rs 30,000 to replace his old refrigerated showcase. This allowed him to save Rs 5,000 a month on electricity. "I haven't calculated interest. This is convenient and saves me money," says Gupta. Singh says the potential for Satin's business is limitless. "We are constrained only by money supply. There are at least 10 crore households in this country engaged in urban micro-enterprises. They are everywhere," he says. His target is that they will be in 50 cities in the next one year and 100 cities in two years.

"Just take the road to Chandigarh from Delhi. If you take the bypass, the first city is Sonapat. But in between there are two towns, Samalkha and Gannaur. In Gannaur, there are at least 2,000 shops selling paneer, agri equipment, pastries and fresh juice. Then there are services like beauty parlours or fixing punctured tyres. So we will go to these cities," says Singh. "If Infosys can employ 50,000 people, so can we," he adds. The expansion plans are not just geographical. Satin is soon going to launch pilots in Jehangirpuri and Lalbagh to loan up to Rs 5,000 to factory workers, domestic workers, cart owners and paan shops. "This will be a group lending model," says Singh.