



“Manappuram Finance Limited  
Q4 FY’23 Earnings Conference Call”

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**MODERATOR:** **MR. SANKET CHEDDA – DAM CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Manappuram Finance Limited Q4 FY '23 Earnings Conference Call, hosted by DAM Capital Advisors Limited. 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. Sanket Chedda from DAM Capital. Thank you, and over to you.

**Sanket Chedda:** Yes. Good evening to all of you. We have with us the entire management team of Manappuram. To begin with Mr. VP Nandakumar, the MD and CEO; Ms. Sumitha Jayshankar, ED; and Mr. Bindu, the CFO. Also, we have with us Ravindra Babu, who is MD of Asirvad MicroFinance; and Kamal Parmar, who Heads Vehicle and Equipment Finance.

Without further ado, I would hand over -- hand the call over to Mr. Nandakumar for his opening remarks, and then we can follow up with Q&A. Over to you, sir.

**VP Nandakumar:** Thank you. Good evening ladies and gentlemen, welcome to the Conference Call for our Fourth Quarter and Full Year FY '23 financials. I take great pleasure in presenting our results at a time when India is set to become one of the fastest-growing global economies of the world. So the optimism about India's growth prospects in all services in the country now universally acknowledged in economic circles to be an island of macroeconomic stability.

The interest strong by many countries to trade with us in INR exemplifies our improved Stability. In the last concall, I had first the need for a balanced and prudent growth strategy. This financial year, there are strong signs of that strategy being put into practice as we have achieved good growth in both AUM and profitability.

I'm happy to share that we have recorded a consolidated net profit of INR415.3 crores in Q4 with an improvement of 59.1% over the year ago quarter, primarily driven by profitability in gold loans and a turnaround in microfinance business. Full year consolidated profits also grew by 12.9% to INR1,500.2 crores. Gold loan AUM was INR19,746.2 crores, an improvement of 6.1 percentage over the previous quarter.

While stand-alone AUM at INR24,445.6 crores grew by 9.1% year-on-year, the consolidated AUM has reached INR35,452.3 crores in Q4 representing an increase of 17.2% over the year ago quarter. I get asked all the time about increasing competition and emergence of new players, not only in the NBFC space, but also in the digital lending space. However, India's underpenetrated financial market gives room from a large number of players to coexist without sacrificing profitability.

The company's microfinance subsidiary, Asirvad, has posted an AUM of INR10,042.9 crores, showing an impressive growth of 43.4% year-on-year and a profit of INR99.3 crores during Q4, taking full year profit to INR218.1 crores. This financial year, SMEs INR15.3 crores in FY '22. As a sector we full benefits of the ongoing economic recovery, the share of microfinance in the overall profit pie is set to go up in the days to come.

Continuing the trend in the previous quarters, we have fostered and perceived growth in the Vehicle Finance business recording 49.4% increase year-on-year and an AUM of INR2,455.1 crores followed by home loans with an AUM of INR1,095.8 crores, registering a 29.6% increase over the corresponding quarter in FY '22. Home loan profitability has grown to INR19.5 crores this financial year, from INR7.2 crores in the previous year.

The strategy of diversifying into other sectors is gaining pace and this rebalancing is reflected in March '23 quarter results. The share of loan gold verticals in our total assets under management now stands at 44% and is in line with our award objective of achieving 50 -- portfolio mix between gold and the non-gold segment. We will continue to press ahead with this policy of becoming a well-diversified NBFC.

Collections from microfinance business is expected to improve further. And this sector correlates well with the economic account. In the Housing Finance business, the focus is on lower ticket housing loans. We have decided to enter niche areas like finance and health care professionals and small hospitals with the good potential. For our corporate loan front, we have already disbursed around INR1,000 crores.

For the Vehicle Finance business, we are increasing the penetration in rural and semi-urban locations. That gives us edge and are our own digital lending platforms and automated approval processes. Now we have introduced an app called MaMoney, which brings all the products under one umbrella. MSME and personal loan sectors are other areas where we want to increase our process.

I want to add one more thing. In the recent past, you would have seen in the media about the ED rate and all, and I have clarified how is this. It is something belonging to something of 12 years old, very old. And whatever requirements are there, everything have been submitted. And RBI has been overseeing that over the last 10 -11 years. And they have given us a letter saying that we are largely satisfied. But whatever ED has said, the background also is told, the one person who have complained in 2011, he, again, prepared a complaint in his brother's name and asking the ED to investigate.

And I got without looking into the earlier causing petition of his allowed that and that is the reason. So whatever has been submitted, they have done it. But I'm happy to share that its operations has been fully stayed through high courts order today. In the upper court, they pronounced the stay order. And we are yet to obtain the written copy of that. We expect that to come by the late evening today.

So the operations have been stayed, and we are confident of crossing that order of enforcement directly. So this is what I want to share about that because I feel like some of you may be anxious to hear about that. For a more comprehensive view of our financial performance, I hand over to our CFO, Bindu.

**Bindu AL:**

Thank you, sir. Good evening, ladies and gentlemen, and thank you all for joining us today. Our consolidated AUM for Q4 FY '23 was INR35,452 crores representing 11.2% sequential growth

and 17.2% percentage Y-o-Y growth. Our consolidated profit after tax was INR415 crores for Q4 FY '23, which was up by 5.5% Q-on-Q and up by 59.1% Y-o-Y.

All nongold businesses reported an ROA ranging from 2% to 4%. Consolidated profit after tax for the year was INR1,500 crores, which was up by 12.9% Y-o-Y. ROE on a consolidated basis was 17.5% and ROA was 4.3%. Our GNPA 1.33% versus 1.61% during the previous quarter. Liquidity position, cash-on-cash equivalents on hand on a consolidated basis was INR3,000 crores and undrawn bank line was INR2,949 crores as on 31st March 2023.

Our CP exposure is NIM in the stand-alone entity, and our ALM is well positioned across all the buckets. Stand-alone borrowing cost has come down by 6 basis points in Q4 after the repo rate hike. Talking about the Gold Loan business, which constitutes 56% of consolidated AUM, where is the remaining 44% includes, Microfinance, Vehicle Finance, Housing and MSME Finance.

Stand-alone gold AUM has increased by 5.4% Q-on-Q. Yield at 21%, which is slightly lower than Q3 FY due to increasing the tenor of Gold Loans from three months to six months now. During the quarter, we were able to add 4.56 lakh new customers. Average ticket is at INR57,546 and average duration of 71 days. Our Gold Loan average LTV at 60%, which is well below the peer group.

Our stand-alone revenue, there is a small reduction on account of the higher liquidity, which we placed in Q3 for repayment of our dollar bond. Our stand-alone PAT was INR309 crores, down by 2.9% sequentially and up by 16.5% year-on-year. Coming to Microfinance, Asirvad Microfinance, the AUM stands at INR1,040 crores, including Gold Loan AUM of INR705 crores up by 16% Q-on-Q and up by 43% Y-o-Y.

PAT for the MFI business has increased to INR99 crores in Q4 versus INR70 crores in Q3 FY '23. Our collection efficiency from MFI business during the quarter stood at 104%, and disbursements during the quarter was nearly INR3,000 crores. In Asirvad, the Gold Loan AUM as on 31st March 2023 stands at INR705 crores. Cumulative ECL provision in Asirvad has increased INR242 crores, net NPA stands at 1.15%. CRAR 19.6%, ROA 4.05%, ROE of 26.6% in this quarter.

In Vehicle Finance, we have reported an AUM of INR2,445 crores, which is up by 16% Q-on-Q, up by 49% year-on-year. Collection efficiency for the quarter was 103%. GNPA has come down to 2.7% from 3.1%.

Home loan book AUM INR1,096 crores, which is up by 9% Q-on-Q and up by 29% Y-o-Y. This operates as 66 branches and reported a profit of INR7.3 crores during the quarter and was INR19.5 crores for the year. Collection efficiency for the quarter was 101% and GNPA at 1.9%.

Loan to MSME and others at INR1,945 crores, collection efficiency at 110% and the GNPA at 1.5% .

Our Onlending AUM stands at INR875 crores with a disbursal amount of INR420 crores during the quarter. Our asset quality improved.

On account of that, our provisions and write-offs of the stand-alone entity stood at INR4.3 crores compared to INR9.8 crores in Q3 FY '23.

The Board has declared an interim dividend of INR0.75 for this quarter. Our capital position is strong with a capital adequacy ratio of 31.7%. Our control network stands at INR9,645 crores at a book value of INR113.9. Thank you. Now we can go for the Q&A session.

**Moderator:** Our first question comes from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

**Abhijit Tibrewal:** Nandakumar sir, if you could just clarify what you said during your opening remarks and if I heard it right. You have now received a stay order under ED investigation. And what you said is a written order is expected sometime by evening today?

**VP Nandakumar:** Yes. Okay. About the case also, I will tell you, this has been clarified before also. The 12-year old case, about Manappuram Agro Farm, which was my proprietary concerned, and that has some public deposits. And one local person complained that the deposits are taken in the premises in of one of our finance, etcetera. And RB, we have asked what is in fencing, etcetera, it has been done.

And I offered myself to repay everything in 2012. And the amount was put into an extra account along with interest. And the result hopefully repaid along with interest, except INR929,000, where the customers are untraceable. So total amount put in used for that was INR159 crores. Yes. And the balance outstanding is only INR9 lakhs. And these are regularly supervised by RBI. And it's a part of their investigation process.

They issued a letter also. Yes, they have largely satisfied with our action. And now he has complained to ED, he preferred a complaint to High Court saying that all the previous inquiries and the investigation he not satisfied. Now ED would investigate, etcetera. So High Court has said that let ED also investigate filing an FIR with a police.

And police already referred to this case and the court also has closed it. So that is all. The ED then asked for details, etcetera, which has been provided. And yes, to surprise they did a raid in the office last week. And this order was issued, whatever is some freezing of some of my personal assets, which includes a part of my shares in Manappuram Finance. This is order.

Our lawyers consulted Supreme Court lawyers. They said, yes, this is absolutely a high-handedness with some ulterior motive. So they said, we can easily cross it. So as first process to begin with, we prefer our visiting in like Honorable Court of Kerala, then on the basis of that, today was the first sitting.

In the sitting, Honorable judge has pronounced a stay order in the operation of executive order from ED. And our councils are very sure about, very hopeful about cautioning that in the -- next two to three hearings after hearing the other side. This is now stay order. So this is the situation. So as such, its the operational state, and they will release all the freezing orders. They have to defreeze it. This is the situation. Rating only. So the order will be available in the late evening, maybe around 8:00 O'clock.

**Abhijit Tibrewal:**

Got it, sir. Congratulations on that. Yes. Sir, the next question that I had was on the Gold Loan business. This quarter, we have reported about a 140 basis point sequential decline in your net lease in Gold Loans. We have given out a reason this is because of the conversion of Gold Loans from three months to six months. So if you can just help us understand how the conversion or increase in tenure of Gold Loans from three months to six months led to a decline in the yield of Gold Loans maybe?

And sir, I mean, for the last many quarters, now we are seeing a continued trade-off between the Gold Loan growth and spreads or margins mainly the gold lending business. So just wanted to understand that even though we say that the competitive intensity from banks have had the margin been easing out, we are not quite seeing that happening in terms of the trade-off between the gold loan growth and the spreads.

So is there a sweet spot wherein you can operate at slightly lower Gold Loan yields settle for maybe slightly lower margins and ROAs in the Gold Loan business? Will that help you get to a situation where you can demonstrate both stable spreads in margins and good Gold Loan growth as well?

**VP Nandakumar:**

So. Your first question was from the tenure from three months to six months. How is it affecting the yield. So if it is three months, immediately after three months of the date of plans, it becomes overdue and the overdue charges are available. Now the overdue charges are available only after six months. That has led to some decline in the yield. So we are planning to operate at a yield of around 22% less.

So our yield is growing now because we're slightly increased rate. And with the new changes in the product structure, etcetera, we hope it will settle at around 22.5%. We don't believe that reducing the yield by 1% or 2% will improve our business. What we expect this year is around 10% growth in Gold Loan AUM. So we are growing at that pace now, 10% AUM growth for the FY '24. So we will be able to settle around that.

**Moderator:**

Our next question comes from the line of Shreepal Doshi with Equirus Securities. Please go ahead.

**Shreepal Doshi:**

I wanted to ask you a question pertaining to the Microfinance business. So on that front, like we are already having an average of more than 6x. And I think the capital adequacy is also below 20%. So when we looking to infuse capital? Or is there any thought on that front? Because given the kind of growth we are having in this segment, so what is the thought process on this front?

**VP Nandakumar:**

So Microfinance business definitely needs capital. On the one side, we will infuse capital that may be around INR500 crores and also offer a subordinate debt an equal amount to our subsidiary. And also parallelly what we try is to raise capital from outside from PE/ through IPO or maybe one or two, so privately, it is.

We have talked to some merchant bankers already. And for proceeding, all are awaiting for the Q4 results, FY '23 results. Now as that is ready, we'll start scouting for capital from outside also. And from the parallel side, as I already said, we may infuse somewhere around INR500 crores,

which should be within the covenants with some of the lenders. Then we had to also will support subsidies.

**Shreepal Doshi:** Got it. Sir, I wanted to understand what is the disbursement that we have done in the MFI piece, like under Asirvad in FY '23 overall and in 4Q FY '23?

**VP Nandakumar:** Yes. FY -- what is...

**Bindu AL:** We have may INR7,000 crores for the full year.

**Management:** INR8,300 crores.

**Salil Bawa:** INR8,300 crores.

**Shreepal Doshi:** Okay. And this quarter? Okay, we'll get it. That's okay. Got it. And sir, what has been the write-off in this business in FY '23?

**Management:** INR113 crores.

**VP Nandakumar:** INR113 crores.

**Shreepal Doshi:** Okay. INR113 crores. That is for the whole year FY '23, right?

**VP Nandakumar:** Yes, yes.

**Shreepal Doshi:** Okay. Got it, sir. One just last question pertaining to the Gold Loan business. What percentage of our book is about 2 lakh ticket size in the Gold Loan business?

**VP Nandakumar:** Raju

**Management:** More than INR200,000 , it is 35 percentage.

**Shreepal Doshi:** Okay. About INR2,00,000 is 35%. Okay. Got it. And what is the highest ticket size that we have ever done in Gold Loan? If you could give some sense?

**Management:** Like INR50 lakhs, INR1 crores also will be there, but that will be very minimal in number.

**Bindu AL:** Which will be maximum at dozen of customer.

**Management:** Yes. Maybe....

**VP Nandakumar:** So up to INR1 crores.

**Moderator:** Our next question comes from the line of [inaudible 0:28:16]. Please go ahead.

**Unknown Analyst:** Just want to ask on the Gold Loan side. So you said that we expect to operate about 22%. So do we expect next quarter our Gold Loan yield will bounce back to around the level? And what's the month of April Gold Loan yield?

- Bindu AL:** Yes. So currently, it is around 21% for the quarter, but steadily, it is going up. So we expect to achieve by the end of Q1. So average may be slightly lower, but we will be able to achieve at the end of the quarter.
- Unknown Analyst:** So you're saying so monthly basis is going up. So by end of first quarter, you will come back to 22%. Is that what you're saying? Just kind of...
- Bindu AL:** Yes. So by the end of Q1, we will be able to reach 22% yield for our Gold Loan business. So as we started from 21% and now it is increasing, average for the quarter will be 21.5%, but we will be reporting 22% yield at the end of the quarter.
- Unknown Analyst:** Okay. Got it, we used to share what's the monthly yield. So do you mind sharing what the monthly yield for April for Gold Loan?
- Bindu AL:** Yes, it is steadily improving.
- Unknown Analyst:** Okay. Got it. And then the change of duration from three months to six months. Is there a changing strategy? Or it's just a time mix? More customers tend to take six months this quarter or how did it work?
- VP Nandakumar:** See, we thought we will increase the tenure to three months to six months because a lot of surplus in auction is accruing. So we felt like, judging the gold value for the last couple of years, the risk in increasing the tenure through six months, is not a price risk for us. I want to tell you all other lenders are offering for 1 year with the same LTV. In the same LTV, they are offering a tenure of 1 year.
- Unknown Analyst:** Okay. Is our entire portfolio now on six months or...
- VP Nandakumar:** Yes. Because all the plugs will move to that because all new plugs will be in the new tenure.
- Moderator:** Our next question comes from the line of Kushan Parikh with Morgan Stanley.
- Kushan Parikh:** I have three questions on the liability side. Just wanted to understand through the past week since the ED investigation began. What is the feedback that we have from banks and fixed income market participants regarding this ED action? And have we been able to raise any fresh funding? And is it on similar terms as before? And just lastly, I just wanted to understand if this affects your loan growth expectations going forward, I mean, if there are any funding interruptions?
- VP Nandakumar:** So I want to tell you that this is not something new. This is known to all the stakeholders for the past 10 years. And they all know everything has been repaid out of 10 years business, some very old story. So one person was creating this problem, the same person only over the last 12 years.
- So this is nothing new as far as our stakeholders are concerned. And now we obtained a stay. And as someone has said everything is not something which can create any problem. We are very sure our councils are very sure about we are closing this case in the High Court in the coming weeks. So this case is posted for next week. Our council will argue and we have a very strong ground and the similar case was through his wife. It was filed through his wife. That was already caused by the High Court. So it's not an issue.



Yeah. Already the police has referred to this case and the court has closed. So it's crossing is only a matter of time. We got the stay and that will be shared with the stakeholders. And with that, we don't expect the liability challenges on account of that. And some of the banks have renewed that one is HDFC bank.

Now I'm leaving to the CFO.

**Bindu AL:** Yeah. So we have enough un-drawn lines and posted the event also. We were able to get disbursements from a few banks. In other cases, they may be updating the credit committee. So once we get the stay order, we will share with all the lenders. As MDs are told, this is an old issue. This information is available in all our public documents, including the prospectors, etcetera. So this has not created much issue for the liquidity profile.

**Kushan Parikh:** And just on the terms of the funding, I mean, have they changed or I mean, they remain similar to what was before the event?

**Bindu AL:** It is similar only.

**Kushan Parikh:** Okay. And just if you could guide us on your loan growth plans as well. Do they change in any way it is going forward or are we still looking to do around 20% overall consol basis?

**Bindu AL:** So the business plan will continue as per the plan. We are not seeing any liquidity constraints at this point of time, which will reduce the growth. Funding is not a constraint at this point of time.

**Kushan Parikh:** Understood. That's helpful. Thanks for that. That's all from my side.

**Moderator:** Thank you. Our next question comes from the line of Piran Engineer from CLSA. Please go ahead.

**Piran Engineer:** Hi, thanks for taking my question. I had one clarification. So all of the loans on the book today are six months?

**Bindu AL:** Yes.

**Piran Engineer:** Okay. And second thing just, in your notes to account, you mentioned about this RBI inspection, show cost notice that you all got. So can you just elaborate on that, please?

**Bindu AL:** Yeah. This is relating to financial year 2021. During the inspection, RBI pointed out the extension of tenor, which we were following for last so many years. That inspector interpreted this as a roll-over of loan. And do you remember there was a spike in NPA in FY '22 because of this RBI response and we provided all the details and we are discussing with RBI on this issue. And we are awaiting the feedback from them.

**VP Nandakumar:** We had a personal hearing also. So we are expecting a positive response from them because we have Q&A reply, which we hope that this will convince them the background.

**Piran Engineer:** No, so I didn't know if you can just clarify like you were extending the loans. What exactly about expanding the loan?

- Bindu AL:** Okay. So in the past our scheme structure was initial tenor of loan will be three months. And if the customer is servicing the full interest, he will get an extension for another three months. So this was the scheme structure. As we can test the cash flow of the customer and he has to service the full interest after the completion of three months. That is how we were doing from like 2014 onwards we were doing like that only. But in FY '21 inspection that is interpreted as a roll-over of loan and whether we have assessed the cash flow of the customer, is there any concession? These were the queries which we are answering. I hope that that is the plan.
- Piran Engineer:** And your competitors also have a scheme?
- Bindu AL:** Competitors, I think everywhere it is one year scheme. In our case only it was three months from 2014 onwards.
- Piran Engineer:** Okay, but they still not extend?
- Bindu AL:** That we don't know.
- Piran Engineer:** Okay. Fair enough. And just lastly in terms of this book which is less than 12% yield, which you have given on slide 18. Does that go to zero any time or is this sort of a steady state?
- Bindu AL:** No, it will be the 12 percentage scheme will be maintained.
- Management:** May be, may not get a certain percentage. It will be 8% to 10% percent level because the scheme is already existing earlier also.
- VP Nandakumar:** The blended yield, we have structured in a way that the blended yield would be 22.5% towards the third quarter of this year. This is consistently increasing. This quarter we expect that to settle around 22%.
- Piran Engineer:** Okay. And banks are still offering the 8%-9% gold loan even now? Like NBFCs have stopped, are banks still doing that?
- VP Nandakumar:** We don't see that sort of aggression now because those were the days where they were getting liability growth but not getting adequate asset-side growth. Now they are getting asset-side growth more and liability growth less. So their aggression in small loans have come down. Particularly, gold loans have come down. We don't see much advertisement etcetera.
- Piran Engineer:** Got it. Okay. This is helpful. Thank you so much and all the best.
- Moderator:** Thank you. Our next question comes from the line of Nischint Chawathe from Kotak Securities Limited. Please go ahead.
- Nischint Chawathe:** Hi. Thanks for taking my question. You mentioned that around 35% of the loans are above INR2 lakhs. What was this ratio for FY '22, which is a year prior?
- Management:** So FY '22, last year it was 33 percentage.

**Nischint Chawathe:** Sir, 33 became 35 actually. The number of the proportion of loan book above INR2 lakhs actually went up this year?

**Management:** Yeah.

**Nischint Chawathe:** Because I thought you had articulated to the strategy where you're kind of going down the ticket sizes.

**Management:** Yeah, but mostly that is INR1 lakh to INR2 lakh range. This is about INR2 lakh range.

**Nischint Chawathe:** And so between INR1 lakh to INR2 lakhs, what is the proportionate?

**Management:** It is 22%.

**Nischint Chawathe:** Okay. And I mean, how much would it have changed?

**Management:** 12%.

**Nischint Chawathe:** Okay. And actually, I know you discussed this, but I didn't quite understand the reason for the decrease in sequential. Maybe if you can just clarify that a little bit more in detail.

**Management:** Can you repeat that question? It's not clear.

**Nischint Chawathe:** The decline in yield, if you could just maybe touch upon that aspect once again because I'm not sure if I followed that properly.

**A. L. Bindu;** Yeah. So, recently, we have increased the contractor tenor of gold loans from three months to six months. As it is a transition phase, the yield, the other charges, overdue charges, etcetera, will be less. And during the tenor, we are offering, as it is a slightly longer tenor, the interest will be less. That is the reason this 1 percentage difference between Q3 and Q4.

**Nischint Chawathe;** No, so I didn't quite follow. So what you are saying is that you actually give an incentive to the customer saying that I will give you some discount, but you move to a longer term tenure, is that how I should read it?

**Bindu AL:** Yes.

**Nischint Chawathe:** Sure. And just finally, I think there was an RBI circular, which is talking about penal charges and kind of curtailing basically the way payment charges can be levy to the customer. So would you have any view on this?

**VP Nandakumar:** So see, whatever is the RBI circular, we have to comply with that. But we can structure products in a way that whatever is the yield we expect that is available. But as the products have been restructured in such a way that towards the end of this year, we will reach a level of 22.3% on the portfolio. So we have seen the instructions with regard to other charges, etcetera, we'll comply with that. You will in spite of that.

**Nischint Chawathe:** Perfect. Thank you very much and all the best.

- Moderator:** Thank you. Our next question comes from the line of Vaibhav Barjatya from Honesty and Integrity Investment. Please go ahead.
- Vaibhav Barjatya:** Yeah. Thanks for providing the opportunity. So, this is in follow-up with the question that the earlier participant asked. So, in terms of the total penal interest that we have charged for FY '23, can you give me that amount in absolute terms?
- VP Nandakumar:** Those details...
- Bindu AL:** Yes, we will come...
- VP Nandakumar:** We'll share. We'll come back separately. We don't have it at present. We'll share with you.
- Vaibhav Barjatya:** Okay. But in percentage, I mean generally, what is the policy, is it like 1%, 2% of the loan amount or what is the policy in percentage terms?
- VP Nandakumar:** Yes. 3% per annum
- Bindu AL:** Per annum.
- VP Nandakumar:** Per annum. Yes, that was the policy.
- Vaibhav Barjatya:** Okay. And this penalty starts from the moment it crosses 90 days, right?
- VP Nandakumar:** Yes, once it becomes overdue
- Bindu AL:** Overdue interest will be from the date of maturity.
- Vaibhav Barjatya:** Okay. Got it. That's it from my side. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Shantanu from Thing Investments. Please go ahead.
- Shantanu:** Yes. I guess I missed it in the beginning, I just want to know what is the guidance for our loan - Gold Loan segment for FY '24?
- VP Nandakumar:** So what we have projected, what we budgeted is around 10% growth. So we are in line with that as of now.
- Shantanu:** Okay. And our yield for FY '24 would be around 22.5%?
- VP Nandakumar:** Yes, towards the end of this quarter, it will reach around 22%.
- Shantanu:** Okay. And for the non-gold loan part, what would be the growth guidance?
- VP Nandakumar:** So in my opening remarks, I have mentioned about our overall objective of reaching 50-50. 50% on gold and 50% non-gold. Now the non-gold is what you have possessed. So we hope in another 1 year, 1.5 years, 2 years, we'll reach that level of 50%.

- Shantanu:** Got it. Okay. That's it from my side. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Gao Zhixuan from Schonfeld. Please proceed.
- Gao Zhixuan:** Hey, sorry. Just a follow-up question to your comments earlier. So basically, on the gold-goal yield side, so basically this quarter, we moved from three months to six months, right? And you were saying, if I understand correctly, that we gave a little bit of an opinion. So just wondering, you are saying that monthly gold-goal yield is steadily increasing now and should reach 22% by the end of this quarter. Just want to understand why is that? Is it because we stopped giving those incentive early or why the yield is moving up back up?
- Bindu AL:** Yeah. So what we discussed on the yield, when we increase the tenor from three months to six months, the customer will be getting the contracted rate of interest. Instead of three months, he is getting the contracted rate of interest for six months. In the past, if it is a three-month contract, the overdue interest will be charged from the date of maturity. So after 90 days, there will be an overdue interest. Now, during the tenor of six months, he will get the contracted rate of interest. So as the transition is over, then it will be in the same flow. So that is the reason steadily the yield is improving.
- Management:** The time gap is of three months, four months only. That increase already reflected in April onwards. Like it is now 21.5% already reached. So it is steadily increasing. Day by day it is increasing.
- Gao Zhixuan:** Okay. So April is 21.5%, you're saying, if I hear it correctly.
- Bindu AL:** Yes. As on date.
- Gao Zhixuan:** Okay, understood. Thanks so much.
- Moderator:** Thank you. Our next question comes from the line of Kaustubh Joshi from Acquity Wealth Management. Please go ahead.
- Kaustubh Joshi:** My question is related to MFI space. How are you seeing this panning out in the next couple of quarters? And what is the expectation or guidance for growth, three, four quarters down the line?
- VP Nandakumar:** Yes. See, the demand is very good, in MFI space demand is good, asset quality is steadily improving. So all depends on the liability. We are getting the liabilities renewals, etcetera. And after this quarter of results, and clearing the cloud in the sky regarding the ED, this thing, etcetera, we hope the renewals will come through. And what we are targeting is around 40% growth during the current year, 35%, 40%, then we hope we'll achieve that.
- Kaustubh Joshi:** Thank you. That's it from my side.
- Moderator:** Thank you. Our next question comes from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

- Abhijit Tibrewal:** Yeah. Thank you for allowing me to follow-up. I mean, again, coming back to this three month to six months for my benefit and the benefit of most of the people on the call.
- VP Nandakumar:** You're not audible. So there is some noise in the background. Hello?
- Moderator:** Sir, the line of Abhijit has left the question queue. We move on to our next question, which is from the line of Raghav Madhavan from Vivriti AMC Private Limited. Please proceed.
- Raghav Madhavan:** Hello. Hi. Thanks for taking up this question. So this is regarding Asirvad Microfinance. I would like to understand the geographical mix that's playing out as of Q4. And I want to be the maximum concentration for state going forward. And also if you can enlighten on the expansion plans in the other states, which were not the whole for Asirvad?
- VP Nandakumar:** Asirvad, the business is spread across the country. And we have a decision not to have a portfolio of around 10% in a particular State. And also to restrict the portfolio to 1% in a particular district. So in that way, we can say that the operations have spread across the country. And now the maximum portfolio percentage is in Tamil Nadu, which is below 15%. It was around 20% a couple of years back. It has come down a 15%. And gradually, it is coming down.
- Bindu AL:** In our investor presentation, Page number 26 is given statement of distribution of MFI.
- Raghav Madhavan:** Okay. Thank you. I also want to understand what will be Asirvad's presence in Andhra Pradesh going forward after the recent High Court judgment, which relaxes the position over there that MFI can?
- VP Nandakumar:** It is a Supreme Court ruling. The State government enactments regarding NBFC are annulled, state Money Lenders Act. These are annulled by the Supreme Court. So now hereafter, no state can enact a separate law for an NBFC. Entirely, it is a view of union government, means Reserve Bank of India. That's second point.
- Now just like other states, we can do microfinance business in Andhra Pradesh or Telangana without any change, just like other states only. So we don't have any plan for a drastic expansion of geographical spread this year. The reason is last year, we have expanded. And this year, we want to derive the benefits.
- Even with the present brand strength of around 1,700-1,800 branches across India including Gold Loan branches, if our company can reach a level of even 30,000. That's sort of physical infrastructure is already laid. So there is no expansion plan this year.
- Raghav Madhavan:** Thank you. Just a final question. If you can also let us know on Assam portfolio considering, recently we can see that many MFI is now coming back to Assam. So, what is the position of Asirvad in Assam?
- VP Nandakumar:** Asirvad presence was weakened. And we don't have much it as far as Assam portfolio is concerned. It was very small. We have just ended only.
- Raghav Madhavan:** Right. So my question is, will they expand in Assam going forward, what is the business plan like in Assam, does it continue to be restricted?

- VP Nandakumar:** This year, we are rationalizing, our plan is to rationalize the expenses. Why? Because last year, we have endured into the branch expansion, etcetera, put people, etcetera. Now we have the people capacity as well as the branch capacity even to double the business. So we don't plan to expand our branch network for this year.
- Raghav Madhavan:** Understood. Thank you. That's it from my side.
- Moderator:** Thank you. Our next question comes from the line of Abhijit Tibrewal from Motilal Oswal. Please proceed.
- Abhijit Tibrewal:** Am I audible?
- Bindu AL:** Yes.
- Abhijit Tibrewal:** Thank you for allowing me this follow-up. For my benefit and some others as well on the call, I just wanted to understand this extension in tenor from three to six months from what I recall, and please correct me if I'm wrong, has not been done recently. We call, I mean, four quarters back or five quarters back when we were seeing accelerated options. Immediately, post that is where we had started moving from a three-month golden product to a six-month golden product. So, please let me know if this understanding is correct and the fact that we are not really incentivizing customers to move from three months to six months. Rather, as we are offering, we are offering a six-month golden product versus a 12-month golden product which is offered by the competition.
- VP Nandakumar:** Yes. So let's see, we started moving around three months to six months, a few months back. But the transition was more towards last quarter. That was the reason.
- Abhijit Tibrewal:** Got it. And that's the standard product offering that we have now, right, a six-month Gold Loan product?
- VP Nandakumar:** Yes. Now, we don't have three months Gold Loan products at all.
- Abhijit Tibrewal:** Got it, sir. So the next thing that I needed some clarification is we have -- I mean partly answered this question. Last quarter, we had given the slate of gold loans basis ticket size less than INR1 lakh, INR1 lakh to INR2 lakh, INR2 lakh to INR3 lakh, INR3 lakh to INR5 lakh and above INR5 lakhs. So if Raju sir can please provide that?
- VP Nandakumar:** We'll share that.
- Abhijit Tibrewal:** All right, sir. And sir last question, while you have already guided on the gold AUM growth, how are we looking at the non-gold product segments, what kind of bold aspirations that we have in the non-gold products segments?
- VP Nandakumar:** Yes. MFI may grow around 35%. And the HFC also may grow around 35% to 40%. And Vehicle loan and MSME etcetera. But these are showing a trend of a growth of around 50%.
- Abhijit Tibrewal:** Got it, sir. This is very useful. Thank you very much.

- VP Nandakumar:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Piran Engineer with CLSA. Please proceed with the question.
- Piran Engineer:** Yes, hi. Thanks for taking my follow-up. Sir, if you could just give your overdue interest number for fourth quarter and third quarter?
- Bindu AL:** We will come back to you, Piran.
- Piran Engineer:** Okay. Sure. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Jigar Jani with B&K Securities. Please go ahead.
- Jigar Jani:** Yes, thanks for taking my question. Just one question. Our cost of funds has seen a decline sequentially on a consol. basis from Q3 to Q4. Any particular reason for that? And what would be your guidance for borrowing costs for next year?
- Bindu AL:** So one benefit we got during the quarter, due to our repayment of dollar bonds, which was costing 11.5 percentage. We redeemed at the beginning of the quarter. So that has given us some benefit. And in the case of Asirvad, the rate is not going up as per the repo rate hike. Because we were able to get the funding at a better pricing.
- Jigar Jani:** Yes. And any guidance for next year? Any increases?
- Bindu AL:** Yes. So we have to see the overall market scenario because last year, we have seen a 250 basis points increase in the repo rate hike. So we have to see. I think, there will not be further hikes, then we may be able to continue at this level. And based on the repo rate hike, we may see an increase in the cost of borrowing.
- Jigar Jani:** Sure. And lastly, on the SME and personal loan business, we saw a marginal spike in. GNPA in this quarter? Anything to read in that? Or is just normal course of business with growth, there is a small spike?
- Bindu AL:** Yes. That is a small ticket unsecured loan, where our yield is around 25 percentage.
- Jigar Jani:** Okay. So that there is some...
- Bindu AL:** In the overall scheme that is very small, I think INR140 crores, INR150 crores AUM.
- Jigar Jani:** Okay. Thanks a lot for answering my question? Thank you.
- Moderator:** Thank you. Okay, our next question comes from the line of Shubhranshu Mishra with Phillip Capital. Please go ahead.



**Shubhramshu Mishra:** Sir, thanks for the opportunity. The first question is on the competition. So is it competition only from gold financials and banks into Gold Loans? Or the competition is also coming from micro SME lending from banks, other NBFCs as well as fintech what we call?

Second is a data keeping question. If you can please pick up the accrued interest in this quarter? And the auctions that have happened in this quarter. And also if you can make the split of the AUM into less than INR1 lakh, INR1 to INR2 lakh and greater than INR2 lakh? Thanks.

**VP Nandakumar:** See, about competition. See, Now also we don't understand that. The largest -- the portfolio is with the unorganized sector, which may be around 3x of the organized sector, unorganized sector. But this is only an estimate because there are no data available. So it is importing around 1,000 tons of gold and jewelry sale is also increasing.

And also, the product is becoming from from a distressed product to a lifestyle product So in this process, there are enough opportunities for a larger number of organized players to win away the customers from the unorganized sector. So the competition was not the issue, clearly. If the NBFCs generally do short-term loans for average tenure of around three months, four months. And the ticket size of around INR50,000 to INR60,000. So this is and for the bank, the average loan ticket and tenure is much, much higher.

So bank customers and non-bank customers are different. So with all these taking into account and the rural economy started coming back, we feel that competitive intensity will come down, and we saw the signs of that.

**Shubhramshu Mishra:** Yes, sir. Sir, this still doesn't answer my question. My question was, if the competition is from a different form factor, whether it's from micro SME lending, from various banks and NBFCs are concerned...

**VP Nandakumar:** So see Gold Loan is Gold Loan, why? Because this is a still loan there is no other in still loan. Gold Loan customers were increasing only. So even those customers who are availing micro loans, that may not be sufficient for their purpose to meet their purpose, need. So in addition to whatever they do, they do, they avail is gold loan and prepay.

And always, when the gold is blessed, the first priority for the repayment will be gold loan because these are all family jewelry. So the other ones increase in other loan person loans, etcetera, this don't goes much threat as far as gold loan is concerned.

**Shubhramshu Mishra:** Sure, sir. You can answer the data points that I asked, the accrued interest, the auction and...

**Bindu AL:** We'll share that.

**Management:** Yes. We'll share that.

**VP Nandakumar:** We'll share that separately.

**Shubhramshu Mishra:** Sure. Thank you.

**Moderator:** Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for closing remarks.

**VP Nandakumar:** So thank you for the active participation. And whatever details you asked for, we'll share with -  
- these details micro details. Thank you.

**Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.