



# “Manappuram Finance Limited Q2 FY2021 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2021 Earnings Conference Call of Manappuram Finance Limited hosted by Motilal Oswal Financial Services 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Piran Engineer from Motilal Oswal Financial Services Limited. Thank you and over to you Sir!

**Piran Engineer:** Thank you. Thanks for joining in and welcome to the conference call. Today, we have with us the entire management team of Manappuram Finance led by the MD & CEO Mr. Nandkumar. Without further ado, I would like to hand the call over management for opening comments followed by Q&A session. Over to you Sir!

**Nandkumar:** Thank you. Good evening and thank you for joining to discuss our Q2 FY2021 results. Since our last interaction in July, we have seen strong recovery on the economic as well as the pandemic front. As the rate of new infections have slowed, most economic indicators have shown improvement in the last couple of months. GST collections have recovered and regained the Rs. 1 billion level for the month. Demand side inflation remains benign, credit source to productive sectors including NBFCs have improved. Interest rates are near all-time low. We are seeing strong festive demand in most consumer segments, be it white goods, Consumer durables or automobile. Even the housing sector is seeing increased enquiries. Further the rural economy which was less affected by pandemic is leading the recovery helped by good monsoon rains. Overall, we are optimistic that the pandemic led destruction is behind us and now look forward to things getting back to normalcy. Thanks to the economic recovery we saw increased demand for gold loans during the quarter. Now, we know that the days after the national wise lockdown, availability of credit from banks and other NBFCs had an issue due to heightened risk aversions, but more recently we are seeing demand for gold loans pick up as economic activities head back to normalcy and with a rural economy showing strength. We significantly stepped up our digital infrastructure and we continue maintain our strong positioning in the online gold loan space. Last year, we have introduced our doorstep gold loan service, which was well received. After the pandemic stuck, we extended the doorstep gold loan facility to all our branches across India. This allows us to serve the customer even beyond normal working hours at their homes and offices. They do not have to come to our branch even once.

Now coming to our results for the second quarter of the year, the highlights are our consolidated AUM crossed 26,900 Crores up 18.6% year-on-year and 6.1% quarter-on-quarter. We are reporting a consolidated quarterly net profit of 405 Crores and Rs.773 Crores for the first half of the fiscal, an improvement of over 10% over the first half of last fiscal. Gold loan AUM grew by 30% year-on-year and 11% on a sequential basis to 19,736 Crores also helped by the increase in gold price. Our gold holding remains flats at 59 tonnes, that is the same level as the preceding quarter. Our microgram subsidiary Asirvad Microfinance entered the quarter with an AUM of 4,971 Crores an increase of 5% year-on-year and a decline of 1% quarter-on-quarter. It is well

known that the microfinance sector has faced stress in the pandemic scenario, but Asirvad has performed well under the circumstances. While it posted a marginal loss of 2.5 Crores for the quarter, we are confident that the worst is behind us and positive about the medium to long-term. India automobile sector has recovered in the last two months and our commercial vehicle finance division saw improvement in the collection efficiency towards the end of the quarter. The commercial vehicle AUM stood at 1060 Crores, a fall of 20% year-on-year and 16% sequentially as our focus was on recovery and consolidation. Our affordable housing for full year and the asset quality remains stable. During the quarter, we did not face any funding challenges and our CPO rollovers are happening as expected. We remain comfortable on the LM front. Our standalone average cost of borrowing declined by 26 bips to 9.13% from 9.39% in the preceding quarter. Our overall Opex to AUM ratio remained stable at about 5.5%. Our net growth of Rs.6500 Crores and 26% ROE gives us the confidence to continue on the growth path. Thank you and now it is over to our CFO Mrs. Bindu for a detailed look at the number. Thank you.

**Bindu A L:**

Thank you very much Sir. Thank you all for joining us. We started with unlocking of the economy and therefore we have seen business coming back to normal, especially the gold loan book grew by 16% in the first half of the year. RBI has come up with several schemes to infuse liquidity in the NBFC sector and we have raised funds through NCDs under TLTRO and PCG apart from the MLD and from some institutions. During the quarter we raised a fresh borrowing of Rs.2904 Crores through term loans WCDL and NCD. The cash and cash equivalence on hand on a consolidated basis was Rs.4300 Crores and undrawn bank line was Rs.1140 Crores as on September 30, 2020. Again, our CPS portion has come down to 7% against 25% a year ago in the standalone entity. Borrowing cost declined sequentially by 26 basis points to 9.13% despite significant extension average duration of borrowings. Gold loan business has seen a good growth in the first half, and this has resulted in the non-gold businesses contributing to 27% of consolidated AUM and the remaining 73% of gold loan. Our consolidated AUM for Q2 FY2021 was Rs.26903 Crores up by 18.6% year-on-year and 6.1% quarter-on-quarter. Consolidated profit after tax was Rs.405 Crores for Q2 FY2021 grew by 10.2% Q-o-Q and 6.4% down year-on-year. Profit was up by 16.7% year-on-year if we adjusted the one-time tax benefit of Rs.60 Crores and Rs.25.34 Crores due to the reinstatement of Asirvad Q2 PAT of FY2020. ROE on a consolidated basis was 26%, ROA was 5.1% for the quarter ended September 2020.

Talking about the gold loan business which constitutes 73% of the consolidated AUM. The AUM increased by 30.1% year-on-year and 11.3% Q-o-Q. Gold holdings stood at 68.83 tonnes as September 30, 2020. Gold tonnage was nearly flat quarter-on-quarter that was done by 4.4% Y-o-Y. The gold loan average ticket size and average duration was Rs.46,499 and 47 days respectively. The total number of gold loan customers stood at 25.57 lakh. The gold loan book at Rs.19,736 Crores. Auctions during the quarter were Rs.3.22 Crores. Our weighted average LTD stands at Rs.2869 per gram or 61% of the current gold price. Gold loan disbursement during the quarter stood at 93,368 Crores compared to Rs.68,390 Crores in Q1 FY2021. The online gold loan book accounts for 61% of the total gold loan compared to 63% in Q1 FY2021.

Coming to the Micro Finance Business, Asirvad MFI, AUM stands at Rs.4971 Crores down by 1.3% on Q-o-Q and this business reported a loss of Rs.2.42 Crores in Q2 FY2021 due to higher provisioning. We provided additionally Rs.66 Crores during Q2 FY2021 due to COVID and cumulative COVID provisions was Rs.196 Crores at the end of the quarter, that is 3.9% of AUM. Our collection efficiency from MFI business was at 90% in September and disbursement during the quarter was Rs.557 Crores. The company has a capital adequacy ratio of 25.7%. 32% of the MFI AUM was under moratorium as on August 31 in comparison with 80% in Q1 FY2021.

Coming to the vehicle finance business, we reported an AUM of Rs.1062 Crores, which is down by 16.4% of Q-o-Q and by 19.4% year-on-year. Collection efficiency was at 93% and 106% in September and October respectively. Restructuring is only 3% of vehicle finance AUM and that is 0.15% of the standalone AUM. The home loan business had a total book of Rs.621 Crores. It is down by 1.1% Q-o-Q and up by 2.3% Y-o-Y. It now operates from 47 branches and reported a profit of 0.9 Crores during Q2 FY2021. Collection efficiency was at 95% and 92% in September and October, respectively. Collection efficiency for the quarter was 90% compared to 62% in Q1 FY2021. The other loans, loans to NBFCs Rs.320 Crores and loans to SME Rs.193 Crores. Provisions and right off has come down at Rs.38 Crores compared to Rs.50 Crores in Q1FY21. We have provided Rs.36 Crores as additional provision due to COVID since March 2020. Our GNPS reduced to 1.11% at the end of the quarter compared to 1.25% at Q1 FY2021 and this is largely driven by non-gold businesses. On the inroad performance board has declared an interim dividend now 60 paisa for this quarter. Our capital position is strong, and company is well capitalized with a capital adequacy ratio of 24.8%. Company's consolidated networth stands at Rs.6451 Crores and the book value at Rs.76.2.

Now we can go for the Q&A session. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Chirag Sureka from DSP Mutual Fund. Please go ahead.

**Chirag Sureka:** First was regarding Asirvad West Bengal is 75%, some states are close to 100% and Karnataka has actually declined after reaching a certain high number, so could you just explain the nuance in each of these states in terms of what is happening especially the low collection efficiency states and you had mentioned that the worst seems to be over, so what is the reason for the optimism there? That is the first question. Second question is on housing finance also where the collection efficiency dropped after peaking the previous month, I think you have mentioned the numbers 95 and 92, so is that right and what was the reason for that? Thank you, Sir.

**Nandkumar:** Mr. Raja Vaidyanathan

**Raja Vaidyanathan:** I will answer that. Very good evening, this is Raja Vaidyanathan, MD of Ashirvad. I also have Mr. Babu who is Joint MD. We will answer this question. First let me go to West Bengal. West Bengal has been if you had seen the presentation, we saw that with the lowest of about 56% in July and we are now at 75%, it is on the increase. West Bengal as all of you know has uneven lockdown pattern strategy. They have lockdown during weekdays and lockdown during

weekends, there is no pattern like many states where it is a continuous lockdown. So when there is uneven lockdown, the collection pattern where we operate on a fixed day collections, it gets halted, so that is one of the reasons for West Bengal lower collections but having said that the collections have improved now and we are upward of 75% and it is on the increase, there is no doubt about that, West Bengal is definitely one of the lower states for collection efficiency but has increased. Karnataka is a temporary blip. We had 99% in September; in October it is temporary blip because of some local issue and again it is back to normal. So, as we speak now, in October we had already reached 90% collection efficiency that is the optimism why the Chairman said that overall the collections has improved in Asirvad. Across India the collections have improved and in pocket the good news is in pocket where we have had no collections earlier collections have started coming because of livelihood increases.

**Chirag Sureka:** Thank you very much, that was very clear. On the housing also please?

**Jeevandas Narayan:** Regarding the housing collection as you know from the worst of times during the initial months of the pandemic, in April when it was 50 we have steadily improved and this 95 plus sort of the current building is concerned without including the overdue, 95 plus in September. As you know every quarter the next month which follows the quarter there is some bit of slackness which I should admit to and that also it is not 92 per se it is around 92.4 something. This is not an undue cause to worry because this has been flagged on a day to day basis and as Mr. Raja mentioned even in this case also in some states especially in the state of Kerala because of the heightened incidence of COVID and all we had some issues even now in terms of particular areas being in containment and all that, that is why there has been bit of slackness I would say but then we are tracking it on a day to day basis and this month in fact on a day to day basis comparison also we are much better than in October. So, I would say that we should be able to improve upon it and keep this going during the rest of the months to come.

**Chirag Sureka:** Thank you very much Sir. Good luck and congratulations on good numbers.

**Moderator:** Thank you. The next question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

**Viraj Mehta:** Hello Sir, and congratulations for good set of numbers. My first question was regarding the gold business what is our current loan per gram of gold at this point?

**Bindu A L:** LTV?

**Nandkumar:** Last quarter average?

**Viraj Mehta:** Yes.

**Nandkumar:** Yes, 2859 per gram.

- Viraj Mehta:** Understood, so that means we would still have around 10% growth which can still happen based on this number apart from the grammage?
- Nandkumar:** True not more than that because as on today our average LTV stands at 51% that means 14% more scope is there.
- Viraj Mehta:** Understood, and in terms of if I look at Asirvad would it be now fair to say that we have reached final leg of whatever that we had provide and do you see more provisioning continuing, but because now that except West Bengal in all other states we have reached more than 95% collection efficiency would it mean that now we will not see provision going forward in Asirvad?
- Raja Vaidyanathan:** In the current method of ECL provisioning whenever we do a provisioning for any quarter the whole year has to be considered and the provisioning has to be done. So, when you have done this provisioning, we have taken that conservation and we have done. Having said that besides while we have taken care of all this emergency provisioning due to COVID and all that there could be some provisioning because of the normal businesses which is happening every month. So, I would not say there would not be any provisioning, but as you said major provisioning I can say has been done.
- Viraj Mehta:** I understand provisioning due to normal course of business, but that is less than 1% when normal provisioning. But here I am talking large provisioning of what we have done is close to Rs.300 Crores on a Rs.500 Crores...
- Raja Vaidyanathan:** Yes, correct as we had mentioned that the CFO Manappuram mentioned we have already provided about 3.9% of our AUM as COVID provisioning itself which is a very extraordinary item and we have already provided as added caution and I should say now as these are the RBI provisioning of Rs.147 Crores which is necessary we have done nearly to more than 50% or so.
- Viraj Mehta:** Understood, and last question is to Mr. Nandkumar we are hearing lot of noise from banks becoming very aggressive, but when I look at yield either your or the larger competitors in gold loan business, the yields do not seem to be affected. Can you tell me the rationale for it so that everyone is clear with that?
- Nandkumar:** I always maintain, and I always tell the customers who are going to the bank are different. Our customers are typically that of a money lender because they want the service instantly, the tenure time shall be low because he wants to save the day and second our average ticket size is around Rs.50,000 only. So, average life of the loan is around two months only, these customers keep on coming they want instant loan even for redemption they want to get it done in the evening itself so that they save the day. For this whole ticket for two months- three months as if going to a bank and if he saves some interest, he loses two days wages which is far higher. But those who go to the bank they have a larger ticket and also their intention is to have a long-term borrowing. I have been holding, our territory is NBFC territory only.

- Viraj Mehta:** Right, and just last question if you may allow we have always talked about even in the last con-call of yours you had mentioned 10% to 15% gold loan AUM growth but we have already achieved more than that in the first half itself and second half is generally a stronger half for us as far AUM growth is concerned, so would it be fair to assume that we would see even sequential growth from here of let us say 10% as of September ending to March?
- Nandkumar:** Viraj, we see a good traction, things should be good I would say, second half of the year also the business shall be good.
- Viraj Mehta:** Sure Sir, thank you so much and best of luck.
- Moderator:** Thank you. The next question is from the line of Jaiprakash Toshniwal from India First. Please go ahead.
- Jaiprakash Toshniwal:** Thank you for taking my question Sir. Can I have a borrowing break up of Asirvad?
- Raja Vaidyanathan:** Asirvad we have term loans of close to 60%, debentures of 12% and securitization of 25%.
- Jaiprakash Toshniwal:** Okay, and Sir, on the provisioning side we have mentioned Rs.66 Crores of normal provisioning and our GMP has increased from 2.1 to 2.5 does it mean that is there also a normal provision or we include the special provision of line calculating PCR?
- Raja Vaidyanathan:** This particular quarter Rs.66 Crores provision is an exceptional provision fully. But if you look at the Q2 there is a normal provision of close to Rs.19 Crores to Rs.20 Crores. This was basically done in Q1 which was prior to what has happened to March 1<sup>st</sup> that has been provided for in Q1. In Q2 the Rs.66 Crores was entirely COVID provision.
- Jaiprakash Toshniwal:** Okay, and lastly again on Asirvad our employee cost has increased YoY to Rs.48 Crores from Rs.35 Crores is there because of any specific addition from head count and if yes and what segment it has been added?
- Raja Vaidyanathan:** No, it is a very conscious strategic addition because we found that once the COVID broke out and the collection becoming tougher we consciously reduced the case load of the field people from a level of 750 we have come down to close to 500 now. So, every employee is contacting a less number of people so that the efficiency moves up. So, we found the cost of increasing HR is much beneficial than having the higher case load this improves the collection efficiency directly that is exactly what has happen that is the only reason.
- Jaiprakash Toshniwal:** Okay Sir, thank you I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Abhishek Murarka from IIFL. Please go ahead.
- Abhishek Murarka:** Hi! Sir, good evening. Just a few questions from me, first if you can share the number of customers in gold loans in lakhs for this quarter for Q2 FY2020 and for FY2019 if possible?

- Nandkumar:** Currently the live customers are around 26 lakhs so, last year Abhishek it was 24 lakhs now it has gone up by 2 lakhs.
- Abhishek Murarka:** And in FY2019?
- Nandkumar:** FY2019 we closed with 24 lakhs.
- Abhishek Murarka:** Okay, and Sir, in Asirvad basically two questions one how much extra provisions are you planning to make in the second half considering that number of people who have not made payments is also 9% and you have a 2% in those who pay less than 50% of the EMI, and second question is would any additional capital infusion be needed for Asirvad or that is not really a requirement?
- Raja Vaidyanathan:** Both these questions are inter-related there as you said previous question, we have now provided adequately for Asirvad, there could be some provision which would come in the next half also. Even considering that provision we will not require any capital for Asirvad because we have been looking at close to 25.37% now.
- Abhishek Murarka:** Okay, and basically this extra provision would be within your operating profit level so you should not be putting up?
- Raja Vaidyanathan:** That is exactly the reason so that we do not get affected.
- Abhishek Murarka:** Okay, perfect and the third thing just another data keeping question, so for your collection efficiency for different businesses can you break it up into with arrear we have, without arrear what it would have been?
- Nandkumar:** Commercial vehicle without any moratorium or anything this is without arrears, in July it was 69%, August 74%, September 77% and October 81% this is without considering arrears apart from that there is arrears collection this is apart from material side that is in July 15% arrears collection is there, August 17%, September 19% and Q2 altogether it is 17% and October 24%. So, the total collection also I will tell you including arrears plus billing collection i. e. July 85%, August 91%, September 96%. So, Q2 average is 90% and October it is 105%, so year to date if we take it is 77% during entire pandemic period.
- Abhishek Murarka:** And what about MFI?
- Nandkumar:** MFI Mr. Raja you have?
- Raja Vaidyanathan:** Yes, MFI I have a broad number because I could not get.
- Nandkumar:** Yes, I have shall I say, the total about from July onwards collection against billing as well arrears July 68%, August 71%, September 87% Q2 the average is 75% and October it is 87% that is the current one. So, you want the split arrears of billing.

- Abhishek Murarka:** Yes Sir.
- Nandkumar:** In July, this 68% without arrears.
- Abhishek Murarka:** How much I did not get the number?
- Nandkumar:** July 68% without arrears, August also 71% there is not arrears, September it is 82% and Q2 average it is 74% and October it is 82%.
- Abhishek Murarka:** Okay, so is pretty much stagnant October over September?
- Nandkumar:** Yes, correct.
- Abhishek Murarka:** But Sir, October number you said 87% whether your presentation say 90%?
- Nandkumar:** That 3% is foreclosure, including foreclosure it is 90%.
- Abhishek Murarka:** Okay, so 82% to 87%.
- Nandkumar:** I would say like this it is 82% it is billing collection in October 5% arrear collection and the balance 3% is foreclosure.
- Abhishek Murarka:** Sure Sir, got it. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Prateek Kothari from Unique Asset Management. Please go ahead.
- Prateek Kothari:** Hi! Good evening Sir and thank you for the opportunity. Sir, on the vehicle finance side what was the provision that we have provided for the quarter?
- Bindu A L:** Vehicle finance provision stands at Rs.78 Crores.
- Prateek Kothari:** Okay, my question to Mr. Nandkumar, in terms of our guidance for the next eight years we have mentioned that we would be aggressive in increasing our book on the micro-finance and also on the vehicles do we keep a non-gold part of the business and is there any change in strategy given the under writing results that we have seen because even if you go back couple of years during demonetization we had provide a huge percentage of the book for the MSI part even during COVID we have already provided 4% of the book on the MSI part I think about 7%-8% of the book on the vehicle part. The reason I am asking is this business generates about 7%-8% re-provision profit on the event that we manage and if you have to grow at 4% to 8% of the book it takes out all the profit and that exceptional items are more frequent when it comes to the MSI business. So, any change in strategy, what are your thoughts any change that we are making internally such that we do not have face this time and again because the underwriting seems to be

slightly weaker or historically we had seen that our gold business obviously very safe but this seems to be loosing a lot money time and again?

**Nandakumar:** One reason is our conservative provisioning policy. Even after demonetization we have collected good sum out of the written off amount so we do that, we provide that from the provision as well as written of the amount, we continue collection so only because of conservative policy which is more conservative than the regular processing norm we have made a higher provision.

**Prateek Kothari:** Sir, what you are alluding to is what you are providing for basically we see some reversal going forward and this is also what we saw during demonetization?

**Nandakumar:** See, this is always our policy to be very conservative in provisioning, whatever you have said is right.

**Prateek Kothari:** Okay. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Dhaval Gada from DSP Investment Managers. Please go ahead.

**Dhaval Gada:** Hi, Sir. Thanks for the opportunity. I had just two questions. First is if you could give the normalized billing collection pre-COVID for all the three segments, you said that for example in vehicle finance our billing collection in October was 81% what would have been the normalized collection pre-COVID in this segment, similarly for MFI you mentioned 82% I would presume pre-COVID normalized would have been 98% to 99%, so if you could just confirm that the third is home finance if you could give the same numbers like vehicle and MFI for July-August-September-October and also comment a little bit around pre-COVID what is the normal billing collections.

**Raja Vaidyanathan:** The pre-COVID collection in MFI are normally ranging from 97% to 100%, it was 99% couple of years back and then the new normal became 98%, so February 98% to 100% was at pre-COVID and as Chairman said in October our collection was 82%, that is because when you say collection is 82% we should understand that plus one we are talking about plus one we are not talking about zero. Post COVID with the collections on due date of collections is always it is decreasing but it comes within a few days so once the 30 days has become slightly higher now and that is reason for showing 82% current collection, it is definitely collectable, it is not something which is pre-COVID there we are unable to collect normally it slips to 60 to 90 and moves forward. So, that is the major difference in the industry one should understand that it is not the 99% ideal when we said that 1% is never collectable even after 30 days. Today, the situation is different it is collectable, it comes with a lag sometimes a week lag or sometimes it a month lag, that is the perspective I want to generally put. So, it is not an alarming situation it is very normal and Asirvad is on top of collections.

**Nandakumar:** So, Mr. Senthil about CV and two-wheelers together.

**Senthil Kumar:** Thank you Sir. Pre-COVID our current billing collections were around 90% to 94% and as MD Sir has mentioned sometimes back our collections in September was around 77% on the current billing and around 81% and hopefully going forward probably in the month of November we would be improving on a performance and by fourth quarter we will be back to the pre-COVID levels in terms of collections.

**Jeevandas Narayan:** Good evening Sir. Pre-COVID our collection efficiencies were ranging between around 94% to 96% in fact to be precise in February it was 95% plus then of course rest is the history as they say. We started off again from 50% in April, 60% in May, 76% in June then to 85% in July, 90% plus in August and reached about 95% something September. As I mentioned earlier because of the quarterly phenomenon next month there is a bit of snatch in the system but that is something which is not considerable. So, in October we saw around 92.4% now this is divided between current billing collection and also arrear collection for example in September our current billing collection was 87.35% and overdue collection was 8.06% that as of October the current collection is 86.63% and the overdue collections was 6%, so if you take that 95% that is why we said we have come to around 95% plus means we have come to pre-COVID level. Going forward definitely I think the worst is behind us and as Mr. Raja has also mentioned it is not as if, if it is not collected in the current bucket, at the end of it many cases it gets collected after EMI, one and half EMI in the next month, keeping you the segment in which we are I believe this is quite an acceptable think and I am sure going forward we will have better collections.

**Nandkumar:** You have heard about home finance from Mr. Jeevandas.

**Dhaval Gada:** Yes Sir, just one follow up, if you see the billing collections across the three businesses there seems to be some stagnation that has come from September to October so is this normal in your view or is that a little bit of a concern that the billing collections are not going back to the so called pre-COVID level in across all three businesses, so any comments around that?

**Nandakumar:** Last month few things have happened, which is temporary. One, number of festivals were there. The second, in many parts there were some temporary lockdowns, in rural areas, semi urban areas it was the time of peaking up and now it is slowly flattened and coming down so November onwards we hope the collections will improve.

**Dhaval Gada:** Okay. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Mitesh Gohil from Ambit Capital. Please go ahead.

**Mitesh Gohil:** Hi Sir. Most of my questions have been answered. Sir, just wanted to one thing why the gold tonnage is coming down?

**Nandakumar:** See, the people are not availing the full LTV. Our ruling average LTV current average LTV is only 61% people come in borrow say Rs.20,000 to Rs.25,000 this is not one piece gold, these are in pieces these are ornaments, in small quantities, small weights so they pledged according to the

requirement of their money, loan amount so that is why they redeem when they come back for the same amount they need to pledge only a lower quantity, that is the reason and when the gold price goes down still also the portfolio will be there so they will come with more ornaments that is the reason.

**Mitesh Gohil:** Okay, got it. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Kaushik Agarwal from Haitong Securities. Please go ahead.

**Kaushik Agarwal:** Hi Sir. Thank you for the opportunity. Sir, just few questions from my side. One is the data keeping question. Can you please repeat the disbursement numbers for the current quarter Q2 FY2021 and the same number for the previous quarter Q2 FY2020 and Sir my second question is with respect to you slide number 18 we can see that more than 50% of the gold loan AUM is coming from urban and metro areas so my first thing is what kind of customers are we catering in this region from broad industries perspective we can see that most of the gold loan demand is from the rural area and the major portion of your gold loan AUM is from urban and metro, just your view on this, these two questions?

**Nandakumar:** See, disbursement you want in all the verticals?

**Kaushik Agarwal:** I just wanted for gold loan business, disbursement for this quarter and previous year quarter.

**Nandakumar:** So, I will answer first the second part of the question. We have large number of branches in metros, even though in metros the lockdown was there because of these online gold loan, digital gold loan facilities and in our facility, in short structure we have provided in converting this non-gold loan into gold loan also so a lot of customers started availing online gold loan and our gold loan pre-COVID was around 48%, during the COVID period, during this pandemic it has gone to more than 60% so many of these customers who are availing online gold loan they had pledged over a month because they can avail the loan at anytime from anywhere through their bank account anytime they can be done so they can withdraw so that has pushed the gold loan growth also and you said with this online gold loan facility the profile of the customers have also slowly changed. Now, as per the liquidity comfort is there for the housewife or a small retailer or a person who are regularly travelling so our profile is slowly moving up in the economic aspect and now we will go to the disbursement number.

**Bindu A L:** During the quarter, our gold loan disbursement at Rs.93,368 Crores compared to Rs.68,390 Crores in Q1 FY2021.

**Kaushik Agarwal:** Just Q2 FY2020 was?

**Bindu A L:** Rs.50,250 Crores.

- Kaushik Agarwal:** Okay and Sir just one follow up question on the first question which you answered, regarding that you said since most of the customers are now moving to the online gold loan facility, these customers do you feel are more mature and they can avail other kind of unsecured loans from the market considering the interest rate being charged on the gold loan by the NBFCs is comparatively higher to the bank so why will the customer go to the online gold loan space?
- Nandakumar:** Yes, these are two distinct products with different convenience. See, this online gold loan what is the facility, they are in fact getting free safe custody of gold, free storage of gold and also the liquidity, they need not draw the money at that point of time in full, they get based on the weight and value of the gold so which they can use anytime so even without paying interest they carry a liquidity. See, this is like virtually they use like an overdraft that is the facility. So, the other loans, these unsecured loans these loans do not offer the overdraft facility, the working capital facility so many of our customers, gold loan customers have this facilities from banks also.
- Kaushik Agarwal:** Okay, thank you so much.
- Moderator:** Thank you. The next question is from the line of Shwetha Daptardar from Prabhudas Lilladher. Please go ahead.
- Shwetha Daptardar:** Thank you Sir for the opportunity. Two questions, one when you say 60% - 61% of your AUM is online gold, can you just bifurcate this into renewals or fresh customers?
- Nandakumar:** See, this online gold loan, once they arrange the facility in a branch they use it several times, sometimes of the same day itself they may use so almost all the customers are old customers, maybe only around 5% customers are new customers the reason is they pledged it as non-online gold loan for the time being then our people will be able to showcase them the advantages, communicate with them the advantages then they start doing, then they become the online gold loan customers.
- Shwetha Daptardar:** So, Sir is my understand correct does it so happen that the loan is for instance the average maturity of the gold loan is say three months to five months and closer to the end of the period the customer comes for the renewal and opt for online mechanism?
- Nandakumar:** If the real life of loan continued over a period of time may be after closure he pledges on the same day settling the interest everything and marking to the market etc., so that life is two months but average life of that customer is around eight months.
- Shwetha Daptardar:** Okay I go that and lastly what are the write off for this quarter and the same number for same quarter last year?
- Nandakumar:** Gold loan there is no write off, in other segments CFO will tell.
- Bindu A L:** Yes, P&L in bank which was Rs.50 Crore in Q1 and the standalone entity has come down to Rs.38 Crore in this quarter.

- Shwetha Daptardar:** So, that Rs.50 Crores is for the non-gold business, right?
- Bindu A L:** All put together, this includes stage one provision also so when compared to Q1 the reduction in P&L hit on account.
- Shwetha Daptardar:** Okay and Madam, what was the number for this corresponding quarter last year?
- Bindu A L:** Last year I will get back Shwetha, it is comparatively less because these two quarters because of the COVID there is an increase in the provision because Q1 also we aggressively made a provision for COVID because there were uncertainties and lockdown and all that so that is the reason Q1 we did an aggressive provisioning, Q2 things have opened up and the collection efficiency also improved and that is the reason the provisions has come down. Q1 was mostly based on some estimates without doing much moratorium in the book, the delinquency has been taken into the consideration for the provision especially in the case of greater finance because in the standalone entity gold loan remained, the collections remained same compared to the pre-COVID.
- Shwetha Daptardar:** Sure Madam, that was elaborate.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint this will be the last question for today which is from the line of Bunty Chawla from IDBI Bank. Please go ahead.
- Bunty Chawla:** Thank you for giving me the opportunity. Can you share the incremental LTV during the quarter for the gold loan as you have suggested 61% is on the portfolio basis so just incremental LTV? Secondly as we have seen gold portfolio has grown at 30% for H1 FY2021 so can you previous years outlook AUM growth of 15% can you reach or you can increase the AUM growth for the full year FY2021 or what is your forecast for that and thirdly just a clarification COVID related provision for MFI stands at 196 Crores and commercial vehicles 78 Crores? That is from my side.
- Nandakumar:** The incremental LTV is around 2%. Frist half of the year we have grown over 15% and we are seeing good traction this quarter also, we hope things should be good and regarding the provision CFO will tell.
- Bindu A L:** MFI provision you are right that additional COVID overlay at Rs.196 Crores. The Rs.78 Crores which we discussed is the total vehicle finance provision outstanding in the books. In vehicle finance second phase of moratorium was nil so whatever there in the books we considered as stage 3 as it is and made a provisioning so there is no separate COVID provisioning for vehicle finance.
- Bunty Chawla:** Okay and what will be the AUM growth guidance on an overall basis?
- Nandakumar:** No, we are not guiding but things seems to be good.

**Bunty Chawla:** Okay. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to the management for closing comments.

**Nandakumar:** Thank you for attending the conference even though there were some disruptions happened in between, thank you for remaining patient and actively participating and I look forward for the next interaction with you in future also. Thank you.

**Moderator:** Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.