



“Manappuram Finance Limited
Q3 FY2021 Earnings Conference Call”

January 29, 2021



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Moderator: Ladies and gentlemen, good day and welcome to Manappuram Finance Limited Q3 FY2021 Earning Conference Call 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, 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 Aisha. Good evening everyone and thanks for joining into this call. With us we have the entire management team of Manappuram Finance led by Mr. Nandakumar. Without further ado, I would like to hand over the call to management for opening comments followed by Q&A session. Over to you Sir!

Nandakumar: Thank you Engineer. Good evening and thank you for joining us to discuss our Q3 FY2021 results. During the past three quarters we have gone through the worst of the pandemic and the economics thirist, but now with the release of multiple vaccines and decline in new cases in India there is much optimism all around. We are now set to witness a strong rebound in economic activities even as some advanced economies battle second and third waves of the pandemic. On Monday the Finance Minister presents the union budget it would be premised on stronger economic growth, benign inflation and return of normalcy on the international trade front. GST collections have been strong even the government moved to spend more towards sell, infrastructure and irrigation. There was strong festive demand in most consumer segments be it in good white goods, consumables or automobiles. Policy makers have used this period to build the base for retaining growth momentum through various reforms not to mention the timely infusion of liquidity into the financial sector, which has lowered interspace all around. We saw increased demand for gold loans in the past quarter and expect the trend to continue. As economic activities recover and as the unorganized sector retails is spurting. During the year we have significantly stepped up our digital infrastructure and we continue to maintain our strong positioning in the online gold loan space. We are still there a doorstep gold loan facility to all our branches across India, which allows us to service customers even beyond normal working hours at their homes and offices.

Coming to our results for the third quarter, here are some key highlights. For consolidated the AUM has crossed Rs.27643 Crores up 14.7% year-on-year and 2.7% quarter-on-quarter. We are reporting a consolidated quarterly net profit of Rs.483 Crores for the quarter and 19% improvement over the previous quarter. Gold loan AUM grew by 24% year-on-year and 2.4% on a sequential basis to Rs.20214 Crores in line with our guidance. The gold loan business accounts for 73% of our consolidated book. For microgram subsidiary Asirvad Microfinance has made an impressive turnaround, it enters the quarter with an AUM of Rs.5358 Crores an



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increase of 8% quarter-on-quarter. Asirvad posted a PAT of Rs.17.8 Crores versus a loss of Rs.2.4 Crores in the preceding quarter. Importantly our collection efficiency has reached pre-pandemic level. India's automobile sector has bounced back in the last quarter and our commercial vehicle finance division saw improvement in collection efficiency reaching 110% level. The CV division's AUM stood at Rs.988 Crores down 7% compared to the preceding quarter as we focused on recovery and consolidation. Our affordable housing portfolio is small, but growing and the asset quality remains stable. We remain comfortable on the ALM front, we continue to bolster our long-term funds and just the other day we have raised Rs.600 Crores from LIC with tenure of seven years. With availability of funds not an issue our standalone average cost of borrowing declined by 18 bps 28.95%. Thank you and now it is over to our CFO, Mrs. Bindu for a detailed look at the number.

Bindu:

Thank you very much Sir. Thanks to all our stakeholders for attending the quarterly update call. I am happy to report that we had a strong quarter despite the multiple macroeconomic challenges. In Q3 we have seen improvement across the businesses in disbursements, collections and implementations and transformation of business wise in this parameter. There is pickup in non-gold loan businesses, which is almost at pre-COVID level given the soft macroenvironment that company continues to follow, approved and approached to accelerating the growth in non-gold loan segments. We are carrying surplus liquidity across all businesses during this quarter on standalone basis, we have raised fresh borrowing of Rs.1925 Crores through term loan and WCDL and NCDs. Cash and cash equivalence on a consolidated basis at the end of the quarter was Rs.2640 Crores and undrawn bank line of Rs.2502 Crores adding to nearly Rs.5000 Crores surplus liquidity.

Our CPS portion has come down to 8% against 24% a year ago and in a standalone MDT the borrowing cost declined sequentially by 18 basis points to 8.95% despite the significant extension of average duration of borrowings. Our consolidated AUM for Q3 FY2021 was Rs.27643 Crores up by 14.7% year-on-year and 2.7% Q-on-Q. The growth was largely led by gold loans. Consolidated profit after tax was Rs.483 Crores grew by 19.2% Q-on-Q and 16.6% year-on-year. ROE on a consolidated basis was 29% and ROA was 6.1% for the quarter ended December 2020. Talking about the gold loan business, which constitutes 73.1% of consolidated AUM, the gold loan AUM increased by 24.4% year-on-year and 2.4% Q-on-Q. Gold holding stood at 68.24 tonnes, the tonnage was nearly flat Q-on-Q, but was down by 7.2% year-on-year. As we have mentioned previously we see an inverse relationship between gold prices and the gold tonnage growth. Our customers borrow as per their financing needs so when the gold price goes up they place lower quantity of gold. Gold loan average ticket size and average duration was Rs.46318 and 75 days respectively. Our total number of gold loan customers stood at 26.24 lakhs, this is a net increase of 67000 during the quarter. The gold loan book stood at Rs.20212 Crores, auctions during the quarter were Rs.3.62 Crores,



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our weighted average LTV stands at Rs.2963 per gram or 63% of the current gold price. Gold loan disbursement during the quarter stood at Rs.57445 Crores, the online gold loan book accounts for 59% of the total gold loan.

Coming to the microfinance business, Asirvad MFL's AUM stands at Rs.5358 Crores up by 7.8% Q-on-Q and this business reported a PAT of Rs.17.78 Crores in Q3 FY2021 compared to a loss of Rs.2.42 Crores in Q2 FY2021. The collection efficiency from MFI business was at 99% in December and the disbursement during the quarter was Rs.1306 Crores. We are confident that COVID impact is largely behind us and we foresee improved performance for Asirvad in the coming quarters. The company has a capital adequacy of 24%.

Coming to vehicle finance business, we have reported an AUM of Rs.988 Crores, which is down by 7% Q-on-Q and the disbursement for the quarter is Rs.116 Crores. Collection efficiency was 110% and 112% in November and December respectively. We gave only three months moratorium to our vehicles finance customers versus the rest of the market, which allowed moratorium up to August.

The home loan business had a total book of Rs.633 Crores which is up by 2.1% Q-on-Q and up by 5.4% year-on-year. It now operates from 47 branches and reported a profit of Rs.3.16 Crores during Q3. Collection efficiency was 94% and 97% in November and December. Collection efficiency for the quarter at 94% compared to 90% in Q2. Loan to NBFCs at Rs.242 Crores and the other SME loans at Rs.210 Crores. We have been steadily growing this book over the last few quarters; credit quality for this portfolio continues to be robust. Provisions and write off for the standalone entity during the quarter stood at Rs.29 Crores compared to Rs.38 Crores in Q2 FY2021. We provided Rs.28 Crores additional provision due to COVID-19 since March 2020. Our gross NPA is at 1.26% compared to 1.11% in Q2 FY2021. The board has declared an interim dividend of Rs.0.65 paisa for the quarter. Our capital position is strong and the company is well capitalized with capital adequacy ratio of 25.85%. Company's consolidated net worth stands at Rs.6870 Crores, the book value per share stood at Rs.81.2. We can now 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 Ashish Sharma from Enam Asset Management. Please go ahead.

Ashish Sharma:

Thanks for the opportunity. Just couple of questions. First on the microfinance book, so we have grown in this quarter, have we increased our provisioning on the MFI book for the COVID stress and how do we see the stress emerging from the state of West Bengal, what was our percentage of book, which is in that state, that will be the first question and second would be on what is the outlook on the borrowing cost, we have seen that for many banks and NBFCs the costs have come down, but we have not seen the same sort of positive impact



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on the cost side, do we see that in some quarters lag we will see the benefit of borrowing cost that would be the two questions Sir?

Raja Vaidyanathan: On microfinance for this quarter also we have done provisioning, we have taken a provision of Rs.48.4 Crores, the overall provisioning is adequate and we have done about close to Rs.322 Crores for the year and this would definitely take care of provisioning requirement for the year.

Ashish Sharma: In terms of growth outlook now?

Raja Vaidyanathan: We have shown a positive growth of AUM this quarter and this will be increased as we go forward and we certainly come back on the disbursement side we have done about Rs.1300 Crores this quarter, it will increase now substantially from as we go forward.

Ashish Sharma: Exposure towards West Bengal?

Raja Vaidyanathan: There are clearly no signs of revival in all these stress districts West Bengal and Odisha and certain other states, as the Group CFO mentioned the collection efficiency has dramatically improved in all the places and we do not find anything very alarming in any other states, West Bengal was lagging behind, but now it has got up and we will expect that as we go forward it will come back to normalcy in Q1 of next year.

Ashish Sharma: Could you quantify the exposure of Asirvad in West Bengal?

Raja Vaidyanathan: West Bengal exposure is we have got about 12% of our AUM.

Ashish Sharma: I had a question on borrowing cost?

Bindu: Q1 and Q2 put together we could achieve nearly 45 basis points in the cost of borrowing, so the new money is coming at a long manner and with a slightly longer cost, so we expected the benefit to continue, the scenario continues as we expect further reduction in the next quarter also.

Ashish Sharma: Thank you that would be all and all the best for the next quarter.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Good evening. First of all in the microfinance business I had one question, are the margins coming down because I see the net interest margins are coming down year-on-year and is it



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because of any interest reversal that is looking like one-off, the second question that I had was on your CP book you have reduced it significantly though in nature gold loan is a short tenure business, is there any limit that you are keeping for the CP business in terms of increasing borrowings in the coming quarters?

Raja Vaidyanathan: Margin we operate on a RBI guidance of this 10% margin that is margin cap, what has happened is the opex has increased in the last two quarters because of lower disbursement and lower AUM; otherwise our margins are still the same. As we go forward as the disbursement increased and the AUM increased we always calculated the percentage of the AUMs it is 4.8 last year it is now 5.6 and that will come down below 5 as we go forward that is the pressure on margins because of the lower AUM growth and also we have done a lot of improvement on increase in cost of improving the number of, the manpower has been increased to increase collection efficiency, so those things have shown immediate results, but the costs have gone up a bit, in the coming quarters and as we move forward the AUM growth it will come back to normalcy.

Bindu: This year we could raise lot of bonds from the market through TLTRO and PCG also we could raise long term money and that is coming at a slightly lower cost, so that is the reason temporarily we thought of taking those long term money so that our monthly maturities will come down, but CPs are available and it is coming at sub 4% kind of level, so we will increase the percentage, but temporarily we thought of taking this long term money that will give us long term benefit in terms of tenure as well as on the cost because these bonds coming at a lower cost compared to past, if we compare the March 2020 bonds and the transactions, which we did now the cost difference is almost 2.5% so that is the reason we thought of taking this long term money and temporarily reducing the CP exposure going forward we may slightly increase the CP exposure.

Vivek Ramakrishnan: Thank you Madam that makes a lot of sense. Thanks a lot.

Moderator: Thank you. The next question is from the line of Alpesh Mehta from Motilal Oswal Financial Services. Please go ahead.

Alpesh Mehta: Good evening. First question is related to the overall ECL provisions outstanding on the balance sheet, secondly what is the total provisioning outstanding specifically for the microfinance portfolio and lastly for the vehicle financing portfolio?

Bindu: Overall in the standalone MDT we are holding nearly Rs.223 Crores provision, so on an average we can say vehicle finance is holding nearly 6% provision nearly Rs.1000 Crores of AUM and we are holding Rs.66 Crores provision on the vehicle finance book.



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- Alpesh Mehta:** Just to get this right, Rs.160 Crores is for the gold loan portfolio and around Rs.65 Crores; Rs.66 Crores is for the vehicle financing?
- Bindu:** 64 vehicles.
- Alpesh Mehta:** Microfinance?
- Bindu:** On the MFI also we are holding 6% so the total amount is Rs.322 Crores.
- Alpesh Mehta:** When we are giving this number this includes everything right, stage 1, stage 2, stage 3 plus COVID, all the provisions put together?
- Raja Vaidyanathan:** Yes.
- Alpesh Mehta:** Considering whatever the events which are happening into West Bengal and Assam, do you think so this entire provisioning of only 6% is sufficient or we may have to buffer up the provisioning in that portfolio now, while the collection efficiencies have improved, but certainly over the last whatever 15 days to one month what we are hearing there have been some issues in terms of the collections again now?
- Raja Vaidyanathan:** Our Assam portfolio is considerably small, we have only Rs.38 Crores of the Rs.5000 Crores and West Bengal also as I said earlier it is 3%, ECL provisioning as you know it takes into care what losses might occur in the next quarter also and then we provide, so as it stands at R.322 Crores we provided should take care of the entire year, borrowing as you see some unfortunate circumstances, otherwise it is covered completely.
- Alpesh Mehta:** Okay, thanks and just last question on the gold loan business now I can see that the ROAs have improved to almost 7% and there have been significant increase into the competitive intensity, any plans to reduce deals into that particular business and what is the growth outlook for FY2022 now, would we stick to our guidance of around 15% kind of growth rate for FY2022, FY2021 is more or less over, so FY2022 any sense on that?
- Nandakumar:** We have been holding that 15% annual growth and we hope that we can achieve that in 2022 also.
- Alpesh Mehta:** The ROA guide obviously not specifically related to the ROA, but the ROAs are almost at 7% plus into this business also, just because of the competitive intensity would you plan to reduce some yield and pass on the benefit to the customers?
- Nandakumar:** It will remain around 6% to 7%.



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- Alpesh Mehta:** Thanks, those were my questions.
- Moderator:** Thank you. The next question is from the line of Lokesh Mallya from SBI Funds Management.
- Lokesh Mallya:** This question is on the MFI part. Can you state the total amount of zero plus in Asirvad as of December 31, 2020 and what was the number on September 30, 2020, total overdues in the microfinance segment and second if there has been any disbursement to use those accounts also during the quarter?
- Raja Vaidyanathan:** September 30, 2020 the zero plus was Rs.1044 Crores, on December 31, 2020 it is Rs.935 Crores, it has come down and it is coming down as in January this has come down further and to answer to your question the disbursement take a certain method we do not disburse everybody only when they are closer to maturity we do the disbursement, but there are certain newer products we have introduced for the support of the people so that disbursement had taken place, but it is not very significant about Rs.1305 Crores, which we disbursed this disbursement is less than about Rs.100 Crores.
- Alpesh Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.
- Dhaval Gada:** Thank you for the opportunity and congrats on decent performance. I had three questions Sir, first is like last quarter could you give the billing collections data for MFI, vehicle finance and HFC for October, November, December, just to get color on that and even with some trend on January that would be useful?
- Bindu:** Dhaval during the presentation that Raja Sir will explain.
- Dhaval Gada:** Billing efficiency you had collection number, but last time I remember in MFI it was 82% and collection was 90%, 91%, so just wanted to get where are we as far as billing collection is concerned?
- Raja Vaidyanathan:** It has moved from October, November, December 91% to 93% to 99% that is the overall collections, this is as compared to last quarter it was 75% in August, 90% in September and 93% in October, so that is the overall collections which includes of course our total current collections plus the collections, which we normally do then we do a disbursement one or two installments of including that.



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- Dhaval Gada:** The data that is there for last seven months since April on an average the overlap between billing and collection is about 7% so that is the same number, so basically the collection, billing number would be like 7%, 8% lower than the collection efficiency?
- Raja Vaidyanathan:** It has reduced now about 4% to 5%.
- Dhaval Gada:** Okay.
- Jeevandas Narayan:** For the HFC billing and arrears you want separately or you want total collection?
- Dhaval Gada:** No, billing and arrear separately.
- Jeevandas Narayan:** In October our billing was 86.5 and arrears was 6% thereby a total of 92.5, in November it was 88 and 6% that is 94 and December 90 plus 7 arrears 97%.
- Dhaval Gada:** CV?
- Senthil Kumar:** In Q2 overall we had EMI collection versus billing around 74% and arrears collection was 16% and in Q3 it has improved to 82% and 28% of arrears collection and if you are looking at on a monthly basis in the month of October our collection against billing was around 81% and our collection against arrears was around 25% and in November it was around 79% and 31% on collection against arrears and there was improvement in the month of December where the collection against billing had gone up to 85% and the collection against the arrears amount outstanding was around some 27%, so overall there has been an improvement when compared to Q2 from 74% to 82% and from 16% against arrears collection to 28%.
- Nandakumar:** The overall collection has reached 110% in CV.
- Dhaval Gada:** Just taking this forward if you look at all the three non-gold businesses basically they are 5% to 8% below in terms of pre-COVID billing collection efficiency, so in that context given the level of provisioning that we have currently do not you think that there is some shortfall in the MFI portfolio specifically and also in the HF portfolio these two portfolios any comments that you have as far as provisioning level is concerned because if I am right in HF our billing number is 95% and right now we are at 90%?
- Raja Vaidyanathan:** In MFI we have provided 6% Rs.322 Crores, 6% we have provided now provisioning is there already and as we move forward in collection efficiency in the new book is 99 so it is adequately in a provided product.
- Dhaval Gada:** You do not see any further addition requirement?



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Raja Vaidyanathan: As I answered to another question as of now when we do a limited review you take it account to the entire and provide, as of now we actually provided something more than what is necessary for that, so we are not requiring anything for Q4, the things are going as such for what it is now.

Jeevandas Narayan: In fact our pre-COVID in January, February was around 95%, 96% that is including the arrears collection also, so we have reached and crossed that in fact in December billing is 90 and arrears is 7, so overall is 97%, if I remember that in February and March we were around 96%, 97% same level, so we have reached pre-COVID level.

Senthil Kumar: We would be reaching pre-COVID levels in February and as of now we have covered adequately by provisioning, so I do not think we would have any requirement for additional provisioning going by the trends, the trends have been increasing in the last couple of quarters and hopefully we will be able to better this quarter also.

Bindu: As you are aware our portfolio is pick out any second phase moratorium for the vehicle finance business, so the last three quarters we took an aggressive provisioning and now it is coming down for the provisioning.

Dhaval Gada: Fair point and just last point related to the gold business related to the volume part I am sorry I have joined a little late, so in case you covered that part, but just going forward are you surprised with the current level of degrowth that you are seeing in the gold business even on sequential basis and going forward any comments that you have as to how this should pickup and what would be the drivers for the pickup?

Nandakumar: The key driver is the demand, so the volume has picked up, the underlying collateral shares are less significant because people wanted so much money they bring collateral, what is required for to avail that much of loan, so when the gold price is down they bring more collateral and the collateral growth also stopped immediately, only this, so what we aim is with the gold price down or gold price up we are hopeful of achieving a growth of around 15% that we are meet in.

Dhaval Gada: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Prashanth Sridhar from SBI Mutual Fund. Please go ahead.

Prashanth Sridhar: Good evening Sir. Most of my questions have been answered. Just two things if you can clarify is there any zero plus in the other loans of around Rs.450 Crores and what is their incremental LTV on the gold portfolio?



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- Nandakumar:** The incremental LTV, you are aware the LTV at 75%, when the gold price is up the average LTV goes down and gold price is down the average gold price (**inaudible**) 35:12 that is the only difference, so there do not be much difference in the LTV.
- Prashanth Sridhar:** If you could just clarify any zero plus in the other loans Rs.450 Crores?
- Bindu:** On the SME launch there will be a small amount, NBFC lending we have considered a small provision wherever we felt a stress, so there will be a small maybe Rs.20 Crores put together.
- Prashanth Sridhar:** So Rs.20 Crores on a portfolio of Rs.450 Crores, thank you.
- Moderator:** Thank you. The next question is from the line of Shweta Daptardar from PL India. Please go ahead.
- Shweta Daptardar:** Thank you Sir for the opportunity. I have two questions. One on the gold loan side 59% of your total gold is online, so can you just give a color as to how much is the share of existing customers and new customers and how much is the share of existing customers with fresh collateral?
- Raju Narayanan:** 59% online gold loan on the total AUM that means whatever be the outstanding we have as on 31st Rs.20400 Crores 59% of that book is registered in the online model, customer is on boarded in that bank account or registered they can transact through that model that is total. On the total customer base whatever be the new customer coming first instance what we have seen on the 15% to 20% of the new customer on boarding in the online because this is a new things in the market the customers are yet to understand and all, but once they started doing transaction, second and third transaction onward they are converting, so that is why the balance customer also converting, so the first instance on new customer 20 and existing customer also converting, to that way only we reach this 59 and there will be an incremental on quarter-on-quarter also from the AUM level.
- Shweta Daptardar:** Okay and secondly again in your gold loan business in the last quarter gone by there were certain branch shuts in the region of Maharashtra, so of course it was due to political influence, is it that there is difference in our incentive structure vis-à-vis industry, how did the employees got influenced and can you just throw color on the same?
- Nandakumar:** All these are settled, so these are politically influenced, these are not exactly by employees we are aware about what is settled with the concerned political parties these are over.
- Shweta Daptardar:** One last book keeping question on MFI side, Sir what are the write off for this quarter vis-à-vis previous quarter?



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- Raja Vaidyanathan:** This time we really wrote off 68 Crores books, previous quarter we did not have any.
- Shweta Daptardar:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Nilesh Saha from Edelweiss. Please go ahead.
- Nilesh Saha:** I have a question in regards to the MFI piece, could you please talk about what percentage of the book is not active like what percentage of book is not in their dues EMI?
- Raja Vaidyanathan:** Out of the total 23 lakh customers there are about one lakh customers what we call as not active, but that is also only till December, those people will never take in December, so now as per the RBI guidelines the restructure in the portfolio of this one lakh customer and we have found that 18% have started paying in January, which means even that one lakh is coming down, so one lakh represents about 4% of our total customer base and because you we have given them an additional 24 months and we have to give their EMI as per the guidelines of RBI we expect this percentage to come down further.
- Nilesh Saha:** Okay and I think you said write off numbers..
- Raja Vaidyanathan:** Write off is the policy of the company, everything it is over 180 days which we normally do not keep it, take it out and bring down the AUM, but the collections are still, efforts are still beyond, so it is more accounting entity, provision is different, provision we have already made long time back, write off is next step on that.
- Nilesh Saha:** Right, but the number you gave was Rs.68 Crores, so your total provision over the last four quarters is roughly about Rs.220 Crores, so this 68 is a part of that?
- Raja Vaidyanathan:** No, this Rs.322 Crores is over and above that, otherwise it would have been Rs.322 Crores plus that Rs.68 Crores.
- Nilesh Saha:** Okay, I am a little bit confused here because I think to your provision expense for this quarter is Rs.48 Crores right?
- Raja Vaidyanathan:** Do not confuse provisioning and write off, write off is next stage it would not come as provision, they have already been provided for earlier, so now it has been removed from the books totally so that is the reason I am saying that when we pay Rs.322 Crores then Rs.68 Crores does not figure in because the AUM has already been removed, so there is no need for a side which has been written off. If you cannot written back then provisioning would still be there.



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- Nilesh Saha:** (inaudible) 42:48
- Raja Vaidyanathan:** Yes exactly.
- Nilesh Saha:** I just wanted to get back that numbers?
- Raja Vaidyanathan:** The number is Rs.322 Crores.
- Nilesh Saha:** Got it, okay, so now I think that I understand to get your perspective on incremental provisions from here on, how should we think about that?
- Raja Vaidyanathan:** I had answered this couple of times during this call itself, the incremental provision required for the entire year now as per the ECL working comes to about less than this amount we have provided Rs.322 Crores slightly Rs.15 Crores, Rs.16 Crores less, we have provided that is more, so barring unforeseen circumstances we should not be adding additional provision for Q4, we have adequately taken care of that and we find it the restructure portfolio works better this can even come down the provisioning can even come down.
- Nilesh Saha:** Okay and one final question. I think you made some comments around growth in this book right, so these geographies are you trying to grow your book from here on?
- Raja Vaidyanathan:** We are now absolutely very well diversified, we are in 23, 24 states now and this particularly year there have been a very subdued growth, we will grow uniformly across all geographies, but our growth will be more pronounced in this central and northern region this time, not in south and east. Our new branches which we are planning would come in the central, west and northern region and not in south and eastern region.
- Moderator:** Thank you. The next question is from the line of Prateek Agrawal from ASK Investment Managers Limited. Please go ahead.
- Prateek Agrawal:** One comment on the presentation, I really liked the slide #29, which talk of risk control on the MFI piece, the question that I have is on gold loan growth, now if you look at several other banks who are active in the space they have shown a growth, which is substantially higher than what we have, so what is happening and it is not (inaudible) 46:04 substantially lower AUM, yes one had actually higher AUM others maybe lower, but yes their growth of 10%, 6% sequential is significantly different from some 3% that we have achieved, so really want to understand that what is happening?
- Nandakumar:** You are aware that their gap on LTV have been 5% to 90% temporarily up to March 31, 2021, so many of the customers who clustered with them have availed more LTV and also they



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were able to get more loans also because of this temporary advantage. We feel like when the temporary advantage goes and the growth rate will be come down, this is our feel, this is what the feel we get from the market.

Prateek Agrawal: Okay, understood, so post next quarter the growth rates could again swing to your favour is what you are saying?

Nandakumar: This year we expect the momentum we maintained, more and more activities are happening, businesses are coming to the normalcy, because of the normalcy in both in agri and other sectors we feel like growth momentum will be maintained.

Prateek Agrawal: Lastly from my side now that the economy is all opening up and things are close to normal how is the last quarter going for you, last quarter is usually a strong quarter for you?

Nandakumar: Now, many of the segments are closed to where we used to get business like academic institutions are still closed, many sectors, cottage industry are slowly picking up and the migrant laborers are returning for workers, etc., we see all these were positive and the government funding of infrastructure, this is expected to increase during the last quarter we hope, all these will help us in long growth.

Prateek Agrawal: Thanks Sir.

Moderator: Thank you. The next question is from the line of Pratik Chheda from IIFL Securities. Please go ahead.

Pratik Chheda: Thanks for taking my question. I just wanted one clarification on GNPA numbers, I just wanted to understand these GNPA numbers that you put out is this based on the Supreme Court order and if not what is the proforma GNPA across segment?

Bindu: This is on the book the total GNPA so the 1.26 is gold loan plus vehicle finance roughly, so we are not done the Supreme Court adjustment in the standalone entity.

Pratik Chheda: What would be the proforma GNPA I wanted to understand that?

Bindu: I will get back to you because the GNPA number reported as per the books.

Pratik Chheda: Just wanted to understand what is the level of restructuring that has been in the gold loan book, MFI you suggested around one lakh customer accounts have been restructured, but what is it in the gold loan book?



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- Bindu:** No restructuring even moratorium also nil only.
- Pratik Chheda:** Okay, thanks a lot.
- Moderator:** Thank you. The next question is from the line of Radhika Lohia from Mirae Asset. Please go ahead.
- Radhika Lohia:** Good evening. So there has been increase in the profitability and what has the accounted as is this other income, so can you just tell me what is included in the other income?
- Raja Vaidyanathan:** Other income normally improves our documentation that processing fee of 1% then we have income from fixed deposit, which we have placed for as collateral and the third is we also do some cross selling of products to the customers, this three put together is in other income.
- Radhika Lohia:** My next question is that can you give me some idea on your incremental lease on your loan book like specifically for the gold loan segment?
- Nandakumar:** The yield will be maintained.
- Radhika Lohia:** So any percentage if you can give?
- Nandakumar:** Incremental yield will be the same only, it will be maintained there would not be much difference.
- Radhika Lohia:** Okay, that is it from my end. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aswin Kumar Balasubramanian from HSBC Asset Management. Please go ahead.
- A K Balasubramanian:** I had one question. Basically the gold tonnage has come down slightly while gold AUM each quarter-on-quarter, so if I am not wrong like the gold prices also would you like September quarter were slightly on the higher side as compared to the December quarter and since your products are mainly three-month product so just wanted to understand how AUM has actually grown?
- Nandakumar:** It is a very usual phenomenon. When the gold prices are up the tonnage will come down because even then we are getting some growth of some 10% to 20% and when the gold prices are down then also we get around 10% to 15% growth, it means when the gold prices are down the tonnage increases, so if gold prices are up the tonnage will go down because of this reason, people borrow money for their use, they borrow Rs.10000 or Rs.20000. They bring



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ornaments to avail that loan only that is the reason, when they avail, these people avail loan of Rs.15000 or Rs.20000 or Rs.50000 they are always conscious about the need of yearly redemption because these are all family jewelry.

A K Balasubramanian: I got that, my question is more on a sequential basis between Q2 and Q3 because Q2 and Q3 has not been much the gold prices would not come down?

Nandakumar: The differences in value Q2, Q3.

Bindu: AUM grew by 2.4%.

Raju Narayanan: AUM grown by 2.4% and the tonnage is almost flat only this quarter, but Madam already told that there is 67000 net increase in the number of customer that is why the business is there and new customer also it is increasing on the Q3 only, the result of tonnage is exactly related to this price because their customer is coming with some Rs.25000 need they may carry some gold so that is only reflecting in the tonnage so that the increase and decrease is happening, but business side there is increase of 67000 customer net addition is happened and new customer also compared to Q2 it is increased by around 5000 additional is happened compared to Q2.

A K Balasubramanian: Would there be retained LTV also or LTV in December?

Jeevandas Narayan: 63%, so that 59% was in Q2 and now it is 63%, because of the price slight reduction that may increase.

A K Balasubramanian: Thank you.

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

Viraj Mehta: Congratulations. Just had one question on funding profile, if you look at our liability mix that has changed considerably in spite of our business being extremely robust we have almost completely shunned CP market compared to where we were couple of years back, A, do you feel that we have gone really debentures in terms of our liability profile, which is affecting our cost of borrowing and do you think we will make any changes there?

Bindu: This year with the government support lot of long term money was available and it was coming at a slightly lower cost, so we thought of taking that opportunity that is the reason temporarily our CP exposure has come down, but definitely I think that the further requirements definitely we will use CP, it will help us in reducing the cost of borrowings are



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there, but these bonds are available for a particular time only that is the reason last nine months the bonds which are available which is coming at comparatively lower rate, the last transaction we did free our money at less than 7.5, so that is the reason we thought of taking the opportunity and reducing the CP exposure temporarily, so with the increase in tenure quarter-on-quarter our cost of borrowing is coming down, so this will give us some benefit in the long term almost 60% of the liability is long term and it is not with extra cost so that is the reason we did that, but going forward we can increase the CP exposure, assets are short term we can definitely manage with the CP as long-term money is available, at a lower cost we thought of doing the bonds, which is available.

Viraj Mehta: One thing, in our longer term gold what will be the ideal liability structure in terms of CPs to bond, are there any percentages in mind?

Bindu: We were managing with 25% in CP, 25% in NCDs and 50% through WCDL and cash credits, but now with the ECB transaction and the bond transaction almost 60% is long term and 8% is CP and the balance is WCDL and cash credit, so we can comfortably manage 15% to 20% CP as majority of the assets are short term that is possible, 15% to 20% we can manage.

Viraj Mehta: Thank you so much and best of luck.

Moderator: Thank you. Due to time constraints we take the last question from Anand Jhavar from PhillipCapital. Please go ahead.

Anand Jhavar: Quickly wanted to know now that hopefully COVID effect is behind us would we be looking at increasing our gold loan branches because last two years we have obviously not consolidated our position, so brick and mortar model are we going to go ahead and increase it again as the economy recovers or you will focus more on the digital acceleration to get the customers because as I understand last quarter you got some 60000 new customers and would that be a run rate that we can expect going forward?

Nandakumar: We intend to for both, expanding our reach digitally, we have started doorstep delivery to gold loan also, delivery at home doorsteps and we applied to the bank for around 300 branches in north India where we see very good potential, maybe because the functioning was a little slow because of many people who are working from home, etc., etc., so we hope the permission will come without much delay then we will open these 300 branches in accordance with permissions from RBI.

Anand Jhavar: Any timeline for that within a year, calendar year?

Nandakumar: We hope so all depend on the permission from the regulator.



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Anand Jhavar: Second question regarding the 60000 customer acquisition for the quarter run rate which turns around 2.4 lakh annually can we expect that because obviously you guided for 15% growth on the gold loan AUM, but customer acquisition has not been very aggressive obviously because of COVID and the consolidation was more important, but now that COVID is behind would we look to change customers aggressively or what we have done in the past volume?

Nandakumar: We are doing that and we hope the momentum will be maintained.

Bindu: Just to add to that 67000 is the net increase in the customer base, during the quarter we could get nearly 4 lakh new customers, this is the lying customers as on September 30 and December 31, what is the difference, so on the customer base where is the net increase of 67000 but during the quarter we added nearly 4 lakh new customers in gold loan.

Anand Jhavar: One followup question because if we are expecting 300 branches to be added within a year's time subject to approval, so the opex would I think go up from 5.5 what we are currently to maybe because earlier two, three years back I remember it is to be around 8% which is come down to sub 6, what could be the cost increase?

Nandakumar: I do not think so because these 300 branches opening will be phased quarter-on-quarter and we will be able to achieve break even within one year that is what we expect so yield in the net interest margin we hope it will be improved slightly because the customer borrowing is coming down and we plan to increase short term borrowing CP little bit, so all these will take care of the additional cost because of this, so we hope to maintain even with the 300 branches opening in a phased manner, we hope the opex will be maintained at this level.

Anand Jhavar: Thank you for all explanation and great numbers, all the best.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for closing comments.

Nandakumar: We hope we have answered all the questions to the satisfaction and thank you all for the participation and also the organizers for that. Thank you.

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