

Manappuram Finance-

- Ladies and gentlemen. Good day and welcome to Manappuram Finance Q4 FY19 earnings conference call hosted by Prabhudas Lilladher Private Ltd. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Swetha Datadar from Prabhudas Lilladher Pvt Ltd. Thank you and over to you, ma'am.
- **Ms. Shwetha Datadar – Prabhudas Lilladher Pvt. Ltd.**
- Thank you, Nirav. On behalf of Prabhudas Lilladher I welcome you all to the Q4 FY19 earnings call of Manappuram Finance. We have with us today the management represented by Mr. V.P. Nandakumar, MD and CEO, Ms. Bindu AL CFO, Mr. Raja Vaidyanathan, MD, Asirvad Micro Finance, Mr. Kamlakar, CEO, Manappuram Insurance Broker. I would now like to hand over the call to management for opening remarks, post which we can open the floor for Q and A. Over to you, sir.
- **Mr. V.P. Nandakumar – MD & CEO, Manappuram Finance Ltd.**
- Thank you, Ladies and Gentlemen. Welcome to Manappuram Finance Ltd Q4 and FY19 conference call. Thank you all for joining us today to discuss our results. At the outset you are aware that over the past two quarters the Indian financial market has been growing through a liquidity crunch. Mainly due to many NBFCs facing ALM mismatches. I am happy to report that except for an initial increase in our borrowing costs, we have not faced any other issues on this front.
- Coming to our performance I would like to start by saying that it was a good year for us overall. We ended the year on a positive note with strong Q4 numbers. Our consolidated AUM has crossed rupees 19,400 crores and we are reporting a consolidated net profit of about Rs 919.8 crores for the full year which is a sharp increase of 36% over the previous year. The growth was led by our gold loan book which nearing Rs 13,000 crores is up by about 10% year on year. In the current year we will continue with the expansion of our gold loan branch network focusing on the Northern and Eastern region. We expect to open 150 branches during this year. The branches are located in some of the most unbanked markets in India which collectively form a large and growing addressable market for us. While gold loans remain the mainstay, our new businesses have started delivering on their potential, not only growing faster but also by contributing meaningfully to the profitability. Our micro finance business has led the change, Asirvad Microfinance closed the year with an AUM exceeding Rs 3800 crores growing by 58% YoY to emerge as an industry outperformer. It also managed to hold down gross NPA to less than 50 bps.

Our commercial working finance business reported strong numbers with AUM exceeding Rs 1100 crores a near 80% growth YoY while containing gross NPA to less than 2% as of March 31st, 2019. Our home loan subsidiary ended the year with a loan book of Rs 518 crores which is up 8.3% QoQ. Put together our new business contributed one third of the consolidated AUM. Our average cost of borrowing in Q4 have come down by 10 bps. Going forward we expect a further reduction in borrowing costs following the reduced risk weight for banks' lending to credit NBFCs like ours. And also, from an eventual pass through of recent cut in policy rates we continue to be comfortable in our liquidity position. We also have an approval to the Rs 1000 crores of public NCD's of which we have raised nearly Rs 400 crores in two tranches. As for our future business plans our insurance broking subsidiary has reported a strong growth with premium received surging from Rs 43 crores in 2017-18 to about Rs 115 crores in 2018-19, it is likely to cross the Rs 200 crores mark in 2019-20. A strong growth in life insurance segment achieved by tracking the captive business. We observed that the business has been very profitable to the insurance company that have undertaken this business. Considering the growth achieved by the insurance broking subsidiary by utilizing the accessing network of branches of Manappuram finance and the subsidiaries our board has authorized the management to explore entry into micro insurance to utilize the large base of Manappuram group of customers so as to provide with appropriate financial structure by leveraging the group's synergy. The board has also advised the management to initiate the takeover of the promoter led entity Manappuram Asset Finance Limited subject to regulatory approval. The company is experienced in gold loan, vehicle loan and SME. Thank you and now for a detailed report about the numbers, it is over to our CFO, Bindu.

– **Ms. Bindu – CFO, Manappuram Finance Limited**

- Thank you, sir. For the quarter ended March 2019 our consolidated AUM stood at Rs 19,438 crores, an increase of 9.3 % QoQ and 23.3% YoY. Our total consolidated income from operations was Rs 1084.8 crores an increase 0.3% QoQ and 22.3% YoY. The consolidated profit after tax after minority interest was Rs 255.5 crores compared with Rs 244.1 crores for Q3 FY'19 an increase of 4.7% QoQ and 42.8% YoY. For FY'19 our consolidated net profit was Rs 919.8 crores which was an increase of 36% over the previous year. The standalone profit stood at Rs 212.5 crores which was up by 0.8% QoQ and up by 27.5% YoY. For FY'19 our standalone net profit was Rs 787.7 crores which was an increase of 14.7% over the previous year. ROE on a consolidated basis was 23% annualized for the quarter ended March '19. Our gold holding was 67.5 tons as in the period ended March 2019. The holding is increased by 1.8% QoQ and up by 5.5% YoY. Our total number of gold loan customers stood at 24 lakhs. The gold loan book at Rs 12,962 crores which is up by 3.5% QoQ, and up by 10.5% YoY. Auction during the quarter were Rs 67 crores. As you are aware, we follow the policy of making regular auction on overdue accounts. Our gold loan weighted average LTV stands at Rs 1921 or 65% of current gold price. Gold loan disbursement during the quarter at Rs 27,164 crores compared to Rs 21,029 crores in Q3 FY 19. The online gold loan book is steady which is accounted for 39% of the total gold loan. Asirvad Microfinance had a closing AUM of Rs 3841 crores an

increase of 20.2% QoQ, and 57.6% YoY. For Q4 FY 19 the company made a profit of Rs 40.92 crores compared to Rs. 33.72 crores reported in Q3 FY'19. In Ind AS, transition we have provided 100% for loans due over 90 days. We have provided Rs. 18.4 crore excess provision as compared to RBI prudential loan. 100% of disbursements were made in a non-cash manner. Asirvad Microfinance has 18 lakh customers 942 branches and 4951 employees. We are now present in 22 states. It is now the 5th largest NBFC MFI in the country. Asirvad is among the lowest cost MFI lender in India with a cost to asset of 5.6%. The company has a capital adequacy ratio of 31.7%. Strong traction in vehicle finance business with AUM of Rs 1,115 crores it is up by 14.3% in QoQ and up by 78.2% in YoY with stable asset quality of 1.9% GNPA as on 31st March 2019 versus 2.4% as on 31st December 2018. Business is now carried out of 168 branches across 21 states. This was 93 branches across 19 states one year ago. And we are seeing early signs of successful cross selling. The home loans business added total loan book of Rs 518 crores which is up by 8.5% QoQ, it now operates from 35 branches the new business has contributed to 33.3% of consolidated AUM. Our average cost of borrowing during the quarter decreased by 10 basis points to 9.27 %. We did not face any liquidity stress during Q4 and could raise long term borrowing from IFC and NABARD for 3 and 5 years respectively. We had communicated to the market about significant savings in security costs a few quarters ago. We are pleased to announce that security costs have come down to Rs. 16.8 crores, from Rs 22 crores reported in Q3 FY'19. We expect to continue to drive benefit of operating leverage going forward. Our employee cost increased by 7.3% QoQ to Rs 193.05 crores. Our total consolidated head count which now stood at 25,610 an increase of 1.6% QoQ. The overall number of gold loan transit stood at 3372. Provisions and write offs for the standalone entity during the quarter were Rs 2.2 crores. Our gross NPAs was 0.55% for the quarter ended Q4 FY'19. The company consolidated net worth stood at Rs 4525 crores as at March 2019. The book value per share stood at Rs. 53.7 of diversified business. The board has declared an interim dividend of 55 paise for the quarter. The capital adequacy at the end of the year was 23.97%. The total consolidated borrowing stood at Rs 15,295 crores and the proportion of CPs have reduced to 21.5% from 23.1% YoY.

- Thank you, now the floor is open for questions.
- **Moderator**
- Thank you very much. We will now begin the question and answer session.
- The first question is from the line Jaiprakash Toshniwal from India First Life, please go ahead.
- **Mr. Jaiprakash Toshniwal – India First Life:**
- Thank you, sir. Sir of the Manappuram Asset Finance business, what is the current loan book and what is the net worth of the company?

- **Management – Manappuram Finance:**
- Current loan book is around Rs 200 crores and net worth of Rs 23 crores.
- **Mr. Jaiprakash Toshniwal – India First Life:**
- Are we disclosing the price of which we are paying for it?
- **Management – Manappuram Finance:**
- No, this has been done. We took the permission from the Board for not disclosing the price so that we improve our corporate governance which is a major issue. Now we're going to regulator.
- **Mr. Jaiprakash Toshniwal – India First Life:**
- On the Asirvad Finance business, there is a net worth increase of some Rs 476 crores to Rs. 782 crores QoQ. Is it largely because of our investment in the company or is there any other investment also?
- **Management – Manappuram Finance:**
- The investments have only come from Manappuram.
- **Mr. Jaiprakash Toshniwal – India First Life:**
- So, what would be our current holding?
- **Management – Manappuram Finance:**
- Current holding stands at around 94%.
- **Mr. Jaiprakash Toshniwal – India First Life:**
- Is this the initial time for the insurance business or have we also applied for license? And what is the timeframe we are looking for?
- **Management – Manappuram Finance:**
- No, we have taken Board approval for that because the Credit Life insurance, which is a captive business through our micro-finance business and we have vehicle finance, and other businesses. We are targeting primarily captive business. So now we have taken the Board approval. The process will start soon. It may take another one-year.

- **Mr. Jaiprakash Toshniwal – India First Life:**
- Okay sir. Thank you, I will come back in the queue. Thanks.
- **Moderator:**
- Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management Company Ltd. Please go ahead.
- **Mr. Pratik Kothari - Unique Asset Management Company Ltd:**
- Good evening sir and thank you for the opportunity. What all is included in the reported 39% online gold?
- **Management – Manappuram Finance:**
- No, it is accounted as gold loan only, it is not separately accounted.
- **Mr. Pratik Kothari - Unique Asset Management Company Ltd:**
- No, I mean to ask is if someone takes a loan through your app, is it accounted under OGL?
- **Management – Manappuram Finance:**
- No, this is accounted as general gold loan only. There is no separate accounting.
- **Mr. Pratik Kothari - Unique Asset Management Company Ltd:**
- We had mentioned once that we have started a new service where customers can park their gold in our lockers, and they can avail this loan later when they require. How is that coming and what kind of disbursement coming through that?
- **Management – Manappuram Finance:**
- No, the OGL is mainly intended for that. We are intending to migrate to a customer base which is one level up than our current customer base. So, the facility as you mentioned, the customer can park his gold or offer his gold to our custody in any of the branches. And yeah, he gets a prime power then which is equivalent to 75% of the LTV. He can avail loan from anywhere and withdraw cash using his ATM. So, this way we offer them the facility of a free safe custody of their gold and so the potential of his debit card becoming a credit card is also available.
- **Mr. Pratik Kothari - Unique Asset Management Company Ltd:**

- Yes, so is this a significant number currently?
- **Management – Manappuram Finance:**
- So, it is, OGL is 39% and we are promoting that in a big way so that the customer can operate sitting at home. So, this will help them in servicing the loan without incurring any cost of travel.
- **Mr. Pratik Kothari - Unique Asset Management Company Ltd:**
- If the customer defaults the gold loan, what is the timeline that we hold the room before auctioning it off?
- **Management – Manappuram Finance:**
- So, the tenure given to the customer is three-months period. If he has not serviced, the loan with full interest and bring the LTV to the current level then it is considered as the default. If he has done that, it is automatically getting renewed as a new pledge. So, once it is an NPA, we sell this through public auction within another three months' time from the day of becoming an NPA, after the due processes which are laid down in the practice of court of the RBI.
- **Mr. Pratik Kothari - Unique Asset Management Company Ltd:**
- How is the customer profile different for gold loan and for a micro-finance company?
- **Management – Manappuram Finance:**
- So, on an average our gold loan customer has around 20 gms of gold with them, which is valued at over Rs 1.2 lakhs. The typical micro-finance customer may not have that much of gold. A typical micro-finance customer who doesn't own residential dwelling also may not have this much of gold, so that customer and this customer is different.
- **Moderator:**
- Thank you. The next question is from the line of Amit Mantri from 2Point2 Capital Advisor. Please go ahead.
- **Mr. Amit Mantri – 2Point2 Capital Advisors:**
- Congratulations on good performance across all the business verticals. My question is regarding the gold finance business. This year we have seen around 11-12% AUM growth in the gold finance business and over the last three years our growth in the gold finance

business has been subdued. In fact, in each of these three years we have been growing lesser than our larger competitor Muthoot Finance. So just wanted to understand from you why are we unable to grow faster than the market in the gold finance space?

– **Management – Manappuram Finance:**

– Let's take the case of last year. So compared to the competition, only during the second quarter the growth was relatively reduced. In other three quarters, the growth is similar. During this quarter, last year itself our collateral has grown by 1.8% which is similar to the competition. So, our LTV level is much lower than the competition. What we have seen when compared to the competition, there is a lower growth by maybe 5%. So that will get adjusted over a period. During the last two years the demonetization impact was lingering over this period. From that during the current year we have completely come out of that. And we hope we will be able to sustain the growth of 10% in the tonnage, during the current year. So that is our expectation.

– **Mr. Amit Mantri – 2Point2 Capital Advisors:**

What is the pre-money valuation of the investment made in Asirvad of around Rs 264 crores?

– **Management – Manappuram Finance:**

– The valuation is close to 2.25X the book.

– **Mr. Amit Mantri – 2Point2 Capital Advisors:**

– How many crores would that be?

– **Management – Manappuram Finance:**

– Around Rs. 1400 crores or so.

– **Moderator:**

– Thank you very much. The next question is from the line of Aarsh Desai from Vallum Capital Advisors. Please go ahead.

– **Mr. Aarsh Desai – Vallum Capital Advisors:**

– My question was about yield. In your investment deck you have written that the yield was flat quarter on quarter, but I was just checking your interest collected in your standalone financial statements, they have actually kind of fallen quarter on quarter, although there has been an AUM growth. So, I was just trying to understand why is that difference there?

– **Management – Manappuram Finance:**

- So, we have given that the gold loan yields were stable in Q4 but if we take the opening and closing average the number will be different this, we are talking about the daily average yield. Because the growth was towards the end of the quarter.
- **Mr. Aarsh Desai – Vallum Capital Advisors:**
- My other question was with regards to the gold loan growth that was just discussed that the subdued growth was only in one quarter against our closest competitor. The major difference in crores was actually in the second quarter but even in the fourth quarter we missed by a bit. So I was just trying to understand, that the growth that Muthoot is getting is better than Manappuram because of the type of product or the tenure of the product that they are actually selling we have got 12-month product where they claim that the gold gets auctioned much later than what would get auctioned if a similar person has taken a loan with Manappuram. So just trying to understand in that sense do we need to think of changing our policy to a 12-month product?
- **Management – Manappuram Finance:**
- During the last quarter, the tonnage growth was 1.8% which was similar, only the volume growth as our LTV was lower, the volume growth was less. But the tonnage growth is similar. So, we offer the customer a product where he can choose the real tenure. In every 3-4 months' time he has to remit the full interest and reset the loan to the new LTV. So, if he does that there is no bar in renewing that for any number of time or year. So, for the customer this makes it very convenient product. Because these customers are mostly from the marginalized sections of society. Unless there is a compulsion, they will not service the loan, and which will lead to a higher default if it is prolonged over a year. So, after making the product like this, where the interest has to be serviced and resets the loan in 3 months, you must have seen our auction has come down drastically. So, it is like an EMI product, where the customer is asked to service monthly instead of that we are asking him to service in every quarter. So, this way we are helping the customer. To service it, he need not come to our office, he can do that sitting at home in his mobile. If the customer is properly communicated and awareness is created, we feel like our product is more convenient than anybody in the market.
- **Mr. Aarsh Desai – Vallum Capital Advisors:**
- So technically the loan doesn't get renewed for next three months, if the customer pays his dues for two months and defaults at the third month.
- **Management – Manappuram Finance:**
- No. Every time he services the loan, the interest is collected and resets the loan, from that date he again gets a three-month duration in the contract plus another one- or two-months' time he will get before it is getting auctioned, he gets sufficient time. The auction is coming down compared to a one-year product where the tendency will be if the price

falls by 10% many of the customers could willingly default. In this case, it will not happen because periodically the Interest is serviced.

– **Mr. Aarsh Desai – Vallum Capital Advisors:**

- How often has this been a problem where the gold price fluctuation has caused a big problem in terms of recovery?

– **Management – Manappuram Finance:**

- There is sufficient margin and enough motivation for the customer to come for redemption.

– **Moderator:**

- The next question is from the line of Prashant Rane from Exclusive Advisors LLC. Please go ahead.

– **Mr. Prashant Rane – Exclusive Advisors LLC:**

- I would like to go about your branch expansion. As you are saying you are the fifth largest micro-finance and you have expanded your branches and you're also targeting new businesses like home loan, vehicle finance, insurance broking and you talked about cross synergies. My first question is are you leveraging the existing gold loan branches for new businesses? And second what is your cost to income ratio? And what is the target for next year?

– **Management – Manappuram Finance:**

- Of course, we are leveraging not only our branch network but also customer base, in gold loan customer base, while selling products like affordable housing, micro-housing then two wheelers, commercial vehicles. Micro-finance is not co-located; these are operated in separate branches. But that base we utilize for cross selling insurance. There are embedded products, there are other products too so yeah, apart from that. So, the facility of the co-location of gold loan and all non-micro-finance businesses definitely help us in reducing the sourcing cost of customer, customer acquisition cost.

– **Management – Manappuram Finance:**

- Regard to cost to income ratio, we could slightly improve and at present it is 34.2% in the standalone.

– **Mr. Prashant Rane – Exclusive Advisors LLC:**

- Any target for next year?
- **Management – Manappuram Finance:**
- We are trying to reduce that by 1-1.5%.
- **Mr. Prashant Rane – Exclusive Advisors LLC:**
- Any reason why these are not co-located, micro finance and gold loan branches?
- **Management – Manappuram Finance:**
- Micro-finance business, their branch network and other business because in the other businesses other than micro finance business these are all mostly urban and semi-urban and very few rural. Whereas microfinance is generally rural based.
- **MANAGEMENT – MANAPPURAM FINANCE**
- That’s the major difference. The customers are different. The microfinance customers are typically rural customers.
- **MODERATOR**
- The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.
- **DIGANT HARIA – ANTIQUE STOCK BROKING**
- What would be the total amount of infusion that we have done over all the last 5 years in the microfinance subsidiary, Asirvad including the latest round of Rs 2.3 billion?
- **MANAGEMENT – MANAPPURAM FINANCE**
- Yeah Manappuram has invested total Rs 624 crores including the last investment of Rs 264 crores.
- **DIGANT HARIA – ANTIQUE STOCK BROKING**
- In terms of the microfinance portfolio, we have around 31% portfolio in East India which is roughly around Rs 1100 - Rs 1200 crores. So which states would be the largest for us in East India? Would it be Orissa or West Bengal?

- **MANAGEMENT – MANAPPURAM FINANCE**
- West Bengal.
- **DIGANT HARIA – ANTIQUE STOCK BROKING**
- And how much would Orissa West Bengal together be?
- **MANAGEMENT – MANAPPURAM FINANCE**
- West Bengal we have close to Rs 400 – Rs 500 odd crores. And Orissa we just crossed Rs 100 crores.
- **MODERATOR**
- Thank you. The next question is from the line of Jamil Ansari from Bajaj Allianz. Please go ahead.
- **JAMIL ANSARI – BAJAJ ALLIANZ**
- With respect to online gold loans, what would be the quantum of gold with you against which a loan is not availed yet?
- **MANAGEMENT – MANAPPURAM FINANCE**
- Online gold loan LTV stands at 62%. The reason is the customer can service his loan from anywhere. Whenever he has some money he can come in and whenever he wants to avail the loan he can avail. So, in fact it was for him it is like an overdraft. Whenever he has the money he can service. So even on holidays, even on midnight, if the people find it convenient, they transact. So, because of the potential he enjoys he always keeps whatever surplus he has in his accounts in this OGL account.
- **MANAGEMENT – MANAPPURAM FINANCE**
- So that must be 0.01%.
- **JAMIL ANSARI – BAJAJ ALLIANZ**
- Hence that would not move the tonnage numbers anyway.
- **MANAGEMENT – MANAPPURAM FINANCE**

– No. Very, very insignificant. Maybe for a day or two that may not be – that doesn't help us to include the tonnage. It is not like that. So, if we take it the total amount on account of that may not be – it may not cross even 1 crore. It will be much less than that.

– **JAMIL ANSARI – BAJAJ ALLIANZ**

– What is the genesis of your expectation of a 10% tonnage growth in gold loan?

– **MANAGEMENT – MANAPPURAM FINANCE**

– We are expecting some good season every year. We are investing a lot of efforts in improving the technology so that an ordinary can also use. So, with all these we feel like the business tonnage should definitely grow.

– **JAMIL ANSARI – BAJAJ ALLIANZ**

– Just to clarify branch expansion is not a big contributor to this.

– **MANAGEMENT – MANAPPURAM FINANCE**

– Yeah. Last year new branches opened which were not large in number. This year we plan to open around 150 branches.

– **MODERATOR**

– Thank you very much. The next question is from the line of Rishi Chatterjee from Centrum Broking Limited. Please go ahead.

– **RISHI CHATTERJEE – CENTRUM BROKING LIMITED**

– I just want to understand a majority of the gold loan customers are primarily rural in nature, right?

– **MANAGEMENT – MANAPPURAM FINANCE**

– No. they are semi-urban and urban middle class in nature.

– **RISHI CHATTERJEE – CENTRUM BROKING LIMITED**

– And now due to liquidity crisis many of the NBFCs are having slowdown and therefore these urban maybe small business owners or like these kinds of customers are not getting credit line. So therefore, are we seeing a better traction in the gold loans and going forward maybe in this year should we see a better traction because of this?

- **MANAGEMENT – MANAPPURAM FINANCE**
- We expect the current growth would be better.
- **RISHI CHATTERJEE – CENTRUM BROKING LIMITED**
- Is it a short-term phenomenon or it may last longer?
- **MANAGEMENT – MANAPPURAM FINANCE**
- We don't know.
- **RISHI CHATTERJEE – CENTRUM BROKING LIMITED**
- In the online gold loan space, are we focusing on having more and more new customers who will deposit gold and therefore we can earn on the yield of that gold and therefore again once we have gold based customers so later on we can tap those customers for taking loans.
- **MANAGEMENT – MANAPPURAM FINANCE**
- Yeah definitely our focus is there for acquiring newer and newer customers. So, when the new customers come, we can introduce this product also which is CCA. But then those who are enjoying these gold loan facilities for a longer time. We also have a new customer acquisition target which is 4000 new customers a day and that is going on.
- **RISHI CHATTERJEE – CENTRUM BROKING LIMITED**
- And any target in that front?
- **MANAGEMENT – MANAPPURAM FINANCE**
- We want to increase that by 10% at least.
- **MODERATOR**
- Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities Private Limited. Please go ahead.
- **SIDDHARTH RAJPUROHIT – JHP SECURITIES PRIVATE LIMITED**
- What is the net NPA number for the housing finance and vehicle finance business in Percentage terms?

– **MANAGEMENT – MANAPPURAM FINANCE**

Our net NPA is 3.03% for the housing finance and vehicle finance is 0.76%.

– **SIDDHARTH RAJPUROHIT – JHP SECURITIES PRIVATE LIMITED**

– What is the reason for the drop in the gross NPA number in the housing segment?

– **MANAGEMENT – MANAPPURAM FINANCE**

– Recovery is happening. And as you know under the Ind AS in fact we also need to have provisions on the delinquencies. So, the overall delinquencies in fact have come down which was around 26% in the previous financial year. The overall delinquencies in the books have come down to around 16.67%. And another thing is SARFEASI action also in terms of repossessing and taking charge of the properties where accounts have gone bad, that also gained traction during the year. That is the reason why it has come down. And in the new disbursal, the NPA level is less than 25 bps during the last 1.5 years.

– **SIDDHARTH RAJPUROHIT – JHP SECURITIES PRIVATE LIMITED**

– What will be the trend going forward? How do you see the book grow, housing and vehicle finance, and the NPA to be in the next year?

– **MANAGEMENT – MANAPPURAM FINANCE**

– We have planned that we will be growing definitely at a faster take at the same time keeping a firm eye on quality. Similarly, we have also during the year introduced a new vertical for micro housing loans which will help us improve the yield in the overall book. We have already planned rather to open newer branches, newer spokes, newer state expansion.

– **MANAGEMENT – MANAPPURAM FINANCE**

– In terms of vehicle finance we expect to grow about 60-70% this is what they are planning this year. And in terms of the delinquencies NPA specifically, we will be maintaining the same levels going forward also.

– **SIDDHARTH RAJPUROHIT – JHP SECURITIES PRIVATE LIMITED**

– Coming to the microfinance business, what is the initial impact of the cyclone in Orissa?

– **MANAGEMENT – MANAPPURAM FINANCE**

- Yeah, we have about 6 branches in Orissa hit by cyclones and fortunately for us even when we had planned the branches in Orissa, we had kept it away from the coast. We knew it was a cyclone prone area. About 1200 or 1250 members were badly affected. So, relief work is already on. It is not a matter of great concern now for us.
- **MANAGEMENT – MANAPPURAM FINANCE**
- Just to add that when in Kerala cyclone or Tamil Nadu cyclone, so that didn't affect the credit quality much. Only a delay by one or two months. Although it was a very big damage it didn't affect us so much. In Orissa the damage is much lower for us in our case.
- **SIDDHARTH RAJPUROHIT – JHP SECURITIES PRIVATE LIMITED**
- In few states, the center is offering close to Rs 2000 every three quarters and the state also are offering same farmer of Rs 2000. So close to Rs 4000 few states have started to implement. So close to Rs 4000 is what the farmer is getting every quarter. So how do you see this implication on the microfinance business sir?
- **MANAGEMENT – MANAPPURAM FINANCE**
- It had not affected whatsoever so far. Because it is a totally different, again a different segment of our business. So, it does not have any effect.
- **SIDDHARTH RAJPUROHIT – JHP SECURITIES PRIVATE LIMITED**
- Yeah. Because one sir has told that close to, I think 30% goes into farming...
- **MANAGEMENT – MANAPPURAM FINANCE**
- Agri related businesses. So, the direct farmer, actually we lend to women who are in Agri village and business. And this money goes to a farmer which is not related to the microfinance loans as such.
- **MODERATOR**
- Thank you very much. The next question is from the line of Pratik Kothari from Unique Asset Management Company Limited. Please go ahead.
- **PRATIK KOTHARI – UNIQUE ASSET MANAGEMENT COMPANY LIMITED**

- Thank you for the opportunity again. 3-4 years back you used to give out gold loans with a tenure of one year or more. And now it's down to 3 odd months. So how has the customer profile changed?

- **MANAGEMENT – MANAPPURAM FINANCE**

- For the customer there is not much difference. By saying 3 months, the tenure is 3 months doesn't mean that he cannot roll over in the new LTV. So, every 3-5 months he has to renew that for remitting interest and re-pledge that with the new LTV. That's all. It is like EMI payments. So, the interest is serviced every 3 – 4 months' time. Whatever the difference in the gold value the LTV also changes. So, that is the small difference has to be also met. So, this actually helps the customer. So, there is no change in the profile. This way the customer is given more comfort. One big issue for the customer is to service the loan just to come to the branch which has a cost. Now with the online gold loan, with the facilities like net banking etc., etc., the customer can do that sitting at home or from anywhere. So, there is no change in the profile.

- **PRATIK KOTHARI – UNIQUE ASSET MANAGEMENT COMPANY LIMITED**

- Usually what are the needs that a customer takes a gold loan? And second that microfinance also gives out unsecured loans like 22-24% odd which even we do. So why do they choose say gold loan over an unsecured lending from a microfinance company?

- **MANAGEMENT – MANAPPURAM FINANCE**

- For the microfinance business the customers profile is different. This also the customer profile is different. So, see even for a microfinance customer, there are several limits. Leverage is limited to some extent through the mandate is something, regulation is mandated something. But say for the purpose of a marriage or some emergency etc., or something beyond that, school reopening season or for the case of this thing, or a seasonal farming, etc., etc.

- **MANAGEMENT – MANAPPURAM FINANCE**

- Even those customers may take gold loan if they have the gold loan. But for others they are not microfinance customers. They are mostly from the middle class.

- **PRATIK KOTHARI – UNIQUE ASSET MANAGEMENT COMPANY LIMITED**

- But isn't the gold loan customer better off taking an unsecured loan?

- **MANAGEMENT – MANAPPURAM FINANCE**

- Now the unsecured loans are available to many people, even to home loan customers. See for that also there are several criteria. The bureau score is there, companies with minimum bureau score. The track record also. How is the track record also? In a vast country like India where the population is over 1.3 billion, different types of people, that is the opportunity.
- **PRATIK KOTHARI – UNIQUE ASSET MANAGEMENT COMPANY LIMITED**
- And sir given a hypothetical scenario like say we are competing with microfinance and customer starts referring back, this also can be a case to become competitive. We might offer them a loan at a lower rate and given a lower leverage, we can increase that to match our ROE. Is that a fair understanding?
- **MANAGEMENT – MANAPPURAM FINANCE**
- Our average ticket size is around 30000.
- **MANAGEMENT – MANAPPURAM FINANCE**
- And the average life of a single loan is around 2.5 months.
- **MANAGEMENT – MANAPPURAM FINANCE**
- So those customers who are servicing the loan, it may not be a burden. So, what – see the convenience here, the comfort here is the convenience here. He can service the loan from anywhere. That's why our growth in the gold loan business is not bad compared to the market.
- **MODERATOR**
- Thank you very much. Ladies and gentlemen due to time constraints we will take the last question from the line of Manan Patel from Equirus Portfolio Management Services. Please go ahead.
- **MANAN PATEL – EQUIRUS PORTFOLIO MANAGEMENT SERVICES**
- I just wanted to understand the nature of insurance manufacturing business that you have mentioned in the presentation. So, what exactly are you planning to do in that business?
- **MANAGEMENT – MANAPPURAM FINANCE**

- Thank you. We are working as a broker for the last 15 years and we are slowly enhanced our business through the captive business route of both the branches of Manappuram Finance and Asirvad and their other subsidiaries. Our existing product portfolio is around Rs 115 crores of life insurance business which we do only through captive business. And we believe this will go to around Rs 200 crores in the next year. So, what the management actually feels is that if we as a broker can do this business then why can't we set up an insurance company for servicing our own existing customers. That is the model which we want to adopt. So, for that we have got an in-principle approval from the board to approach the regulator for taking for discussing with them how to set up a micro insurance company especially for the customers of the group.
- **MANAN PATEL – EQUIRUS PORTFOLIO MANAGEMENT SERVICES**
- Is the micro insurance mainly life insurance or it includes general as well?
- **MANAGEMENT – MANAPPURAM FINANCE**
- It is mainly life insurance.
- **MANAGEMENT – MANAPPURAM FINANCE**
- It is mainly credit life insurance for a duration of 2 years.
- **MANAN PATEL – EQUIRUS PORTFOLIO MANAGEMENT SERVICES**
- So, we have now reached around 33% in non-gold business. Few years down the line what is our aspiration? Where would we like to be in terms of non-gold as a percentage of AUM?
- **MANAGEMENT – MANAPPURAM FINANCE**
- We expect that to grow to 50% of the consolidated AUM.
- **MANAN PATEL – EQUIRUS PORTFOLIO MANAGEMENT SERVICES**
- What is the nature of the finance asset finance business that we have we been planning to take from the promoters?
- **MANAGEMENT – MANAPPURAM FINANCE**
- They have a portfolio of around Rs 200 crores. Out of that they are into micro SME with collateral of land and property. And also, some unsecured business loans plus vehicle finance. Mostly LCV. Plus, gold, gold loan.
- **MANAN PATEL – EQUIRUS PORTFOLIO MANAGEMENT SERVICES**

- Okay sir how long do we think this – when will this be completed the process?
- **MANAGEMENT – MANAPPURAM FINANCE**
- Usually it takes around 6 months.
- **MODERATOR**
- Thank you very much. I now hand the conference over to Ms. Shweta Daptardar for closing comments.
- **MS. SHWETA DAPTARDAR - PRABHUDAS LILLADHER PRIVATE LIMITED**
- Thank you Nirav. On behalf of Prabhudas Lilladher we thank the management team of Manappuram Finance. Thank you all.
- **MODERATOR**
- Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

End of transcript