



“Manappuram Finance Q1 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Manappuram Finance Q1 FY2022 Earnings Conference Call hosted by Monarch Network Capital 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aalok Shah from Monarch Network Capital Limited. Thank you and over to you Sir!

Aalok Shah: Thank you Melissa. Good evening to all. On behalf of Monarch Network, we welcome you for Manappuram Finance Q1 FY2022 results concall. We have the entire management of Manappuram on the call represented by Mr. V.P. Nandakumar, MD & CEO, Ms. Bindu, CFO, Mr. B N Raveendra Babu, MD, Asirvad Microfinance Limited, Mr. Yogesh, CFO, Asirvad Microfinance Limited, Mr. K Senthil Kumar, Head, Vehicle and Equipment Finance, Mr. Sandeep Kumar, COO, Manappuram Home Finance and Mr. Bikash Kumar Mishra, CFO, Manappuram Home Finance. Without taking much of the time I now hand over the call to Nandakumar Sir for his opening comments post which we can get into the Q&A session. Thank you and over to you Sir!

V.P. Nandakumar: Thank you Mr. Aalok Shah. Ladies and gentlemen welcome to Manappuram Finance Q1 FY2022 conference call. I hope you, your family and friends are safe and healthy.

Our previous concall to discuss about Q4 FY2021 results were held on May 26, against the backdrop of a raging second wave that affected India very badly. That was the time when many of our branches were not functional because of the widespread local lockdowns. Since then there has been good improvement and today we work at full capacity. After 8 straight months of GST collections exceeding Rs.1 lakh Crore mark, the revenue collection in June pertaining to economic activity in May dipped to Rs.93,000 Crores. With the ebbing of the second wave, the economy appears to have regained the momentum and the collection in July has topped 1 lakh Crore mark; however, the GST collections are essentially a proxy for the formal sector and our experience has been that the informal sector, from where we draw the bulk of our customer base, suffered more damage. At the same time, the overall recovery in the economy is now being felt in the unorganized sector as well as we have begun to see growth coming back.

In the last concall, we had also mentioned how the price of gold had corrected sharply from the peak of August 202 by the end of the fiscal year, which had an impact on our business. The overall trend in the gold prices remained weak in Q1 as well.

Along with the physical disruption which prevailed in Q1 that affected new customer acquisition, all these factors had an impact on our business volume, especially gold loans. As you know gold loans have the dominant share in our company's business picks and about 67% of our loan book is against gold.

For the quarter, our gold loan AUM declined by 6% year-on-year and about 13% Q-on-Q, mainly the impact of the combination of factors we mentioned just now. Further, we also observed that in response to the stress their general loan book, many private and PSU banks as well as other non-gold loan focused NBFCs gave an extra push to their gold loan offerings by competing over price and tenure. In our case, we saw that some of our high value customers with loans above Rs.1 lakh were especially targeted for takeover by these other players.

To stem the attrition in this segment, we have now identified the areas where such attrition was seen more. We have launched special schemes for these areas targeting high ticket borrowers on competitive terms and conditions. I can say that the results are already visible in terms of renewed momentum of growth and new customer acquisition and we are confident the trend will be sustained.

The stress in the informal economy and weak gold prices led to higher auctions as well. As we are mainly into short-term gold loans, we recognize stress in the portfolio early and initiate auctions in time so that the credit costs are minimized. As a rule, the price risk is better managed in the short-term gold loan compared to the one-year product offered in the market.

Going forward as I said, we are already seeing growth coming back and barring further pandemic disruptions, we are confident that it would be back to business as usual.

Some other key performance highlights for Q1 are as follows: Consolidated AUM at Rs.24756 Crores is lower by 2.3% year-on-year and 9.1% Q-on-Q, mainly due to the weakness in the gold loan portfolio which we have discussed. Our gold holding stood at 58.1 tonne, the tonnage degrowth during the quarter was about 7 tonnes. Our microfinance subsidiary, Asirvad Microfinance, ended the quarter with AUM crossing Rs.6,000 Crore, a growth of 20% year-on-year and 1.1% over the preceding quarter. During the quarter, we prioritized asset quality over AUM growth given the stress in the system. Going forward, we believe the worst is behind us and barring further unforeseen eventualities, the outlook is quite positive.

On the commercial vehicle business reported an AUM of Rs.1,045 Crores which is lower by 0.7% Q-on-Q and by 17.8% year-on-year. Collection efficiency was at 87% in May and

105% in June. On housing loan portfolio had total book of Rs.658 Crores which is up by 0.3% Q-on-Q and up by 6.5% year-on-year. Collection efficiency was 79% in May and 87% in June and fast improving. On the liquidity front, we are placed comfortably and we continued to receive funds from all routes at competitive rates. We do not accept any funding challenges to come in the way of our growth plans and we are comfortably placed with our ALM which we monitor closely.

Finally, we are reporting a consolidated quarterly net profit of Rs.437 Crores for Q1 FY2022, up by 18.7% year-on-year although sequentially it is down by 6.7%. Thank you. Now, over to our CFO, Ms. Bindu for a detailed result numbers.

Bindu A.L.:

Thank you very much Sir. Thanks to all our stakeholders for attending the quarterly update call. We hope you are doing well and staying safe. Since Q4 2021, the industry has been making a return with significant increase in disbursements and collection efficiency; however, the recovery had been hampered due to lockdown across all the geographies and fear among the employees and customers.

Now coming to the operational review, we are carrying surplus liquidity across all the businesses. Cash and cash equivalence on hand on a consolidated basis was Rs.2893 Crores and undrawn bank line was Rs.7320 Crores as on June 30, 2021. Our CP exposure has come down to 6% against 9% in a year ago. Borrowing cost now more stable due to less availment of new facilities.

Our consolidated AUM for Q1 was Rs.24756 Crores down by 2.3% year-on-year and down by 9.1% Q-on-Q. The Q-on-Q decline is largely by gold loans. This is on account of partial lockdowns and the auction of collateral as well as the higher than normal redemptions. As you would have seen gold prices have been declining globally driven by the outlook towards higher interest rate we believe that we are extremely well positioned to deal with any significant volatility in gold prices with average LTV of 65%. The short tenure of our gold loan product which is three months on an average result in early recognition of NPAs compared to other players in the market who offer longer tenure gold loans.

Consolidated profit after tax was Rs.437 Crores up by 18.7% Y-o-Y and down by 6.7% Q-on-Q. Despite the significant adverse effect of COVID phase II, ROE on a consolidated basis was 23.4% and ROA was 5.8% for the quarter. About the gold loan business, which constitute 67% of consolidated AUM, the AUM declined by 6.8% Y-o-Y and down by 13.3% Q-on-Q. The detailed explanation for the decline is provided in page 23 of the investor presentation.

Gold holdings at 58.1 tonne during the quarter we were able to add only 2 lakh new customers as against 3 lakh in last quarter due to lockdowns and limited operating hours for our branches. Gold loan average ticket size and average duration was Rs.42749 and 114 days respectively.

The total number of gold loan customers stood at Rs.24.06 lakhs. The gold loan book was at Rs.16540 Crores. Our weighted average LTV stands at Rs.2850 per gram or 65% of the gold price as on June 30, 2021. Gold loan disbursements during the quarter at Rs.35419 Crores compared to Rs.44630 Crores in Q4. The online gold loan book accounts for 53% of the total loan book.

Coming to MFI business, the AUM stands at Rs.6053 Crores up by 1.1% Q-on-Q and up by 20.1% Y-o-Y and this business reported a PAT of Rs.7.7 Crores compared to Rs.4.1 Crores in Q4 FY2021. Our collection efficiency from MFI business was at 70% in June inline with the industry and disbursements during the quarter was Rs.1181 Crores. MFI collection has steadily improving. The company has a capital adequacy of 22.7%.

Coming to vehicle finance business, we reported an AUM of Rs.1045 Crores which is flat Q-on-Q and down by 17.8% Y-o-Y. Collection efficiency was 87% and 105% for May and June. Home loan business had a total book of Rs.668 Crores which is again flat Q-on-Q and up by 6.5% Y-o-Y. Now operates from 68 branches and reported a profit of Rs.2.2 Crores during the quarter. Collection efficiency was 79% and 87% in May and June. Collection efficiency for the quarter was 84% in compared to 96% in Q4 FY2021. Loan to NBFCs was at Rs.144 Crores and loan to SMA and others at Rs.307 Crores.

Provisions and write offs for the standalone entity during the quarter stood at Rs.30 Crores compared to Rs.12 Crores in Q4 FY2021. We have provided Rs.15 Crores additional due to COVID-19. Our gross NPAs were at 1.96% against 1.92% Q4 FY2021.

The board declared an interim dividend of 0.75 paise for the quarter. Our capital position is strong and the company is well capitalized with the capital adequacy ratio of 34.4%. Company's consolidated networth stands at Rs.7662 Crores at the end of the quarter. The book value per share stood at Rs.90.5. Thank you. Now we can go for the Q&A session.

Moderator:

Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Dhaval Gada from DSP. Please go ahead.

Dhaval Gada:

Just few questions. First is on the gold loan stock, basically we saw this quarter, the stock of gold come down 65 tonne to 58 tonne approximately, could you explain the sort of drop between the pressure that you saw in the high value gold loan customer segment that you

talked about, how much was the volume loss on that account. Second is the auction related loss in tonnage and any other related impact because of which this net decline is and also how much was the fresh disbursement during the quarter in volume terms? So that is the first question. The second question is related to the restructured loans. Can you give the stock of standard restructured loans in the MFI segment, vehicle finance segment and the housing segment and then I have a followup? Thanks.

V.P. Nandakumar: The stock of gold decline, our gold loans are of the short tenure of three months. We have loans at the peak of the price and these have come for auction during this period and this has become overdue as the company policy is to maintain high asset quality. When we started the auction procedure, many of the customers have scrapped their book along with that there was some auction also. That was the reason for the decline and now the branches are open, activities have started, we have seen growth and with the growth of what we witnessed in the recent days we see is a growth of around 15% during the next nine months, during the next three quarters, so the auctions are also coming down and we have some growth focused and activities also like for transiting high ticket loans, so we have initiated several things including communication with the customers through publicity and channels of communication like online channel as well as local advertisement. So, we hope that the growth will come back soon and our strategy has been mainly to manage the price risk. So, we can see our price risk is very much reduced for the three month gold loan product compared to one year product in the market. So, there is a nine month difference between three month product and nine months product. So, the difference that you are going to see in the market in the coming two, three quarters that is we will be able to grow. Regarding the numbers, Bindu!

Bindu A.L.: Dhaval, we have provided in slide 23 how the new customer acquisition is different between Q4 and Q1. Q4 we added 3.1 lakh new customers which is 2 lakh during this quarter, but after June when things opened up, this is 40% growth compared to the earlier period. So, we hope this will help us to increase the gold loan business.

Dhaval Gada: Madam, what was the auction that we saw amount of gold auction?

Bindu A.L.: So, last year, we had the maximum disbursements in Q2, which is nearly 93000 Crores so if we see as a percentage of disbursement this is 1.5% auction. So, in absolute amount this is 1500 Crores during this quarter.

Dhaval Gada: 1500 Crores is auction and 1.5% is that number correct?

Bindu A.L.: 1.5% of disbursement. In terms of tonnage it is 4.5 tonnes.

- Dhaval Gada:** 4.5 tonnes and last quarter if I remember right, you had auctioned 1 tonne.
- Bindu A.L.:** Yes.
- Dhaval Gada:** Second followup for this is, so you talked about high value customer, just are these the customer base that the bank's target and rate one of the reason why we were seeing this pressure, if you could sort of pinpoint what was the reason this pressure was witnessed in the last few months?
- V.P. Nandakumar:** Banks had an advantage, there was some leeway with regard to the higher LTV up to 90%, which is over by March and with regards to LTV 90% LTV the banks are feeling the pressure now because of that pressure, I do not think that sort of opportunity advantage the banks have is sustained. I think that has vanished.
- Dhaval Gada:** Sir, my question was the pressure that we sort of we are talking about in the last three months on this segment of high ticket gold customer base so this pressure came on account of was it the rate of interest or was it tenure or was it higher LTVs. So, what was the trigger for this pressure especially in the last quarter?
- V.P. Nandakumar:** All these have helped the other competition in general to gain the ground and we think this is over, the stress is over, all the three whatever you have mentioned.
- Dhaval Gada:** Sir, on the restructured loan, if you could provide the breakdown between the three businesses that would be very useful? That was my last question. Thanks.
- Bindu A.L.:** In the standalone entity, we had very few loans considered for or we have offered the restructuring because there was a delay in collections for May and June, April things were almost normal. May and June in fact our employees also were not able to reach out to the customers for collection, so wherever we felt a genuine request we have considered otherwise as usual we have taken an upfront provision and we will focus on collection, so based on the request from the customers we will do few cases only, so we will see that timeline is available up to December, so we will monitor the trend in collection efficiency because immediately after the quarter and things are opening up, so we know that this will delay the cash collection, so our focus at this point of time will be more on collection then going forward we will see.
- Dhaval Gada:** Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Prashanth Sridhar from SBI Mutual Fund. Please go ahead.

- Prashanth Sridhar:** Thanks. I had just two questions from my side. On this Rs.1500 Crores of auction what is the amount of principle and interest related to this account?
- Bindu A.L.:** Rs.1500 Crores principle.
- Prashanth Sridhar:** We would have recovered 100% of principle and zero interest, is that correct?
- Bindu A.L.:** There will be small principle loss if there is any appraisal issues etc., other than that we have recovered 100% issue.
- V.P. Nandakumar:** Because of the short term nature of the product, we have been able to realize that is the reason why we are able to protect our yield, there is not fluctuation with regard to yield.
- Prashanth Sridhar:** On the MFI, how much will be the debt coming up for repayment in the next one year and Manappuram Finance would have given any loan to the MFI and just one additional, last time we had reported 4% restructuring and MFI in vehicle I understand there is no other restructuring this quarter? That is it from my side.
- V.P. Nandakumar:** There is no disclosed loan from the parent to the subsidiary. On an average, the life of the loan is around 18 months, so our loan book currently is Rs.6000 Crores.
- Prashanth Sridhar:** Okay, so what would be the quantum of debt that is maturing over the next one year?
- Bindu A.L.:** Yogesh, you can give the numbers.
- Yogesh Udhoji:** You are talking about the AUM which is coming for maturity, roughly around 40%.
- Bindu A.L.:** Yogesh it is about borrowing.
- Yogesh Udhoji:** For borrowing also we have generally currently our average tenure is more than 24 months, so roughly for next one year about 30% of our borrowing would come for maturity for which we have a backup lines as well.
- Prashanth Sridhar:** 30%, okay. Thank you.
- Moderator:** Thank you. We have the next question is from the line of Prateek Agrawal from ASK Investment Managers. Please go ahead.
- Prateek Agrawal:** Few questions; one, this time around in the COVID period, we saw dip in online gold loans I would have thought that when we would have closed, people would have lapsed that product up so that was one. Second on the MFI side, now that things have opened up and in

your presentation you are talking of much higher collection efficiencies in July, do we expect further stress, do we expect write back, what should be the expectation going forward? Third of your other two products, housing loan and vehicle finance, have they stabilized and are we on the growth path or they are still being stabilized?

V.P. Nandakumar: This COVID first and second, the major difference is, the COVID first it was completely locked and people wanted some money. So, using the online platform and the price was also moving up. Using that opportunity they have availed more amount on the same platform. During the second COVID phase what has happened is close down of branches were intermittent and the price has come down and many people who wanted money they had used this occasion to, the people who are cashed out, they used this occasion to scrap the gold in the market and realize money. This was the difference. That is why during the first phase of COVID there was sharp increase in the online gold loan and during the second phase of probably there was not much increase. The branches were open and the price was down. There was redemption pressure for many of them for scrapping the gold in the market. The CV, home finance, etc., collections have steadily brewing and as I mentioned lockdown month-on-month, we see 15% to 20% increase in collection and I think it is because in vehicle finance the last month it was 105%. This month it is expected to cross 110% 115% so it means the ideal collection is also coming. Microfinance also it is steadily improving with the opening up the economy and lot of activities this is steadily improving.

Prateek Agrawal: We will start to grow here?

V. P. Nandakumar: The vehicle finance we are disbursing now currently around Rs.100 Crores a month and this is slowly improving. Similarly, in home finance also which we were not able to disburse but at the current level we have reached a disbursal level of around Rs.35 Crores and it is steadily improving month on month. Microfinance also yes more emphasis is on collection but we are also growing slowly. We hope that we can obtain reasonable growth there also.

Prateek Agrawal: Microfinance what would be the expectations on provisioning, write offs, etc., next quarter?

Yogesh Udhoji: Currently, as we speak we have July and first few days of August we are consistently at 95%, but it is too early to comment on anything else. We expect it has to steadily improve month-on-month so we provided Rs.90 Crores in Q1. Going forward the whole thing should come down hoping that this collection efficiency trend continues and improves from here on.

Prateek Agrawal: Just one directional thing Sir at the end of this fiscal do we expect gold loan AUM to be higher than last years that 15% growth that you spoke about was over this quarter or was over FY2021 end?

- V. P. Nandakumar:** It is fiscal 2021 end.
- Bindu A.L:** From this quarter.
- V. P. Nandakumar:** Nine months.
- Bindu A.L:** Nine months we are expecting this growth.
- V. P. Nandakumar:** Three quarters starting from July.
- Prateek Agrawal:** Correct but the base on which you are talking of 15% growth is Q4 end of last year or Q1 end of this year?
- V. P. Nandakumar:** As on the closing of the Q1.
- Prateek Agrawal:** So de facto, we will go back to where we were at the end of the year?
- V. P. Nandakumar:** Yes.
- Prateek Agrawal:** Thanks.
- Moderator:** Thank you. We have the next question from the line of Raghav from ADIA. Please go ahead.
- Raghav:** I was just asking on the gold loan AUM side I am sorry but may be the explanation was not fully clear but could you help us understand the AUM in terms of price versus tonnage the drop in tonnage is what stands out so 72 tonnes at the end of FY2020 came down to 65 and then now it is 58 so what does that mean? Is it that customers are unable to sort of payback and hence there is auctioning of the loans or can you help us understand this tonnage reduction as a volume matrix?
- V. P. Nandakumar:** The customers our target audience were feeling so much of pressure because of the two rounds of COVID which is continuing for the last one and a half years. In the meantime, the price of gold also has increased so to maintain to have the same amount they need to bring a lower quantity and because of the short-term nature of our gold loan, the customer's turnover is relatively higher so because of that the gold loans are reprised continuously weighing down the risk appetite. So that is the reason why the reduction has happened. As the gold price is down we see steady growth on collateral also. Now it has come down to 58 tonnes. This is also steadily growing. As I mentioned during the next nine months that is Q2, Q3 and Q4 we see the prospects for growth of around 15%. Simultaneously the collateral also will grow.

- Raghav:** Just to make sure I understand it is because of underlying aspects that some of the customers are not able to payback and hence the gold is getting auctioned and that will get accelerated as the price of gold reduces the LCV will go up? That is fundamentally what is driving this and once gold prices stabilized and the COVID stress goes the way you think normalcy will return?
- V. P. Nandakumar:** Yes. Our LTV is around 63% at the current price. It means with the growth which I have projected the collateral also will grow.
- Bindu A.L.:** The redemption should have been compensated if the new customer decision is similar because of the lockdown. We have seen different new customer decision also, Q4 we had new customer of nearly 3.1 lakh. It has come down to 2 lakh during this quarter because of the number of working days. Otherwise, this would have been supported for the decline in tonnage.
- Raghav:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Thank you for taking my question. My first question is to Bindu Madam. In the last quarter if you remember we have given some kind of a bridge between our Q3 and Q4 gold AUM. Is it possibly if you give some kind of a break if it is approximate what is it that kind of contributed to this gold AUM and the gold holdings decline, auction related, withdrawal related, what was it because of competition from banks and some of the non-gold NBFCs which were offering gold loans at lower prices at lower interest rates?
- Bindu A.L.:** During the quarter the decline in tonnage is around 11% and in terms of AUM 13.3% so mostly the price remained stable and the decline largely happened in April when the price was very low. We have seen 23% decline from the peak gold price when the maximum auction and this redemption happened so the other details I can share separately. The other breakup I can share with you separately.
- Abhijit Tibrewal:** Sure Madam. The other thing that I wanted to check with you what is the interest accrued component as on Q1?
- Bindu A.L.:** Rs.740 Crores.
- Abhijit Tibrewal:** The last question that I had is and this is also to Nandakumar Sir? Sir about a month back when we were trying to do some kind of channel checks around the gold loan demand we

were given to understand that while the demand was picking up very swiftly in Northern India because of continuing lockdowns in Southern India the demand was still I would say tepid and Sir when I look at our branch split and I have our FY2020 branch split about 63% of our branches were in the Southern region would it be also fair to say that lower acquisitions that we saw during Q1 was also a function of our stronghold in the Southern markets and how is the Southern market demand looking like now in August?

V. P. Nandakumar: As you rightly said our presence is rather two-third of our presence is skewed in favor of South India. The pandemic conditions were more severe this time in North India. North Indian branches remained closed in many places. That also has been a cause for the decline. At the same time, we do not want to take the price risk so the recoveries options were happening without any interruption that is why we have been able to maintain standalone book NPA including other products at 1.6% so we are out of the price risk and now in Southern India has opened up and we see good growth happening in Southern India also in all the five states in Southern India we see good growth.

Abhijit Tibrewal: Sir if I can squeeze in just one last question here with the gold prices while at their peak sometime in August and September last year and given that you are seeing that a large part of the portfolio were LTVs are greater than 80% you have already kind of taken those risk management measures and the proportion of that high LTV portfolio is down to about 6% so is it fair to say that at least those loans which we would have done around August and September last year would have largely run off or would have been auctioned by now?

V. P. Nandakumar: Yes. The higher LTV loans all are out of our books now. So what we have given importance is managing the price risk. We were skeptical about the gold price and we believed that the gold price would come down. Our focus remained to manage the price risk so that is why this short term loans and timely auctions to clear us out of this price risk. Had it been one year we would not have faced such a decline as in the market, but we have a big worry before us. After nine months what would be the scenario about gold price we cannot predict and for these customers many of them may not service the loan. They will accrue the interest and after one or two quarters we would faced. Now we do not have that worry. We are looking towards growth.

Abhijit Tibrewal: Sure Sir I think that is very, very prudent. Thank you so much and wish you the very best?

Moderator: Thank you. We have the next question from the line of Anand Bhavnani from White Oak. Please go ahead.

- Anand Bhavnani:** The question is on microfinance and I wish to understand if you give us some color on how do you see that credit cost in the microfinance business for FY2022 and how we see the AUM growth potential? Any color on microfinance?
- V. P. Nandakumar:** Yogesh can you share.
- Yogesh Udhoji:** In the Q1 since we have the lockdown so our collection efficiency was average efficiency, we registered 75% in Q1 where we took Rs.90 Crores of a provision, but as we speak we are at 95% and we hope that we at least maintain or improve the collection efficiency here on we may have a lower provision in the next quarter; however, it is very difficult to put any number or estimation to credit cost. Last year, we took around 5% but this year it is very difficult to estimate at the point but if the situation improves from here it could not be. The provisions in the next quarter could be lower than the current quarter.
- Anand Bhavnani:** What percentage of our microfinance customer would have requested a top up in Q1?
- Yogesh Udhoji:** So top up loans we do not give but we only give to the existing customer we give them a new loan. We have not given any top up loan as such.
- Anand Bhavnani:** What percentage of our existing customers would have requested a new loan?
- Yogesh Udhoji:** So they only get a loan when they are closer to maturity. When they only have three EMIs pending out of 26 EMIs they are eligible for renewal so that is what we call as a conversion. That is what we have to do.
- Anand Bhavnani:** Thank you Sir. I will come back in the queue.
- Moderator:** Thank you. We have the next question from the line of Milind Agrawal from SBI Mutual Fund. Please go ahead.
- Milind Agrawal:** Thank you so much. Just a question on the competitive aspects so over the last year to year and a half banks have incrementally been more competitive but that is the business that may be the ticket size is slightly higher and the lending piece are lower so from our side is there is a thought process to sort of to cater to that business incrementally where may be if you do slightly higher ticket size segments but one that comes rates at a lower than that we have on the books any thoughts there in terms of changing the structure of the loan that we have?
- V. P. Nandakumar:** We have analyzed and found where we lost high ticket customers. There we have introduced attractive schemes just to attack high ticket loans. We introduced special

schemes for above Rs.10 lakhs, above Rs.5 lakhs, above Rs.1 lakh, etc., and these are yielding result and we are confident to get back these customers in a few months from now.

Milind Agrawal: What is the lowest lending rate that we offer on these products Sir and any thoughts in terms of elongating the tenure from let us say three months to may be six months or nine months for some of these higher ticket size loans?

V. P. Nandakumar: In some categories we see the need. Accordingly we have extended the tenure of these loans so when we see the customer profile but because they are of little more formal in nature so that we are doing.

Milind Agrawal: Just last one Sir what would be the P&L interest that we collected in this quarter and last quarter Q4 FY2021 and Q4 and Q1 FY2022?

V. P. Nandakumar: In gold loan we do not have any P&L interest. We have some slabs two months, thereafter some slabs are there.

Milind Agrawal: Thank you Sir.

Moderator: Thank you. We have the next question from the line of Amit Mantri from 2.2 Capital. Please go ahead.

Amit Mantri: Given the number of new customer activation or acquisition in Q4 and over last few more months can you given that same number for Q3 and Q2 also because Q4 was also a weak quarter for us? Our loan book had not grown in that quarter so how is Q3 and Q2 been in terms of new customer acquisitions and how are the current trend versus Q3 and Q2?

V. P. Nandakumar: It has gone down and now we have come back to the January and February levels so it is steadily improving and hope to reach a level of around on an average of 5000 customers plus new customer acquisition in the coming months probably from this month itself. We hope we will able to reach that level, which is the pre-COVID level.

Amit Mantri: Now in terms of yields now given that you have started becoming bit aggressive in terms on the higher ticket size so will the overall yields be trending downwards on the overall portfolio?

V. P. Nandakumar: Yes maybe some contraction in the yield by 1% to 1.5% which will be compensated with growth. The profitability we do not have much worry because we have the confidence that if at all the yield depression is there it will be compensated with growth and with the growth the ROA also will come down.

- Amit Mantri:** Thank you very much Sir.
- Moderator:** Thank you. We have the next question from the line of Rajeev Agarwal from Sterling Capital. Please go ahead.
- Rajeev Agarwal:** This Rs.1174 Crores restructuring we have done so was there any provisioning we have not done on that?
- Bindu A.L.:** The provisions as per Ind-AS provisioning so we are following the provisioning norms.
- Rajeev Agarwal:** In the coming quarters there may be some provisioning or if the recoveries are not sufficient can we expect some provisioning on this also Rs.1174 Crores?
- Bindu A.L.:** Yes. We believe that this quarter is a bad quarter in terms of lockdowns, etc. Our team could not go for collection and we believe that if the COVID issues are not there in the future the coming quarters will be better in terms of provision so as you are aware last year also we took some aggressive provisioning in Q1 and the P&L impact has come down in the next three quarters so this quarter also we believe that we took upfront provisioning and if the collection efficiency as we are getting a better trend in Q2 we believe that the provision should come down.
- Rajeev Agarwal:** One more question this Rs.122 Crores provisioning we have done on the consolidated basis can you just give the breakup?
- Bindu A.L.:** So mainly it is MFI Rs.590 Crores and the standalone entity Rs.30 Crores so that is Rs.120 Crores and then the balance is housing.
- Rajeev Agarwal:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Chirag Sureka from DSP Mutual Fund. Please go ahead.
- Chirag Sureka:** Good evening. I can imagine with the pandemic and shutdowns it is very difficult to predict MFI business? What I wanted to know was Nandakumar Sir you had mentioned that the informal sector has also picked up so the customers is at least making part payments and is the business still alive because there might be provisions in credit costs now but eventually is the customer business still holding good?
- V. P. Nandakumar:** Yes in the MFI business our major focus now is collection. That is why the collections have gone up to 95% now as mentioned by the CFO. As things have opened up and they are getting opened up the things will fast improve. Only worry is the predicted or anticipated

third wave. If the third wave is not there things will be better. So with the worry of third wave our emphasis is more on collection, the incentive wise for the employee also so the collections are fast getting better.

Chirag Sureka: Sir what I wanted to ask was the customers underlying business is still picking up right? That has not been wiped out?

V. P. Nandakumar: When things have opened up they are getting the benefits are fast going to the bottom of the pyramid. So their businesses are getting fast back to track.

Chirag Sureka: Good to hear and good luck.

Moderator: Thank you. We have the next question from the line of Prateek Agrawal from ASK Investment Managers Limited. Please go ahead.

Prateek Agrawal: One more question that Rs.1500 Crores that got auctioned what we expect would be the behavior of those plans. Will they come back or that is client attrition?

V. P. Nandakumar: In gold when these are auctions the customer has not much pain in this because he has been informed several times. We did everything to help him to redeem. Another thing those customers are those who do not have the money and when these are auctioned the surplus is refunded to them. He says sell it in the market. They may not get this much of surplus from this. So we do not have much complaint about the auction because these are all very transparent and with his knowledge only inviting him also for the auction.

Prateek Agrawal: Understood it is just that may be those customers will emerge again after a lone while?

V. P. Nandakumar: They will come back because of this, the transparency and communication with him. The chances of coming back are very high and most of them 80% of them come back. That is our experience over the last several years.

Prateek Agrawal: Sir over the last one year if you see your other competitors they have grown while they may have degrown last one quarter by a small amount? We are like down majorly,

V. P. Nandakumar: That is why I told it is primarily because of the product structure. How is his three months and whatever we have learned at the highest price we have faced this out? We are far ahead of others in the market with regard to managing the price risk. Now one year product, I am not telling about competition. Whoever is lending for one year they will face the real heat after nine more months than what we faced. During that time we have seen that we are able to witness growth. When compared with some of the other NBFC players in the market and

from 2013 onwards if we take 2014 onwards the growth rate has been the same. During demonetisation also we have auctioned on time so we are able to maintain the yield and after the auction till 2019 we have seen the same growth. So it is because of the product structure, three months and the market 12 months. It is because of this only you will see and you will witness this in the next two to three quarters.

Prateek Agrawal: Sir lastly somebody else also asked this, this three month structure way to conservative? Can we do something like a six month structure for everybody? Because three month with the calculation that theirs you are always earn money so it is a very safe and very good product for the house, but may be for the borrower is it friendly enough?

V. P. Nandakumar: For the trust borrower it is six months only because three months is the contract period and the auctions are being conducted in another three months after the maturity of the loan so in fact what the trust customer he will get six months. The second thing, see if the customer pays interest in full and the market to market he gets another six months. In fact it is six months only for the trust customer. What these customers if there is some sort of pressure in the interest collection and this is for interest collection only. Three months means three months at least six months he has to pay the interest. Only if the interest is collected in three months or between the three months and six months he will be able to pull on these loans and redeem it through his cash flow. For one year product these customers will tend to accrue the interest from such customers and ultimately they will leave it.

Prateek Agrawal: Sorry to dwell on this, but for example last year the prices moved up and for people who had a longer period this time they could keep on accumulating interest for a length of time and show growth whereas for you it becomes mark to market very quickly and people will reduce their tonnages with yourselves right? So in the period of rising gold prices your gold tonnage growth will almost definitely lag everybody else. So people they will come back three months, give you as much gold as required for 74%. While the same thing will happen to somebody else borrow after a period of a year? That was what was in the mind actually?

V. P. Nandakumar: What about the money lent during the highest LTV period. So for them today's receivable is much higher than the current price ruling price. That also should be understood.

Prateek Agrawal: Fare enough. Sure thank you.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the question. I would like to hand the floor back to the management for closing comments. Please go ahead.

V. P. Nandakumar: Thank you. We are always open to the investors for any discussion or to answer any query from all of you if we are available. Please do call if you want more details. Thank you for



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attending the call. Mr. Aalok thank you for arranging the call. Thank you all the attendees once again.

Moderator: Thank you members of the management and Mr. Shah. Ladies and gentlemen, on behalf of Monarch Network Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.