



“Manappuram Finance Limited
Q2 FY’25 Earnings Conference Call”
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MODERATOR: **MR. ABHIJIT TIBREWAL – MOTILAL OSWAL**

Moderator: Ladies and gentlemen, good day and welcome to Manappuram Finance Q2 FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijit Tibrewal from Motilal Oswal. Thank you and over to you, sir.

Abhijit Tibrewal: Thanks, Siddhant. Good evening, everyone. Thank you for joining the Q2 and H1 FY25 earnings conference call of Manappuram Finance. We have with us today the senior management team of Manappuram Finance and some of its subsidiaries represented by; Mr. V.P. Nandakumar, MD and CEO; Dr. Sumitha Nandan, ED; Ms. Bindu A.L, CFO; Mr. B.N Raveendra Babu, MD, Asirvad Microfinance, Mr. Rajesh Namboodiripad, CFO, Asirvad Microfinance; Mr. Kamal Parmar, Head of Vehicle and Equipment Finance; Mr. Suveen P.S., CEO, Manappuram Home Finance and Mr. Robin Karuvely, CFO, Manappuram Home Finance.

Now I hand over the call to Mr. Nandakumar and other members of the senior management for their opening remarks, post which we will open the floor for an interactive Q&A. Thank you and over to you, sir.

V P Nandakumar: Thank you. Good evening, ladies and gentlemen. It is a pleasure to be with you as we present the financial results for the second quarter of FY25. I thank you all for joining us today and I trust you have had a bright and joyful Diwali.

This year, the geopolitical tensions have impacted the international markets, disrupted supply chains and increased the cost of essential goods worldwide .However, India shines through as a stable and growth-focused economy with projections for 7.2% real GDP growth in the current fiscal. Against this backdrop, our company has demonstrated resilience and adaptability.

I am pleased to report a net profit of INR572 crores in this quarter. Our consolidated assets under management was INR45,716 crores at the end of the quarter, achieving a growth of 17.4% year-on-year and 1.7% quarter-on-quarter.

I would like to touch on the recent RBI circular on 30th September 2024 to further streamline the practices on gold loan. Lenders have been instructed to review their policies and practices in this regard to identify gaps and implement corrective measures. We see these as good measures from the perspective of systemic stability and operational efficiency. The company is in the process of strengthening the loan-to-value monitoring, renewal of loans after due dates and monitoring end use of gold loans. We are working with industry associations to adopt uniform practices across the sector and accept full implementation within the timeline of three months as per the circular. Asirvad recorded an AUM of INR12,149 crores, representing 11 year-over-year growth as guided earlier, and as in the case of other players as well, Asirvad's profitability has been affected by the decline in collections from certain geographies, resulting in higher credit

costs. To address climate-related disruptions affecting certain regions where we have observed collection challenges, we have increased our collection efforts and are implementing advanced tracking systems to improve the recovery rates. These targeted efforts have already shown positive signs of increasing collection efficiency

As reported earlier, RBI has directed our major subsidiary, Asirvad Microfinance to desist from disbursement from 22 October '24, pointing out deficiencies in pricing policy, assessment of income and debt of microfinance borrowers, the purity differences at the time of disbursement and auction, etcetera. While our interest rate was comparable, we have proactively decided to reduce the interest rate for the microfinance, which would be one of the lowest in the industry.

We have also rectified all the deficiencies in our system to ensure correctly assessing the income of the borrowers, capturing and reporting of income and indebtedness of the borrowers from CICs etc. Asirvad has submitted the plan for compliance to RBI on 29th October 2024. We are hopeful of lifting the ban on disbursement at the earliest. These changes may create additional opportunities for prudent growth. Our vehicle finance business has an AUM of INR4,848 crores, recording a 6.8% increase quarter over quarter, followed by home loans with AUM of INR1,691 crores, which is a 29.6% increase year over year.

Factors like above normal rates in many states such as; Gujarat, Maharashtra, Kerala, Telangana, AP, West Bengal and the MP, rising price of essential necessities migrates having to send higher amounts to home from their workplaces, stagnant price trips and fewer trips due to reduced demand coupled with highly leveraged farmers and self-employed have resulted in even prompt paying customers defaulting for the first time. The impact is seen higher in rural areas, which accounts for a sizable portion of our portfolio. We expect the repayments to improve from Q4 onwards as green shoots of improvement are starting to show up in Q3

We recognise the crucial role of micro, small and medium enterprises play in driving economic growth and innovation. We aspire to offer secured credit lines to MSMEs to enhance their business. Also, in Q2 our AUM of secured MSME sectors is INR2,443 crores.

Thank you all for your continued support and interest. Our focus will be on fortifying our core goal on business continued growth on all our secured lending business as we see the opportunities created by India's economic resilience and the positive reforms. We remain dedicated to our vision of empowering customers and stakeholders alike through good and sustainable growth and innovation.

For a more comprehensive review of our financial performance, I now hand the floor to our CFO, Ms. Bindu A.L.

A. L. Bindu:

Thank you, sir. Good evening, ladies and gentlemen. Thank you for joining us today.

Our consolidated AUM for the quarter stood at INR45,716 crores representing 1.7% sequential growth and 17.4 percentage Y-o-Y growth. And the consolidated profit after tax was INR572.1 crores, which was an increase of 2.8 percentage Q-on-Q and 2 percentage Y-o-Y increase. ROE

on a consolidated basis was 18.6% and ROA was 4.4 percentage. Stand-alone GNPA as on 30th September at 2.42 percentage versus 1.96 percentage. Cash and cash equivalents at the end of the quarter, INR4,939 crores, and undrawn bank line was INR3,432 crores.

Our CP exposure is 2.2 percentage and the standalone borrowing cost has gone up by 8 basis points during the quarter. On gold loan business, which constitutes 53 percentage of consolidated AUM. The AUM stood at INR24,365 crores, up by 3% Q-on-Q and 17.1 percentage Y-o-Y. During the quarter, we were able to add 4.03 lakh new customers and the outstanding number of customers gone to 26.55 lakhs from 26 lakhs. The online gold loan book, 74% of the total gold loan book as on 30th September. And the standalone profit was INR475 crores, which is up by 7.8 percentage Q-on-Q and 13.1 percentage Y-o-Y.

Coming to microfinance business, the AUM stands at INR12,149 crores, including gold loan AUM of INR1,117 crores, down by 1.3 percentage Q-on-Q and up by 11 percentage Y-o-Y. PAT was INR75 crores versus INR100 crores in Q1 FY '25, this is down by 25 percentage sequentially and down by 36 percentage Y-o-Y, mainly due to higher credit cost. Net NPA at 1.99%, CRAR at 21.48 percentage.

Vehicle finance, the book at INR4,848 crores, which is 6.8 percentage Q-on-Q growth and 54 percentage Y-o-Y growth. Collection efficiency, 95% and GNPA slightly gone up during the quarter at 4.2%. And vehicle finance AUM comprises CV 49% and passenger vehicles 29 percentage, 2-wheeler 16 percentage and farm equipment is around 6 percentage of the total vehicle finance book.

Home loan, the book INR1,692 crores, Q-on-Q growth of 6.6 percentage and 29.6 percentage Y-o-Y growth. And the company reported a profit of INR6 crores during the quarter. GNPA at 3.28 percentage and the collection efficiency of 96 percentage.

Loan to MSME and allied activities stood at INR2,963 crores, and with the disbursement of INR373 crores during the quarter. GNPA at 3.8 percentage and the mix of secured book is increasing considering the higher collections secured book. Our on-lending AUM at INR816 crores. And during the quarter, the disbursement is INR78 crores.

. The Board has declared an interim dividend of INR1 for the quarter. Capital position remained strong with a CRAR of 29.22 percentage and the consol net worth at INR12,529 crores and the book value of INR148.

Thanks. We can now go for the Q&A session.

Moderator: Thank you very much ma'am. Our first question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Congrats on the quarter. A few questions. Firstly, on Asirvad, what is the interest rate we are offering now? So you mentioned you have reduced it. So from what to what?

V P Nandakumar: So Asirvad is stopped from lending from 22nd of this month. But we have decided to reduce the rate. As we are not lending, we can't say that we are lending at this rate. But we have given the

assurance to RBI that our rate would be one of the lowest in the industry. And all of the requirements what was highlighted by the RBI has been fully complied. And we have submitted the report to RBI and we are expecting their inspection.

Piran Engineer: Okay. Okay. Fair enough. So also this sharp jump in the number of loan officers, Q-o-Q, you've added about 5,000. All that is essentially for collections, is it?

V P Nandakumar: Yes, yes. As you are aware, the sector faces challenges in particularly in certain geographies. So the collections -- the industry see a greater degree of the need of collection at the individual borrower's end, that is the industry scenario. So in this scenario, we need to increase. And we believe that all the companies, the sector itself is now very keenly organizing group level meetings which has been disbanded over the period -- after this COVID etcetera, etcetera. So anyway, everybody is encouraging. Yes. So for the time being, we need more people for collection.

Piran Engineer: Okay. So then when we put this together, NIMs will go down a bit, opex goes up, what sort of ROA are you planning for -- or in your business model, what sort of ROA do you have for Asirvad?

V P Nandakumar: See this -- when business was running at a net interest margin of 10% and making an ROA of over 4%. So then the recovery was over 99%, 99.5%. Now there is a change in the outlook of the lenders that has happened. And as the report said, for some lenders, there were as many as 15, 20 lenders. Now the SROs have taken the lead role in containing the total number of lenders, etcetera.

We'll go back to what was the scenario before liberalization that will bring down the credit cost, etcetera, to the previous level. At that level, we'll be able to reduce our opex because then the group level meetings, the -- collections at the group level meetings are re-established, that is what the industry is trying to do.

The opex will come down because the loan officers -- the accounts load will increase. So this will bring down the opex to a level which was there before the liberalization, etcetera, etcetera, bringing a lot of credit discipline. So with this, we hope that the ROA reported for those days was around over 4%. We'll be able to go to that level in a few quarters.

Piran Engineer: Understood. And sir, just lastly, on -- you briefly touched upon the RBI guidelines regarding streamlining gold loan processes. So any sort of -- maybe you can just highlight what sort of an impact it has on your business in terms of maybe lower competitive intensity from fintechs? Or how should we think about that?

V P Nandakumar: Now the fintechs have many restrictions. So the fintechs which was earlier enjoying, some benefits will go. And all the lenders will have to follow the same guidelines, whether you're a bank or a nonbank. So this will definitely create a level playing field for the players. So we believe -- that will turn out to be an advantage for us and we'll be able to grow at the rate what we used to project at 12% to 15% annually.

So earlier the case of some of the banks were lending at 90% LTV etc. Some nonbanks also were lending indiscriminately. So when the uniformity comes, the opportunities will be available -- almost fairly distributed.

Piran Engineer: Understood. Okay. Thank you sir and wish you all the best.

Moderator: Thank you. Our next question is from the line of Kushan Parikh from Morgan Stanley. Please go ahead.

Kushan Parikh: Hi, sir. Thanks for taking my question. I just had two data-keeping questions. One was if you could share the standalone as well as Asirvad total ECL numbers for 1Q as well as 2Q. And second question was on the write-offs if you could share the write-off in standalone as well as for Asirvad for this quarter as well as Q-o-Q and Y-o-Y numbers. That's all.

A. L. Bindu: Yes. So this is given in the presentation in the P&L breakup. You are talking about the impairment total for the quarter, consolidated is INR260 crores these are in Page number 10. Q1 is INR 228 crores

Kushan Parikh: Ma'am, I was asking for the stock of provisions, Stage 1, Stage 2 and Stage 3 stock of provisions for standalone as well as Asirvad for 2Q as well as 1Q?

A. L. Bindu: Okay. I will come back to you later.

Kushan Parikh: Sure.

Moderator: Thank you. Our next question comes from the line of Rajiv Mehta from Yes Securities. Please go ahead.

Rajiv Mehta: Hi, good evening. Congrats on a good quarter. Sir, I have a few questions. Sir, you spoke about the September 30 circular of RBI. Now post that have you changed any practice on the ground with regard to our operations in gold loans, say in particular in the practice of rolling over loans at the end of the tenure with only part payment or even valuing you in the overdue loans or issuing a fresh loan to overdue clients? Has there been any change in any factors on the ground since that circular?

V P Nandakumar: See, if you're asking me about gold loan we have in Q1 timeline up to December for ensuring compliance of whatever has been asked by the regulator for compliance. So we are fully geared of the matter and we have set our machinery right in implementing all these well on time. So whatever the practices the regulator wanted -- the regulatory entities want to follow, we'll be fully complying with that well before the deadline.

Rajiv Mehta: Okay. And incrementally for fresh gold loans or even in case of renewals, are we offering or going up to 75% LTVs or are we calibrating LTVs because gold has run up pretty sharply. So are we trying to build in more margin of safety in the new LTVs in case of fresh loans or in case of renewals or we are still comfortable going up to 75% LTV on the current price?

V P Nandakumar: The industry association is taking up the matter with the regulator. And they have sought the appointment with the deputy governor and the senior supervisory officials at the RBI. And we'll

hear and implement an understanding. We will try to embrace upon them with some practical challenges, etc. We hope they will appreciate -- whatever is the practical challenges. Then upon hearing them, the industry will take a call based on the comfort of the regulator to implement this. So it will be unified.

Rajiv Mehta: Yes. Just one last question on customer base growth. Sir, the customer base growth has been pretty healthy in recent quarters. The customer acquisition has also been running at a good pace. And now with IIFL coming back since September end, now in October have you seen any change in the customer acquisition run rate or in the customer base growth because of IIFL's return?

V P Nandakumar: So IIFL's return is only a welcome feature because as the industry should have a sufficient number of players to replace the unorganized lenders who control around 65% of the gold loan AUM. So what is most important is uniform fair practices. So that is what we look forward. As they have come with the policies as mandated by the regulation, we don't see much challenge with regard to- as far as competition is concerned. -- Even when there is a level playing field, there are opportunities for growth.

Rajiv Mehta: Okay. Thank you and best of luck.

A. L. Bindu: So before moving to the next question, to answer the earlier participant's question on the provision. In MAFIL provision at INR91 crores and Asirvad INR270 crores is the outstanding provision as on 30th September.

Moderator: Thank you ma'am. Our next question is from the line of Bhaskar Basu from Jefferies. Please go ahead.

Bhaskar Basu: I had a couple of questions. So firstly, what is the Tier 1 capital at Asirvad?

A. L. Bindu: INR2,250 crores.

Bhaskar Basu: And just what would this be in terms of percentage of risk-weighted assets?

V P Nandakumar: That is 17%.

A. L. Bindu: 17%.

Bhaskar Basu: So what levels of capital Tier 1 would you think of a capital call from the parent in case you have -- you continue to see stress?

V P Nandakumar: We'll be maintaining Tier 1 somewhere around this level, 15% to 18%.

Bhaskar Basu: And what has been the response of lenders to this whole ban? Are they asking you to put capital?

V P Nandakumar: So yes -- the lenders have not shown any discomfort because they understand what is sort of etc and they are hopeful about we meeting their regulatory expectations, etc. And they understand the company has sufficient liquidity, etc and as and when required, they know it is backed by its parent which has got sufficient liquidity strength, etc. So lenders don't show any discomfort.

- Bhaskar Basu:** Especially given that the MFI book will continue to run down and these are unsecured loans.
- V P Nandakumar:** Yes, we'll be able to meet all the repayment obligations on time.
- Bhaskar Basu:** Okay. The second question was on the RBI circular. So basically, what are the key areas where you think changes may be needed? And specifically on the issue of rollover of gold loans before maturity, is that something which you think RBI is concerned about? Obviously, they've kind of...
- V P Nandakumar:** Yes, yes. They have issued a few guidelines, etcetera. So the association is taking up with the regulators. Next week, we are meeting deputy governor, etcetera. In some of the areas, there are some practical challenges which we will bring to the attention of the authorities of the RBI. And whatever they want after the discussion, they insist upon, the entire sector will comply with. And that will make the sector only healthy. It's not going to destroy the sector. Confidence of our stakeholders will increase. And I firmly believe that it will turn out to be good for the industry.
- Bhaskar Basu:** Understood. Sir, just a clarification. I mean, I've seen the circular. So while the rollover issue seems to be more at maturity. But are you also kind of seeing that rollover before maturity, which is generally done is also an issue which RBI is kind of looking at?
- V P Nandakumar:** Yes, yes. These are the areas we see clarity from the RBI. We will bring to their attention about the challenges faced by the poor customers at the field level, customers difficulty, etcetera. These are mostly from the lower end of the pyramid to the bottom of the pyramid. So the difficulties and how emotionally they are connected, etcetera. This will be brought to the notice of the regulator. And the association is hopeful that some of the practical challenges seen in the directions will be addressed.
- Bhaskar Basu:** And just a clarification on the proposed MFI yield or the reduction. I missed that number. I mean what was it earlier and what...
- V P Nandakumar:** Yes. it was 24%. So we are meeting RBI -- and we have met RBI and given assurance because we are not lending as we are asked to stop lending on 22nd of October onwards. And we have told them a number which is very comfortable as we feel it before the RBI. And we believe that it will be comfortable to the regulator. It will be one of the lowest in the industry,
- Bhaskar Basu:** Okay. And did you quantify the number? I mean, I just wanted to clarify, I mean, in the initial comments, you mentioned something or...
- V P Nandakumar:** Yes, yes. What I told this, it will be one of the lowest in the industry.
- Moderator:** Our next question is from the line of Sanket Chheda from DAM Capital. Please go ahead.
- Sanket Chheda:** My question was to Bindu ma'am regarding one earlier question. So the data point that I wanted to know is that in case of MFI, what was the overall provisioning, that is Stage 1, 2, 3 put together? And at the consolidated level, what was the overall ECL provisioning this quarter versus last quarter?

- A. L. Bindu:** So our LGD is around 50 percentage. So on the Stage 3, which is given, it is 50 percentage of the provision. So as on date, it is INR270 crores. This is only -- this is the total provision outstanding in the books. This includes all 3, Stage 1, 2...
- Sanket Chheda:** Stage 1, 2 and 3 is?
- A. L. Bindu:** INR270 crores is Stage 3.
- (34.20):** INR390 crores, yes. Total provision is INR390 crores.
- Sanket Chheda:** And this was last quarter?
- I'll just come back.
- Sanket Chheda:** This is MFI business, right?
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- Yes, yes. That is for the whole of Asirvad.
- Sanket Chheda:** Okay. And just wanted to know on the consol basis also whenever you can fetch that number that will be helpful. And the second is -- how is MFI Stage 2 moved in this quarter?
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- It was not clear.
- Moderator:** Hello, Mr. Sanket, your voice is not audible.
- Sanket Chheda:** So, I'll just try one last time. So I just wanted to know MFI Stage 2 in percentage terms this quarter versus last quarter?
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- It was 2.6% this quarter. Earlier, it was 1.7%.
- Sanket Chheda:** Okay. Sure, sir. And the overall ECL provisioning number would be helpful, whenever you can provide that.
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- It is INR390 crores.
- Moderator:** Our next question is from the line of Shreepal Doshi from Equirus. Please go ahead.
- Shreepal Doshi:** So my first question was on microfinance. So, could you please share the par 0 number and also a data point wherein Asirvad plus co-lenders sort of a number for us in the book?
- A. L. Bindu:** So, in Page 23, Stage 1 is 93.3% and Stage 2 is 2.6% and Stage 3 4.5% as on 30th of September.
- Shreepal Doshi:** Sorry, ma'am, I didn't get it.
- A. L. Bindu:** So, in Page 23 of the slide, we have given the Stage 1 at 93.3% and Stage 2- 2.6%.
- Shreepal Doshi:** But PAR zero would be like what?
- A. L. Bindu:** PAR zero will be 92%.

- Shreepal Doshi:** I will take this -- I'll take up this question later on ma'am -- the other question was on the LTV. So, this quarter, you've seen that the gold LTV has come off to 58%. And in one of the diversified lenders who is also in the gold finance had highlighted that the regulator has asked them to maintain 75% throughout the loan tenure. So is 58% decline from 62% is in that direction? Are you also trying to require the same strategy?
- V P Nandakumar:** No, no. It is not because of that the gold price has gone up and many customers have not taken only LTV of 75%, regarding the other thing, as I told earlier, the association is meeting the RBI at the top level, Deputy Governor and others to discuss some of the practical issues, etcetera, etcetera and we want to seek clarity and bring to their attention the difficulties that would be faced by the poor customers when we implement some of these directions, etcetera. We hope that they would understand that and made it a little more practical and whatever the regulatory requirements, we are committed for full compliance of that to the industry itself.
- Moderator:** Our next question is from the line of Nidhesh Jain from Investec. Please go ahead.
- Nidhesh Jain:** Sir, in the gold loan business, this quarter, the growth was a bit soft, given that the gold price has been pretty strong. What is the reason for a softer growth in this quarter on a Q-on-Q basis in gold loan? And what is the guidance for gold loan growth for the full year?
- V P Nandakumar:** It's a seasonal effect. There were even many festival. And the requirement during this period used to be a little dull compared to the other peak seasons. So we have already given the guidance of 10% to 18% growth in gold loan and we are hopeful of achieving that.
- Nidhesh Jain:** Okay. And sir, second is on the microfinance side, how are the collection trends in the month of October versus quarter 2? And how -- what is the guidance on credit costs for the full year?
- V P Nandakumar:** So it's similar to the industry. So there is some stress in some geographies and added to that, some festivals then in some natural disasters in some states, etc. This has its impact. Yes, this is the industry scenario. And yes, we are not different with regard to the collection with the industry. So it would be going as per the industry.
- Nidhesh Jain:** Sir, if you can quantify the number, what is the collection efficiency let's say, on ex bucket in Q2? And what was that number for October that would be useful?
- V P Nandakumar:** So that has to be worked out.
- Nidhesh Jain:** Okay. And the guidance for the credit cost for the full year in microfinance?
- V P Nandakumar:** Yes, it should be on the higher side, because now we are not able to fully estimate because many of these things, the industry has come out of that natural disasters like heatwaves, then abnormal monsoon and the festivals, etc. These are all cooled down. We hope things will improve going forward.
- Nidhesh Jain:** Okay, that's it from my side. Thank you.
- Moderator:** Thank you. Our next question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

- Raghav Garg:** Hi, good evening and thanks for the opportunity. I just have a few questions on your digital personal loans. I was reading through the presentation, it's mainly given to the existing gold loan customers. So I wanted to understand what is the overlap between the digital PL customers and the gold loan customers?
- V P Nandakumar:** See, we have decided not to grant any digital personal loan to gold loan customers until they close the loan. So there is enough system control.
- Raghav Garg:** And this is -- or this was applicable since when? Or it has been the policy since the start of investment initiated businesses.
- V P Nandakumar:** This was raised by the regulator in their inspection and immediately thereafter, we have stopped it.
- Raghav Garg:** Sir, when was that?
- V P Nandakumar:** So this is -- during the last inspection, which was concluded in September.
- Raghav Garg:** Understood. That's also my side. Thank you.
- Moderator:** Thank you. Our next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.
- Nischint Chawathe:** Thanks for taking my question. It was actually on RBI observations. If you could just kind of clarify and help us understand what were the observations made by RBI in the microfinance business as well as what was the commentary for the gold business?
- V P Nandakumar:** See, I have already mentioned about that in my opening remarks, one was the pricing policy. The second was assessment of income and debt of microfinance borrowers. Third, the purity difference of gold at the time of disbursement and auction. These were -- for now these are fully controlled in the system. This will not recur for pricing also, we understand the requirements. So we understand we cannot be an outlier in the net interest margin. We have committed that we address that in all future disbursements if all those system controls put in place, etc. We have submitted our reply to RBI and we are awaiting for their inspection.
- Nischint Chawathe:** And for the parent gold loan company?
- V P Nandakumar:** For the parent gold loan company, gold loan also -- they have issued certain guidance, etc.-- guidelines, etc. As I mentioned, this to the -- as I told the earlier speakers. So the industry has some concerns about some practical challenges in implementation which are affecting the customers at the bottom line very much. So we have sought and got that appointment with the Deputy Governor and others. The association is meeting them next week. Based on that, association will take a call on all these points and the association and particularly, we are committed in implementing that.
- Nischint Chawathe:** And this is essentially all the microfinance -- sorry, all the gold loans?

- V P Nandakumar:** This is to all the players, including banks. Yes, certainly gold loan, anybody is doing gold loan whether it is a bank or nonbank.
- Nischint Chawathe:** Okay. And any specific observations relating to Manappuram on gold in the audit?
- V P Nandakumar:** No, other than the guidelines given on the other point, whatever they have observed in the past, all those issues are addressed.
- Nischint Chawathe:** Got it. And just one small one. You raised some ECB during the quarter, any color in terms of the rate of interest or terms on that?
- A. L. Bindu:** So, it is all-inclusive below 9%.
- Nischint Chawathe:** And how long is this?
- A. L. Bindu:** It's 3 years.
- Nischint Chawathe:** Sure. And just one small one. On the bank loans, these are all linked to Repo, MCLR, what are these linked to?
- A. L. Bindu:** MCLR.
- Nischint Chawathe:** All are MCLR?
- A. L. Bindu:** ECB is also linked, the bank borrowing is MCLR linked.
- Nischint Chawathe:** Got it, thank you very much.
- Moderator:** Thank you. Our next question is from the line of Shubhranshu Mishra from PhillipCapital.
- Shubhranshu Mishra:** Hi, thank you for the opportunity. First one is data keeping question on what were the auction levels in this quarter? The gold price per gram and the accrued interest. And what would be the proportion of the book below INR1 lakh, INR1 to INR5 lakh and more than INR5 lakh?
- Raju Narayanan:** Auction numbers is INR360 crores and gold price is INR7,080, average LTV 58%.
- Shubhranshu Mishra:** Accrued interest?
- A. L. Bindu:** INR1,095 crores.
- Raju Narayanan:** Up to INR1 lakh, 42.3%. INR1 lakh to INR3 lakh, 34%, balance and above INR3 lakh is 24%.
- Shubhranshu Mishra:** Thank you.
- Moderator:** Our next question is from the line of Mohit Jain from Tara Capital.
- Mohit Jain:** Sir, I just wanted to have your views further on the question that was asked regarding the credit cost. I think in Q2, we have already touched somewhere around 7% for Asirvad. And now the disbursement has been stopped by RBI, and it may continue for some period of time. And in

case of MFI once the disbursement stops, the credit cost deteriorates further because the collection also becomes difficult going by the nature of the business. So, is it fair to say that the credit cost may touch double digit in the next couple of quarters for Asirvad?

V P Nandakumar: See, one advantage is now that the entire focus is in collection. We are implementing many, many things like, to motivate the customers to make online payments, etcetera and for the employees also collection incentive and meetings, etcetera. So, post to this issue, we have not seen any impact so far, whatever is there before that, so that continues. And we are hopeful that with all these things, employees motivating as well as incentives plus wherever the people are available, wherever weekly collections are needed, that also is being facilitated. So this way, we hope that our collections will not be worse than other players. And the regulatory action will not impact us as far as collection is concerned.

Mohit Jain: Okay. And sir, one more question. Has there been any communication from any of the lenders so far as regards to the early repayment of the loans? And then talking from the viewpoint of the borrowings, were there any banks or any other financial institutions have asked for the repayment of the borrowings from Asirvad post this plan?

V P Nandakumar: No, we don't expect that way because Manappuram has very good connection with the lenders for a long time. And Asirvad also has sufficient liquidity to meet the obligations. We have called the important lenders meet, etcetera. And shown them what will be our ALM, etcetera. And nobody has raised any serious concerns about that and nobody else recalled any loan, and we don't expect that.

Mohit Jain: Thank you, Sir.

Moderator: Our next question is from the line of Rishabh Gang from Sancheti Family Office.

Rishabh Gang: Thank you for the opportunity. So, in addition to microfinance, I read that Asirvad housed 515 gold loan branches, which will be impacted because of this ban. So, if you can just tell about how Asirvad and gold loan is related and any impact on the gold loan operations?

V P Nandakumar: So in Asirvad, the -- all the lending operations are put into a halt around 22nd of October. So all the concerns raised by the regulator, we have addressed that. So we have given our reply, etcetera, and we have requested the regulator to commence their -- to remove the ban etcetera, etcetera. We hope that they will follow their usual practice of conducting inspection very soon.

And if the issues are not too many, we hope within a reasonable time, the ban will be lifted. Until then all the lending, including gold loans are -- new disbursals are stopped there.

Rishabh Gang: Sir, what kind of disbursement of gold loan was happening from these Asirvad branches?

V P Nandakumar: So it was -- the AUM was INR1,100 crores.

Rishabh Gang: Of gold loan in Asirvad, correct?

V P Nandakumar: Yes.

- Rishabh Gang:** Okay. AUM was INR700 crores and 5 months disbursal...
- V P Nandakumar:** INR1,100 crores, which was around 9% of the book --.
- Rishabh Gang:** All right. Sir, do we have risk-based pricing right now? Like have we started it? For the MFI?
- A. L. Bindu:** MFI, it is only uniform pricing.
- Rishabh Gang:** So like any rationale like why don't we have risk-based pricing? And what do we think about it here?
- V P Nandakumar:** We had a discussion at the Board level. We felt like that is not a good idea because in some areas, some customers are bad and that their load should not be pushed to the other good customers in that region. So ultimately, we thought, we'll have a uniform pricing policy.
- Rishabh Gang:** All right. So -- but do we want to go to a risk-based pricing later on or we will continue with the...
- V P Nandakumar:** No, no. See, our logic is simple. So some customers are bad, in particular group or a geography, why should other customers take the load of that bad customer. So now in these areas, what we will do, we will have our risk management plans there by restricting lenders to a very low level and also higher bureau score, etcetera, etcetera, rather than pricing high in these geographies.
- Rishabh Gang:** Also just the last question. Like the actions which we have thought about for rectifying this violations, by when will this rectification happen? In case you have already mentioned, can you just repeat that? Like how many...
- V P Nandakumar:** Our entire machinery is ready with full compliance of whatever has been sought for. And this has been informed to the regulator and we prayed too for the removal of the ban. And we hope we will speed up their procedures like whatever inspection or whatever they wanted to do they will do. And we hope it will not get too much delayed.
- Rishabh Gang:** So as per your management estimate and industry knowledge, how many months it should get resolved? Like the ban will be taken off?
- V P Nandakumar:** See, usually, they take some time. You can say minimum they take 3 to 4 months. And that is our expectation also and we are fully geared up.
- Rishabh Gang:** Also, your housing finance portfolio yields are, I think, also on a little higher side. So what do you think about that? Like can RBI also take action for that?
- V P Nandakumar:** So in all these areas, we have made changes to ensure further concerns raised by the regulator from time to time are fully addressed.
- Rishabh Gang:** Sorry, pardon?
- V P Nandakumar:** All these are whatever concerns raised by the regulators in the past are fully addressed, whatever in the NHB inspection whatever was raised, all these are addressed now.

- Moderator:** Our next question comes from the line of Tanuj from DSP. Please go ahead.
- Tanuj:** Sir, so even on the non-MFI businesses, like for the past 2 quarters, we have seen some increase in NPAs, so what's driving this? And given that these are higher growth businesses, should one expect lower growth even in these businesses going ahead, given the NPA increase?
- V P Nandakumar:** See, the industry faced -- the economy faced many challenges, right? So heatwaves then natural calamities, etcetera, etcetera. So this has a general impact is the credit cost for the lending industry as a whole. And that is what has impacted us also. So it is similar to the other players in the industry where we are in.
- Tanuj:** Okay. And any growth slowdown you envisage in these segments?
- V P Nandakumar:** No, we feel like the growth will continue. There will be some seasonal impact. Other than that, we don't expect any slowdown as far as growth is concerned.
- Moderator:** Our next question is from the line of Luv Sharma from JPMorgan. Please go ahead.
- Luv Sharma:** Just a couple of questions. I think first one, if you could just highlight what would be the monthly collections for Asirvad for the next quarter if you could highlight, like in the next 3 months and the repayments which we have there on a monthly basis? And second would be I think Asirvad's number statements highlighted some covenant breaches. If you could just indicate what kind of covenant breaches are these and what was the amount of loans under those breaches?
- Representative:** In Asirvad, so we have a steady collection I mean, based on the collection efficiency that we have, all the ALMs are positive across the buckets. So there is no ALM mismatch in any of those. So our collections are adequate to meet our operations as well as our repayments of the loans.
- A. L. Bindu:** Sir, we have included the details in Page Number 26.
- Luv Sharma:** Yes. On the covenant breaches, could you just indicate what is the quantum of loans?
- A. L. Bindu:** Covenant breach.
- Representative:** Covenant breach, there is only one covenant breach on NCD, which is a very small amount. So that is only GNPA, other than that, there are term loans, which we are in discussions, but we don't think any serious impact on that.
- Luv Sharma:** Sorry, just to repeat myself again, what is the amount NCDs.
- A. L. Bindu:** For NCD, it is very small amount only. I think it's less than INR50 crores.
- Representative:** Less than INR50 crores.
- A. L. Bindu:** For the bank covenant breach, we are discussing with them.
- Luv Sharma:** Would it possible to quantify, just even if a rough estimate.

- Representative:** We can share that.
- A. L. Bindu:** Yes. We will share it separately.
- Luv Sharma:** Okay. Sure. And so both of these have the same GNPA-related covenant breach?
- A. L. Bindu:** Yes.
- Representative:** Yes, yes.
- Moderator:** Thank you. Our next question is from the line of Bunty Chawla from IDBI. Please go ahead.
- Bunty Chawla:** Thank you, sir. Thank you for giving me the opportunity. As you said, there has been changes in the MFI portfolio, which you are expecting to be in the next 3 to 4 months. So, my question is, if we put the changes in the gold loan and now MFI portfolio all done in well by March, so on a long term basis or from FY '26 onwards, how these changes will impact our growth trajectory on an overall basis? And ROA, if you can share that on a longer term basis, how one should see the AUM growth as well as the ROA?
- V P Nandakumar:** Yes, it will do better only,. On Gold loan, if you take. Yes. All the players will come into the same place with regard to compliance. So, there will be, there is definitely a level playing field, which will help the leading industry players. Regarding the other segments of the secured MSME loans, vehicle loans, etc., the challenges like the natural calamities, etc.
- Now, the geographies, we have problems, the elections, etc. So, these are getting somewhat moderated with a few elections going to come. So, regarding MFI, we are expecting a moderate growth thereafter, some 13% - 20%, but our focus will be more on the credit quality, credit discipline, etc. So, the more prudence, etc. So, what I hope is, is that secured segment in our consolidated book will outgrow.
- Bunty Chawla:** So, on an overall basis, can we say 12%, 15% growth on an overall basis, can we consider?
- V P Nandakumar:** Yes. We are targeting around 15% 18% growth. So 15%-18% growth with more focus on the growth of secured loan portfolio, including gold loan.
- Bunty Chawla:** Okay. Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Gaurav from Capital Farming Consultants. Please go ahead.
- Gaurav:** So my first, just a clarification, that are we still looking for IPO replacement of Asirvad or it has been completely taken off from the shelf?
- V P Nandakumar:** It is too early to tell anything about that. We have time up to April. We have not taken a call on anything now. We have the time, we'll see the market, how the market, etc. How fast the ban is going to be removed, etc. So based on market conditions, we'll take a call on that.

- Gaurav:** Okay. So a question to the Asirvad team specifically that like in stand-alone books of Manappuram, we quantify our overall AUM in various products like gold loan, vehicle finance, SME on lending, etc. So I hope there will be different product segments. So can we quantify that which product segment is up to what percentage in overall book of Asirvad Microfinance? I think our overall AUM is approximately INR11,880 crores. So if you can quantify it in product segments. I know that to one of the earlier participants, you have mentioned that overall 9% is gold loan. So remaining what...
- V P Nandakumar:** There are only 3 segments there. So microfinance is over 90% and 9% gold loan in the AUM. And a small amount of some of INR40 crores -is secured MSME.
- Gaurav:** What is the minimum and maximum tenure of the loans that we extend in the MFI?
- V P Nandakumar:** In MFI, we extend up to 24 months, but the average tenure remains around 18 months.
- Gaurav:** Sure. So, Bindu was highlighting Slide 26 of the presentation that we uploaded on the website.
- Moderator:** Sorry, Gaurav, I request you to join the question queue for any follow-up questions. Our next question is from line of Rishikesh from RoboCapital. Please go ahead.
- Rishikesh:** Hi, thank you for the opportunity. Sir, our gold loan AUM has grown 17% year-on-year.
- Moderator:** Sorry to interrupt, Mr. Rishikesh. Can you please switch to a handset mode?
- Rishikesh:** Is it better now?
- Moderator:** Yes.
- Rishikesh:** Thank you for the opportunity. Sir, our gold loan AUM has grown 17% year-on-year, while if I see the tonnage, it is flat in a year-on-year basis. So, is it all led by price increase? And we would also like to know what tonnage growth do we see going ahead?
- V P Nandakumar:** Not worried about tonnage growth. We are concerned only about two things – how the AUM is growing, what is the accretion in the number of customers. In both these cases, we have grown. The other thing is, if the price has gone up, the customer will not borrow more other than his requirements. As I used to tell in my earlier occasions also, when the customer borrows, he intends to redeem that within the shortest time. That's why the average life of gold loan is around 100 days.
- When the gold price has gone up, the average LTV has come down to 58%. So, if the price goes, he takes the advantage by bringing smaller quantity. If the price goes down, the reverse is happening.
- Rishikesh:** So, what steady-state gold loan growth do you foresee?
- V P Nandakumar:** So, as I told, we expect the gold loan to grow at 10%, 15% annually. Now, we see the opportunities for a sustained growth with the changes and bringing level playing field to all the players by the regulatory changes.

- Rishikesh:** Okay, thank you.
- Moderator:** Thank you. Next question is from the line of Vatsal Parag Shah from Knightstone Capital. Please go ahead.
- Vatsal Parag Shah:** Yes, thank you for taking my question. So, just one clarification. So, in the earlier quarter, we gave a consolidated credit cost guidance of 2%. So, does it still stand or we are changing it?
- A. L. Bindu:** It's not very clear.
- Vatsal Parag Shah:** Hello, am I audible now?
- Moderator:** Yes, Mr. Vatsal. Please go ahead with your question.
- Vatsal Parag Shah:** Yes. So, I was saying that in the earlier quarter, we gave a credit cost guidance of 2% on a consolidated level. So, does it still stand or we are changing it?
- A. L. Bindu:** We have not changed it. So, we will see the progress in collection because whatever climatic conditions, etc., the team is confident of improving that. So, as such, we have not changed the estimates.
- Vatsal Parag Shah:** So, it is still 2%, right?
- A. L. Bindu:** Yes.
- Vatsal Parag Shah:** Okay, thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was our last question for the day. I would now like to hand the conference over to the management for closing comments.
- V P Nandakumar:** Thank you for your good questions. We hope that we have answered all the information at hand. Thank you.
- Moderator:** On behalf of Motilal Oswal, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.