"Manappuram Finance Limited

Q1 FY27 Earnings Conference Call"

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MODERATOR: **MR. ABHIJIT TIBREWAL - MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Manappuram Finance Q1 FY27 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 touchtone phone. Please note that this conference is being recorded.

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

Abhijit Tibrewal: Thank you, Steev. Good evening, everyone. I am Abhijit Tibrewal from Motilal Oswal and it is our pleasure to welcome you all to this earnings call. Thank you very much for joining us for Manappuram Finance earnings call to discuss the Q1 FY27 earnings.

To discuss the company's earnings, I am pleased to welcome Mr. VP Nandakumar, Chairman and MD; Dr. Sumitha Nandan, Executive Director; Mr. Buvanesh Tharashankar, Group CFO and CFO; Mr. Manoj Pasangha, Co-CEO, Asirvad Microfinance; Dr. Roy Varghese, Co-CEO, Asirvad Microfinance, Mr. Amandeep Singh, CFO, Asirvad Microfinance Mr. Rakesh Sharma, Co-CEO, Manappuram Home Finance, , and Mr. Robin Karuvely, CFO, Manappuram Home Finance.

On behalf of Motilal Oswal, we thank the senior management and the Investor Relations team of Manappuram Finance for giving us this opportunity to host you today. I now invite Mr. Nandakumar for his opening remarks. With that, over to you, sir.

VP. Nandakumar: Thank you. So good evening, everyone, and thank you for joining us for Manappuram Finance Q1 FY'27 Analyst and Investor Call. It's a pleasure to connect with all of you once again as we discuss our performance for the first quarter of FY27 and share our perspective on the opportunities and priorities shaping the year ahead.

Operating environment. The first quarter of FY27 witnessed a resilient operating environment for the Indian economy despite persistent geopolitical uncertainties and volatility in global commodity markets. India's macroeconomic fundamentals remain strong, supported by healthy domestic consumption, improving rural demand, sustained infrastructure spending and a stable financial system.

Credit demand across the banking and NBFC sectors continued to remain healthy while asset quality across secured lending portfolios remained resilient. Consolidated financial performance overview. Our performance during the quarter reflects the inherent strength of our diversified business model and the resilience of our core gold loan franchise.

Consolidated AUM for Q1 '27 was at INR69,635 crores, up by 9% QOQ and up by 57% year-on-year. Consolidated gold loan AUM for Q1 FY'27 was at INR57,006 crores. It is 82% of our consolidated AUM versus 80% for Q4 FY'26.

Consolidated revenue from operations for the quarter stood at INR3,033 crores, up by 16% QOQ and up by 34% year-on-year. Profit After Tax stood at INR585 crores, up by 45% QOQ and up by 47% year-on-year.

Coming to gold loan business. The gold loan business continued to be our primary growth engine. At the same time, we maintain a disciplined approach towards risk management across all businesses, with asset quality, liquidity and capital preservation continuing to be main key priorities.

With over four decades of experience in secured lending, Manappuram Finance has built one of the country's most trusted gold loan franchises. Stand-alone gold loan AUM for Q1 FY27 was at INR54,655 crores, up by 12% quarter-on-quarter and up by 97% year-on-year. As guided earlier quarter, our gold loan yield has improved by 59 basis points during the quarter.

Coming to microfinance business. Our microfinance business under Asirvad continues to operate in a calibrated manner. Microfinance companies have witnessed industry-wide stress over the few years.

However, the strategic measures implemented over the last several quarters are beginning to deliver encouraging outcomes. Our balance sheet remains robust, supported by healthy capital adequacy, diversified funding sources and comfortable liquidity buffers. This provides us with flexibility to pursue growth opportunities by maintaining financial resilience in an evolving operating environment.

Asirvad AUM stands at INR7,188 crore, up by 5.8% QOQ and up by 7.2% year-on-year. Asirvad has reported a PAT of INR21 crores in this quarter, up by 58% QOQ and up by 108% year-on-year.

Coming to housing and MSME lending business. Our housing finance and MSME lending business continue to focus on profitable growth while maintaining strong credit discipline. Rather than pursuing rapid balance sheet expansion, we remain committed to building sustainable businesses that generate healthy returns over the long term.

Coming to priorities for Manappuram. It is remaining unchanged. We continue to strengthen our senior leadership team. Mr. Ashish Singh has been appointed as the MD and CEO and expected to join by January 1st of 2027. He is a seasoned banker with over 25 years of experience in the retail banking space and his latest experience at the IDFC First Bank has set off retail liabilities. He previously has leading private banking business.

Moving forward, we continue to maintain our leadership in the gold loan business through customer-centric innovation and digital capability and operational excellence. Simultaneously, we will focus on improving the performance of diversified business through disciplined underwriting, strong portfolio quality and sustainable profitability. Technology, governance, and operation efficiency continue to remain important of our strategy as we build a more agile and future-ready organization.

While the operating environment will continue to evolve, we believe that instituting in strong governance disciplined execution, trust brands and prudent risk management will emerge stronger over the long term. With our resilient business model, robust capital position, and diversified financial services platform, we are well positioned to capitalize on the significant opportunities ahead.

With that, I now hand over the call to our President and Group CFO, Mr. Buvanesh Tharashankar, who will take you through the detailed financial and operational performance for the quarter. We'll then be happy to take your questions. Thank you.

Buvanesh Tharashankar: Thank you, Mr. Nandakumar. Good evening, ladies and gentlemen. Thank you for joining us for a discussion on our financial results for the first quarter ending June 30, 2026.

In Q1 FY27, performance was driven by a strategic focus on gold loan growth, improved gold loan yields through a greater emphasis on non-gold loan collections and strengthened asset quality. Our consolidated AUM for Q1 FY27 was at INR69,635 crores, up by 9% sequentially and 57% year-on-year.

Gold loan continued to be our key growth driver with an AUM of INR57,006 crores, up by almost 12% quarter-on-quarter and by about 98% year-on-year, supported by strong customer demand. Gold loan business constitutes 82% of the consolidated AUM versus 80% in the prior quarter and 65% a year ago.

Consolidated profit after tax before OCI and minority interest was INR585 crores for Q1 FY27, which sequentially was up 44.5%. Coming to stand-alone business. Our stand-alone AUM for Q1 FY27 was at INR60,971 crores, up by 9% sequentially and 70.8% year-on-year. Gold loan AUM in stand-alone business was INR54,655 crores, up 12% quarter-on-quarter and 97.4% year-on-year.

It constitutes 90% of our stand-alone AUM versus 87% in the prior quarter and 77% a year ago. Stand-alone PAT before OCI was INR552 crores, up 47% sequentially and 41% year-on-year. Stand-alone GNPA was at 1.56% versus 1.8% in prior quarter and credit cost in stand-alone entity for the quarter was 1%. The stand-alone borrowing cost has gone up by about 10 bps in the first quarter of FY27.

Coming to the gold loan business. During the quarter, we were able to add about 3.2 lakh new customers and outstanding number of customers was 26.5 lakhs. Our average gold loan LTV was at 65.6% in Q1 FY27. Online gold loan book accounts for about 86% of the total gold loan book.

Coming to microfinance business. Asirvad's AUM stands at INR7,188 crores, which includes gold loan AUM of INR2,344 crores. Overall, the growth was 5.8% quarter-on-quarter and 7.2% year-on-year.

PAT before OCI was INR21 crores in Q1 FY27 versus INR13 crores in the prior quarter. And in Q1 FY26, we had a loss of INR269 crores. So essentially a swing of INR290 crores year-on-year.

Net NPA stands at 1.4% and Asirvad's CRAR as of quarter end was at 31%. Coming to vehicle finance business. In the vehicle finance business, we have reported an AUM of INR2,562 crores, down 14.3% quarter-on-quarter and 43% year-on-year. Focus is now on collections as GNPA continues to be elevated at 13.3% versus 10.4% in prior quarter.

Loans to MSME and allied was at INR3,303 crores with a disbursement of INR191 crores, and GNPA was at 5.9% versus 7.1% in the prior quarter. Home loan business had a total book of INR1,847 crores, flat Q-o-Q and down by about 3% year-on-year.

The Board has declared an interim dividend of INR1 for this quarter. Our capital position is strong and company is well capitalized with a capital adequacy ratio of 21.29%. The company's consolidated net worth stands at INR16,552 crores as of June 30, 2026, and book value per share stood at INR176.20.

We can go now for the Q&A session.

Moderator: Our first question comes from the line of Shreepal Doshi with Equirus.

Shreepal Doshi: Sir my question was first on the recent implementation of RBI framework on the LTV side. So, what changes have we made in terms of product tenure? And have we launched income-generating products as well during the quarter? If yes, could you please throw some light in terms of the interest rate as well as tenure and the underwriting practice that we have in that category?

Raju Narayanan: From the recent RBI circular guideline issued from April 1st onwards, we implemented it across in the recent period by considering the interest also while calculating that. There is a major change happened and also the ticket size also came in the picture, up to INR2.5 lakh, 2.5 to 5 lakh and above INR5 lakh. That is implemented from 1st onwards.

And according to the new circular guideline and given some options or some different kind of product offering options also given. According to the customer requirement and request some of the products like monthly interest payment or monthly EMI scheme category products also we launched as a part of that.

There are some acceptance from the customer also requesting now we got that option. So these were the changes and some of the customer segment like business class customer or business segment is there, those who are regularly getting income on their business and related operations. In that also a small segment of income-generating loan also started after this April.

Shreepal Doshi: How is this income-generating loan different from the vendor gold loan that we were doing consumer loan that we were doing, except for the bullet repayment part. So is there any other difference apart from having the option of bullet repayment in consumer loan versus in the income-generating loan we have the EMI option. Apart from these two, is there any other difference?

VP. Nandakumar: The income-generating asset, like income-generating gold loan, is given based on the assessed cash flows. We have for that, for assessing the cash flow, etc. Whether it is the EMI product or quarterly EMI product, interest instalment is based on the cash flow. The LTV is also based on that. If it is an equated monthly instalment, the LTV is higher. This gives us an option, if nobody pays us, here we can send the due notices, and the recovery process can start as specified by the regulator. You had a question on the interest rate. The interest rate on this scheme, it ranges from 14%-16%.

Shreepal Doshi: Got it. Sir, when you say income evaluation or cash flow evaluation is done when you are doing income-generating loan, so we have created a bandwidth there in terms of hiring staff over the last three, six months, and how is it?

VP. Nandakumar: We have hired staff. And we have our own people in cash flow-based products like MSME loans, et cetera with the capacity of the knowledge of processing the customer, et cetera, borrower, et cetera and sufficient training has been done so at various levels. We started this training much before the implemention. We started this training at least three months prior to the implementation on April 1. So these schemes were implemented subsequently. So we had the time to train our staff for six months. They are adequately trained now.

Shreepal Doshi: Just one follow-up there.

Moderator: Mr. Shreepal, could you please repeat your question. You were not audible.

Shreepal Doshi: My question was that even in the income-generating loan, we follow the similar LTV norms as we follow in the consumer loans, right?

VP. Nandakumar: No. Income-generating loan based on the cash flow, we go up to 85%, it is monthly EMI 85% and if it is quarterly, the submission scheme is lesser to that. So the LTV is higher. But at the same time, I can tell you the overall average LTV remains at 64%. Now this is the last week's price. Now the average LTV would have come down further because the price has gone up during the last one week.

Moderator: The next question comes from the line of Rajiv Mehta with Yes Securities.

Rajiv Mehta: Congratulations on good numbers. Sir, firstly, I want to understand this movement of 60 basis points improvement in the portfolio yield. What drove this? Is it the new products which you introduced under the new regulations since your portfolio tenure is generally short.

Is that helping you in maintaining now the yield at a much better level than the earlier products, or has there been any underlying shift in the customer segment mix, meaning that more high-ticket customers or has there been any change in the customer mix as well? So if you can just answer and if are we able to maintain the same yield in July, August as well with the same momentum of business?

Buvanesh Tharashankar: This is Buvanesh here. So, the yield movement is largely, I mean, in last quarter, I think I alluded to the point that we had overcorrected in terms of the pricing that we had, and we were taking some pricing actions to ensure that we are able to enhance the yield. So in Q1, essentially, we had taken some pricing actions, which are beginning to kind of yield results to us, which is what you see in Q1 numbers. And we see similar trends going forward as well. From a pricing perspective, we will probably be in this broad band around 18%. And basically, that's where we will be. So, it's not on account of any shift in terms of a disbursal mix or any segmentation mix. It's basically a set of actions that we have taken from a pricing perspective to be in line with our peer group, and we continue to monitor that pretty closely.

Rajiv Mehta: And with this holding on to the ease of around 18-odd percent, have we seen the velocity of business in terms of tonnage growth, customer growth continuing in July and August as well?

Buvanesh Tharashankar: So Q1, if you look at the growth one year back, I think it was from a tonnage perspective and a customer perspective, it was a bit weak. In fact, on the tonnage side, I think we had gone down last year first quarter. This first quarter, despite seasonally being slow, we had a good momentum, and we continue to build on that momentum in July and August as well, both from a customer perspective and from a tonnage perspective as well.

Rajiv Mehta: And just one clarification. When you report LTV as of June end at 65.6% and as of March at 57.3%, the June LTV will also have LTV defined as per the RBI's new regulation? Or is it like-to-like comparable? It's not including interest.

Buvanesh Tharashankar: No. So it is, to some extent, it will include interest. But in terms of largely the LTV movement that you see from 57% to 64% is driven by the price of gold. So you see that the price of gold has dropped by about 8.5%. Consequently, you see a similar movement on the LTV side. So it's more of a denominator effect, I would say.

Rajiv Mehta: So there is no numerator change you are saying numerator computation change.

Buvanesh Tharashankar: No, it's not there.

Moderator: The next question comes from the line of Piran with CLSA.

Piran Engineer: So just going back on the earlier question, where can LTV settle assuming gold prices are stable here?

Raju Narayanan: So on an average, this would be like 64%, 65%, even 66% level only, like March ending and 57 came mainly because of the price, INR14,161 was the price. Now 30 June that price is at INR12,954. That is why this is coming at 66%. But normally, in this level, it is 64% to 67% is the average LTV range in the normal scenario.

Piran Engineer: Understood. So LTV should be range bound out here?

Raju Narayanan: The average this range will be there. If price increase on the last price we are calculating according to the calculation, and everywhere following that, last day's price.

Piran Engineer: Understood. Understood. Sir secondly, we are seeing a lot of competition on the ground in gold loans, but you all have done pretty well. Just wanted to understand conceptually, if competitive intensity remains strong or even rises, what would you prefer holding on to margins or sacrificing margins but pushing growth?

VP. Nandakumar: See, we will maintain a balance. So currently, our pricing is at the lowest range in the NBFC industry. So with the market, we cannot be totally away from the market. So we have to move according to the market. But I hope we'll be reasonably balanced in that.

Piran Engineer: Okay. Okay. And lastly, just a question for Bindu, if she's there. This net loss on derecognition of financial instruments of INR30 crores, just can you explain what exactly that is? Is that a write-off?

Buvanesh Tharashankar: Yes, it's a write-off, we can get back on more specifics on that.

Piran Engineer: Okay. It's a loan write-off basically.

Buvanesh Tharashankar: Yes.

Moderator: The next question comes from the line of Prithviraj Patil with Investec.

Prithviraj Patil: I just had one question of the new guidelines that Reserve Bank of India has given, the draft guidelines about the export facility. I just wanted to know if there are any such facilities or online gold portfolio.

VP. Nandakumar: Can you repeat the question?

Prithviraj Patil: There's a new draft guidelines on the revolving facility. I just wanted to know if there's any such facility on the online gold portfolio that you have.

VP. Nandakumar: Online gold loan doesn't come under the overdraft. It is a normal loan only. It's just been lettered in the revised instructions.

Prithviraj Patil: Okay. How does the functioning of this loan work once the principal is run down? Do we give the customer a top-up loan then?

VP. Nandakumar: When the principal is run down, he has the facility if the LTV permits. He has the facility in the online gold loan to repledge that at the LTV he wants within the range permissible. That's all. It is not an overdraft. He has the facility to repledge at the prevailing LTV, within that prevailing LTV he has the option.

Moderator: The next question comes from the line of Bhaskar Basu with Jefferies.

Bhaskar Basu: I had three questions. Firstly, on the LTVs again, how are the origination LTVs? Do you have any loans which are originated at around 85% LTV post the new launch?

VP. Nandakumar: First of all, I can say we are working within the regulations. If consumer loan is up to INR2.5 lakhs, there is a regulation. Similarly, beyond that also there are certain caps. The interest also is factored while calculating that.

Let me say that. For income generating assets, we go up to 85%, this is the maximum, 85%. These are EMI products or the IGA products. Here, even though we have the gold collateral with us, most stress is given to assess this cash flow. These are all from the business people, who will even otherwise qualify for EMI products based on the cash flow, based on whatever securities they pledge their business upon.

Bhaskar Basu: Okay. But that income generating product, actually, my understanding is there is no required LTV cap for that, right? I mean, you can --

VP. Nandakumar: Yes, as per the regulation, there is no LTV cap. But internally, we have fixed up the cap to be 85% maximum. That is the maximum.

Bhaskar Basu: Got it. And what portion of your book will be, say, originated at that 75%-85% band? And what proportion would be the income generating loan in the book?

VP. Nandakumar: That can be shared separately. We have to take that separate.

Bhaskar Basu: Okay. What would be your branch expansion plans for this year? Any acceleration expected?

VP. Nandakumar: Now, one good news for us is the requirement of prior approval from RBI has been removed, which facilitates the opening of the branches. So we have the plan to open around 500 branches now. We are at stream now already, progressing in that stream.

Bhaskar Basu: Sorry, 500 branches for this year?

VP. Nandakumar: Yes. That is what is planned.

Bhaskar Basu: And would this all be in standalone or would this also include Asirvad?

VP. Nandakumar: No, this is for Manappuram. For other businesses like home finance or MFI, they have their own plans.

Bhaskar Basu: No, I mean within the gold loan branches.

VP. Nandakumar: Yep. Yes.

Bhaskar Basu: So Asirvad gold loan branches expansion will be on top of this, or this is part of that 500 for the group?

VP. Nandakumar: Yes. All these Manappuram Finance and Asirvad, all these will come under this 500. This is the plan.

Bhaskar Basu: Yes, got it. My last question is on the cost of fund. We have seen about 20 basis points increase in standalone. Where do you see this settling? Does it go up further in the next quarter?

Buvanesh Tharashankar: Buvanesh here, in terms of cost of fund, given the overall environment where we have seen spikes in terms of the rates in the short way, and we have seen a spike in the rates, we have seen MIFOR also at all-time high levels. Despite that, first quarter, we have been able to manage, from a cost of fund perspective, we have been able to keep it fairly under control. We continue to monitor and see in terms of opportunities that will arise in future, and we will work on that. It is very difficult to put a number in terms of where this will settle in. But having seen that these are elevated currently, we could expect some of this coming into our cost of fund as well. But it is very difficult to predict where this will be.

Bhaskar Basu: Okay. But some sense on where your marginal funding cost is versus the average of about 8.8. Incremental basis.

Buvanesh Tharashankar: On an incremental basis, I would say, we will be around the 8.8 to 9 handle, is what I would look at.

Moderator: The next question comes from the line of Kushan Parikh with Morgan Stanley.

Kushan Parikh: My first set of questions is on the gold loans, please. Going forward, we have the branch addition plan for gold loans. But gold prices have been pretty muted in this year. Keeping that in mind, what is the gold loan growth guidance that you would like to give for FY27?

And also on the yields. We have seen yields declining consistently, but this quarter they have come back up. What is the steady state gold loan yields that we should think about going forward from here on? Those are my two questions on the gold loan.

VP. Nandakumar: We expect the yield to be somewhere around 18%. It may go down by 25 basis points or go up by 25 basis. Beyond that, we do not expect anything. It will be around 18%. The branch expansion plan and price may remain stagnant. The price is not a factor which is determining our branch expansion. Branch expansion, the scope is there because there are many places where we are not represented, and we have potential for growth. Those places are identified and selected for branch office.

Kushan Parikh: Understood, sir. What is the gold loan growth guidance that you would like to give for FY27?

VP. Nandakumar: We have grown around nearly 12% at Q1. Our expectation for growth of gold loan this year is around 30%, because some quarters are as per season, some quarters are off seasons. We expect that to be some between 25%-30%.

Kushan Parikh: Understood, sir. Thanks, sir. Just one more question on the non-gold businesses. The vehicle finance, MSME, and home loan businesses have been in a growth moderation phase for a few quarters now. When should we expect them to turn towards growth, and what are our plans for those segments?

VP. Nandakumar: We have temporarily stopped the vehicle lending, vehicle finance. We are focusing on collection. Our collections are improving because of the improved focus, et cetera. The other businesses like mortgage-based loans, et cetera, it has started picking up, and the asset quality is the most focused. Microfinance also, our focus is on the quality. Yes, we are complying with the SRO norms, et cetera. The growth will remain at a level of, I feel like INR400 crores to INR500 crores, as a disbursement in MFI.

Kushan Parikh: Understood. Thank you, sir. Just one last data keeping question. If you could provide the gold loans by ticket size, that would be helpful. I'll just stop here.

Raju Narayanan: Up to one lakh, it is 21%. One to three lakh, it is 30%. Above three lakh, it is 49%.

Moderator: The next question comes from the line of Gaurav with Capital Farming Consultants.

Gaurav: I have questions, one on the gold loan segment and another one on the microfinance. On the gold loan, if I heard correctly, we are expecting to open 500 new branches during FY 2027. Is that the correct statement?

VP. Nandakumar: Yes.

Gaurav: When I was just going through the presentation, I noticed that I think in Q1 we have added 10 branches, if I am not wrong. Considering that 10 branches in Q1, is the remaining 490 branches across three quarters, is it officially feasible or am I reading something wrong?

VP. Nandakumar: The circular has come. After the circular, removing the prior approval requirement, we initiated the process. During the initial months, it will be low, but it will pick up. It is steadily picking up. You will see a good improvement during the second quarter. We are confident of reaching that target of 500 branches.

Gaurav: Okay, that's great. 500 branches is a feasible number of fresh branches.

VP. Nandakumar: Yes.

Gaurav: That's it. On the microfinance side, when we look at the quarter-on-quarter numbers, Q4 of FY26 versus Q1 of FY 2027. So it seems that, again, our losses and provisions have increased in Q1 of FY 2027 versus Q4 of FY 2026. Any specific reason why, again, the provisions have increased in microfinance or, I would say, Asirvad Microfinance?

Buvanesh Tharashankar: Buvanesh here. In Q4 there were one-timers in terms of releases. I think Q1 is more representative of a normalized provision cycle. This would be where the provisions are. Q4 had a one-timer. Obviously, it was in single digits, I think 9 crores or something. There were some one-off credits that we had, which is why the Q1 is a more normalized number that you see.

Gaurav: That's great. And within microfinance, or I would say Asirvad, cost of borrowing seems to be on a little bit on the higher side vis-a-vis cost of borrowing that we have in Manappuram as a standalone entity. Now considering that the kind of loan book, or I would say the asset side that we have, that is drastically changed.

Now we have almost 30%-plus in the gold loan in Asirvad Microfinance side. Is there any opportunity that we can further negotiate with our lenders or there is a scope of a reduction in cost of borrowing considering our lending profile in Asirvad now onwards?

Buvanesh Tharashankar: Yes. Certainly, there is a window of opportunity, and you rightly pointed out when we have over 30% of our books in the secured gold loan, it gives us definitely an opportunity to go back to our lenders and negotiate prices for a better cost of borrowing, which we are actively in place.

Gaurav: Okay. If you allow me one more question. In presentation, we have mentioned that in Q1, we have started lending in Manappuram Housing Finance also. Is it a pure play like it will be sitting on the books of Manappuram Housing Finance, or it is again kind of a co-lending model like we have between Manappuram Finance and Asirvad Microfinance? What would be the target of having the gold loan book in Manappuram Housing Finance going forward?

VP. Nandakumar: It will certainly be within the limits of qualifying assets. Qualifying asset will always be maintained.

Gaurav: Will it be kind of a co-lending model or you will be underwriting on the books of Manappuram Housing Finance only?

VP. Nandakumar: We will resort to co-lending model also, not only with the parent company, with the banks also. We have approached the banks also in Manappuram Housing Finance also for co-lending with the banks.

Moderator: The next question comes from the line of Anuj Jain with ValueQuest Capital.

Anuj Jain: I have one question, what is your new management's long-term strategy with respect to microfinance business? Do we intend to grow its share of the portfolio like it was a few years earlier or to maintain at the current levels? Or do we have any strategy or any thinking to reduce the exposure going forward? What is the long-term strategy for microfinance business?

VP. Nandakumar: I will tell at the group level, we want to contain microfinance at below 10% at a consolidated level. We want to grow that along with our overall growth, but in a stable manner where the asset quality is the prime concern. We stick to the asset quality, and we always wanted to have volume growth in MFI portfolio.

Moderator: The next question comes from the line of Ansuman Deb with ICICI Securities.

Ansuman Deb: Yes. Hi, good evening, and thanks for the opportunity. I have two questions. One is on the branch opening. I think in the past we have seen branches, it has been one of the big levers of volume growth. With 500 branches, if you can share some color on in terms of where these branches will open and any view on branches opening possibility in the next one, two years? That will be the first question.

The second is on the strategic priority, which was set two, three quarters back. If you can give us any progress that has been done till now. I am sure there would have been lots of work which was done, but some discussion around that would be very helpful? Thank you.

VP. Nandakumar: The branch opening, we have accessed where the growth possibility is higher. I can say yes, around 60% will be in South and Central India. That is five states of South India plus Maharashtra. And some 25%% will be in eastern states like Bihar, West Bengal, Odisha, et cetera, where we are seeing good potential. And the balance in rest of India.

Ansuman Deb: And sir, on anything beyond that 500, is it a one, two year thing, we expect more branches to continue to open?

VP. Nandakumar: Yes. So our present target is around 500 branches. After that, we'll examine and proceed.

Ansuman Deb: Thanks. On the second question? My question was on the strategic priorities. I think we have expect some priorities that you already mentioned that one of MFI business being less than 10%. That was one of the things.

VP. Nandakumar: I am very happy to say that our focus will be more on gold loan. We want to maintain around 75%-80% of the consolidated AUM in gold. The balance would be secured lending, like the mortgage-based MSME lending, plus affordable housing. This will be case. We are not giving any priority during this year.

We do not want to disburse any more vehicle loans during this year. After one year, that probably in FY 2028, we may consider whether to restart or not. As I said, the microfinance will be contained between 8%-10%. That will be the cap on a consolidated basis we will put.

Ansuman Deb: And sir, on the opex efficiency, you also had some, I think, digital division opex. Will we expect some efficiency on those front?

VP. Nandakumar: Totally. Our AUM per branch is growing. It has grown considerably high. You can see the opex to AUM is also steadily coming down. We hope to improve that going forward.

Moderator: The next question comes from the line of Pradeep Agarwal with 360 One Capital.

Pradeep Agrawal: I have couple of questions. One, as we have seen the gold loan market has evolved manifold over the last 4 to 5 years. Have you seen any change or drastic change in the customer profile? Earlier we used to comment that about one-third business used to come for emergency use, one-third for Agri and one-third for business. Are you seeing any change in that end use proportion? Because what we have seen is the proportion of higher ticket size customers have increased significantly, not only for us, but for the industry as a whole. First question on that.

VP. Nandakumar: Earlier, these were seen as a distress product. Now, with the publicity given by all institutions, including banks, more and more business people, particularly MSME, they are availing the loan. The government's intention and also regulator's intention is to encourage the MSME lending using gold as collateral. Because otherwise, the gold is lying idle with them in their lockers, et cetera.

To bring that idle gold into the MSME funding is a priority of the policy thinkers. Based on this encouragement, that's why the RBI has gone a little liberal in permitting the gold loan companies to open more branches without any prior approval, which was the case earlier, et cetera. Also promoting, encouraging the IGA gold loan, where there is no LTV, even though we have capped at 85% based on cash flow, et cetera. All these initiatives are from the regulator side. Yes. Slowly the profile of the customer is moving to the business class.

Pradeep Agrawal: Does that mean that about 49% of the portion into more than 3 lakh ticket size? What would be the yield difference between, say, in that segment, say, above 3 lakh ticket size customers and, say, in 1 to 3 lakh ticket size? Because I'm assuming that this higher 3 lakh plus ticket size would be largely business use, right?

VP. Nandakumar: Yes. The mix remained more or less the same. Consider the mix only, we expect the yield to be around 18%. We know the trend. We have the mix also. With the volume mix also, this is the expectation, at least during the next one year.

Pradeep Agrawal: Okay. Secondly, as the competition has increased manyfold, are we facing any challenges on the employee side? Has the attrition increased or how that has moved over the last, say, two, three years? Some color on that.

VP. Nandakumar: We are not facing any challenge in that recent times. Actually, the attrition has come down. Because many policy changes we made, et cetera, the attrition has actually come down. We are not seeing any attrition at the top level who are handling gold loans.

Pradeep Agrawal: Okay. Any number you would like to give at the branch level?

VP. Nandakumar: Our attrition level remained around 2% to 2.5% per month. Yes. It is not rising even now.

Pradeep Agrawal: Okay. Lastly, any guidance you would like to give in terms of ROA and ROE? Once our business stabilizes in terms of, since on the yield side it has largely stabilized. Where do you see your ROA, ROE stabilizing, say, over the course of next few years?

VP. Nandakumar: We are targeting an ROA of around 3.5% to 4%, and targeting an ROE of 15% to 18%, which is the ROE target.

Pradeep Agrawal: Okay. Any timeframe you would like to give, by when you would --

VP. Nandakumar: Yes, we expect the ROAs and ROEs to consistently grow. In three years, our expectation is to take that ROE to around 18%.

Moderator: The next question comes from the line of Shreepal Doshi with Equirus Securities.

Shreepal Doshi: Sir, I just had a question that what is the yield differential at blended level for income generating loans and for the consumer gold loan? I would like to know ticket wise 50 to 75 basis points higher in income generating loan.

Raju Narayanan: It's higher once it's a consumer loan, up to 50 to 75 basis points.

Shreepal Doshi: Okay. It's higher once it's a consumer loan, right? Or the income generating-loan, 50 to 75 basis points. As a thought process, what percentage of our portfolio would we want to have this coming from income-generating loan as a segment that's in the next one year time period, as that is a newer segment which is scaling up.

VP. Nandakumar: All depends on the comfort we are getting. We are continuously watching this portfolio. We are now, whatever we have given, the experience is very good. In spite of that, we have not gone beyond 18%, even though we have seen some lending institutions lending even more than that. We have restricted to that. The LTV there also ranges from 75-85 based on the assessment of the party and the cash flow, its creditworthiness, everything, just like any other loan which are granted based on the cash flow.

Shreepal Doshi: Okay. We don't have any clear thought process as yet on intermixing.

VP. Nandakumar: Yes, because these products are just started. We are continuously watching. Our experience remains very good. Also, we have not strictly fixed anything because the portfolio is still very small compared to the overall portfolio.

Moderator: The next question comes from the line of Sanket Chheda with DAM Capital.

Sanket Chheda: I just wanted to check on the new CEO, if you can just elaborate on which all segments he has looked after in his last 10 to 15 years or the 10 years of his experience at IDFC First Bank. We have just written retail liability, but what we found common or suitable experience in the candidate that could really help us. So just wanted to get a sense on which all segments he has looked after in his previous stints.

VP. Nandakumar: He has wide experience, 25 years with multiple lending institutions. He has both worked on the liability side as well as the retail lending side. His experience is good. He has worked in Fullerton India as in the NBFC. He has worked in the other NBFCs and banks. His experience in retail lending is good.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for their closing comments.

VP. Nandakumar: Thank you so much. You have asked many relevant questions, which we try to insert in the data itself. Those who wanted more detail, you can remain in touch with us. Thank you.

Moderator: Thank you, sir. On behalf of Manappuram Finance and Motilal Oswal, that concludes this conference. Thank you for joining us, and you may now disconnect. Thank you.