“Manappuram Finance Limited

Q2 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 Q2 FY27 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Abhijit Tibrewal from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

Abhijit Tibrewal: Yeah, thank you, Rutuja. 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 the Manappuram Finance call to discuss Q2 FY27 earnings.

To discuss the company's earnings, I am pleased to welcome Mr. V.P. Nandakumar, CMD, Dr. Sumitha Nandan, ED, Mr. Buvanesh Tharashankar, Group CFO and CFO, Mr. Manoj Pasangha, MD and CEO, Asirvad Microfinance, Mr. Amandeep Singh, CFO, Asirvad Microfinance, Mr. Rakesh Sharma, CEO, Manappuram Home Finance, Mr. Suveen P.S., Deputy 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, post which we will open the floor for a Q&A. With that, over to you, sir.

V.P. Nandakumar: Thank you. Good evening, everyone, and a warm welcome to Manappuram Finance Q2 FY27 earnings and investor call. I hope you all had a joyous Diwali, and I extend my wishes for the festive season. Thank you for asking the time to join us today. We sincerely appreciate your continued trust and confidence in Manappuram Finance. It is a pleasure to connect with you once again. We review our performance for this quarter two of FY27, discuss the developments shaping our business, and share our priorities for the months ahead.

Operational environment. Indian economy continued to demonstrate underlying strength through the second quarter of FY27, even as the global environment remained unsettled by geopolitical tensions, trade-related uncertainties, and fluctuations in commodity prices. Domestic activity drew support from consumption, services, public infrastructure investment, and a gradual improvement in private sector investment.

The gold market presented a distinct set of dynamics during the quarter. Domestic gold prices remained significantly higher than a year earlier, although they had moderated from the recent peaks and remained volatile. According to the World Gold Council, data indicates that Indian gold demand, by volume, recovered sequentially in the July-September quarter but remained lower year-on-year. In value terms, however, it was higher, reflecting elevated prices. For gold lenders, these developments have important implications.

Although domestic gold prices have softened modestly in the first half of FY27 from their peak in March quarter, they remain well above the year-ago level. This continues to support the value of eligible collateral and customer access to secured financing. At the same time, the

recent moderation and continued volatility reinforce the importance of prudent loan-to-value practices, accurate valuations, and robust risk management.

Our Q2 FY27 performance should be seen in the context of the opportunities and operating conditions across our businesses. Our gold loan franchise remains the principal driver of the Group's performance, accounting for 83% of consolidated assets under management, while our diversified businesses are being managed with a focus on portfolio quality, operating discipline and sustainable returns.

Moderator: I am so sorry to interrupt you, Mr. Nandakumar. We are unable to hear you, sir, clearly. Your voice is sounding muffled.

V.P. Nandakumar: Am I audible now clearly?

Moderator: It is still sounding muffled, sir.

V.P. Nandakumar: How is it now?

Moderator: Maybe if you are connected on a handset, if you are connected on Bluetooth or anything, can you just switch on the handset mode?

V.P. Nandakumar: Okay. How is it now?

Moderator: Please go ahead, sir.

V.P. Nandakumar: Is it okay now?

Moderator: Yes, please go ahead.

V.P. Nandakumar: Okay. During the quarter, consolidated Assets Under Management stood at INR73,303 crores, up by 60.1% year-on-year, and up by 5.3% quarter-on-quarter. While the consolidated revenue was INR3,356 crores, up by 10.2% quarter-on-quarter. Profit after tax stood at INR701 crores compared to INR217 crores in the corresponding quarter of the previous year. On a quarter-on-quarter basis, PAT increased by 19.9% from INR585 crores in Q1 FY27. The performance reflected due to higher growth in gold loan.

Our focus remains on ensuring that business growth translates into quality earnings. We continue to assess opportunities across our lending businesses with a clear emphasis on customer sustainability, prudent underwriting and collections, and the efficient use of capital. Our balance sheets and funding positions remain important enablers of our business strategy.

We continue to work with a diversified set of funding partners and maintain liquidity and capital buffers appropriate to the scale and the nature of our operations. Gold lending remains the foundation of Manappuram Finance. Our longstanding presence in this business with a legacy that goes back to 1949 has given a deep understanding of customer needs, the nuances of gold appraisal, and the operational requirements of secured lending. Through the quarter, our gold loan business continued to benefit from the relevance of gold-backed credit for customers seeking timely and convenient financing.

Elevated domestic gold prices have increased the collateral value of household gold holdings beyond the price cycle. However, the demand was on a structural need. For many households, small traders, and farmers, a gold loan is the quickest form of secured credit and a way to access liquidity without selling an asset of financial, personal, or family significance.

Borrowing against household gold also continues to shift from informal sources to regulated lenders. Higher gold prices also require lenders to remain disciplined. Our emphasis is on responsible customer acquisition, appropriate loan-to-value levels, accurate appraisal, secure custody of pledged gold, and timely monitoring of accounts. We explain loan terms and auction procedures clearly to our customers. These practices protect our customers as well as the quality of our portfolio.

Competition is intensifying as banks and NBFCs widen their reach. Our response is to deepen our presence where we can serve customers best. We plan to add around 500 branches by March 2027 to our existing consolidated network of 5,375 branches. Alongside this, we continue to strengthen the customer experience through technology and process improvements.

We see further room to grow in the organized gold loan markets by serving customers responsibly, improving service standards, and using technology to make access to credit in a more seamless manner. We are growing strongly, and we intend to keep that growth disciplined. We expect gold loan growth of 25% to 30% this year, supported by branch expansion and digital channels, and governed by the same appraisal and loan-to-value and custody standards. A diversified lending business will remain an important part of our long-term strategy.

They allow us to serve customers across different borrowing needs and life stages by broadening the organization's sources of business and earnings. We are, however, mindful that each segment has its own risk characteristics and operating cycle. In microfinance, the sector has been working through the stress of the past two years.

Industry assessments have begun to point to improving collection trends and a gradual recovery of disbursements, although conditions are not uniform across regions and institutions. Our response has been to strengthen borrower assessments, improve collection intensity, recalibrate customer acquisition, and focus on responsible lending practices.

As a result, microfinance remained profitable during the quarter, and we will continue to grow cautiously, guided by repayment behavior and portfolio quality. In Vehicle Finance, we have paused credit disbursements. Our focus is on strengthening collection, protecting asset quality, and running down the existing book in an orderly manner.

We reassess the business in April 2028. Our housing finance and the MSME lending business remain focused on customer segments whose repayment capacity we understand well. And we are prioritizing disciplined underwriting, operating efficiency, and sustainable risk-adjusted returns over rapid and cheap expansion.

Across these businesses, the objective is consistent: to strengthen the underlying portfolio, improve operating performance, and build franchises that can contribute meaningfully to the

organization over the long term. Asset quality remains central to the way we manage the organization. We continue to monitor portfolio performance at both the consolidated and the business segment levels, recognizing that risk profile and recovery dynamics differ across products.

As on September 30, 2026, standalone gross non-performing assets stood at 1.79%, net non-performing assets at 1.24%, and the provision coverage ratio at 31.3%. Our gold loan business, with the underlying collateral supported by disciplined appraisal, custody, and auction process, remains an important risk mitigator. The portfolio loan-to-value ratio stood at 64.5% at the quarter end, which is within regulatory limits. We remain appropriately focused on provisioning and the recognition of stress.

Our approach is to address asset quality challenges in a timely manner rather than defer corrective action. Our capital adequacy stood at 22.3% as of September 30th, 2026, compared with the applicable regulatory requirements of 15%. Our liquidity position remains adequate, supported by available cash and liquid assets, committed and unutilized fund lines, and access to diversified funding channels.

We will continue to manage capital, liquidity, and funding costs carefully, ensuring that our growth plans remain aligned with our risk appetite and balance sheet capacity. Looking ahead, India's medium- to long-term financial services opportunity remains significant. Rising formalization of credits, wider digital access, growing financial awareness, and the financing needs of households and small businesses provide a meaningful opportunity for responsible lenders.

At the same time, the outlook will be shaped by inflation, interest rates, and funding costs, monsoon conditions and rural demand, oil and other global commodity prices, and the ability of the borrowers to sustain repayment capacity. We believe our established gold loan franchise, customer relationship, distribution capabilities, and experience in servicing unbanked customers provide a strong foundation.

By combining these strengths with disciplined execution across our diversified businesses, we aim to build a more balanced and sustainable financial services platform. Before I conclude, I would like to thank our employees for their commitment and hard work, our customers for placing their trust in us, our banking and lending partners for their continued support, and our shareholders for their confidence in Manappuram Finance.

With that, I will hand over the call to our President and Group CFO, Mr. Bhuvanesh Tharashankar, who will take you through the detailed financial and operational performance for the quarter. He will then be pleased to take your questions. Thank you.

Buvanesh Tharashankar: Good evening, ladies and gentlemen. This is Buvanesh. Thank you for joining us for our discussion on our financial results for the second quarter and half year ended September 30th, 2026. Our consolidated AUM for Q2 FY27 was INR73,303 crores, up 5.3% sequentially and 60.1% year-on-year. Gold loan continues to be our key growth driver with an AUM of

INR60,640 crores, up 6.4% quarter-on-quarter and 92.5% year-on-year, supported by strong customer demand.

Gold loan business constitutes 83% of the consolidated AUM, versus 82% in Q1 of this year and 69% last year. For Q2, consolidated PAT before OCI and minority interest was INR701 crores, which is up 20% sequentially and 223% year-on-year. We closed the first half of the year with a consolidated PAT before OCI and minority interest of INR1,286 crores, which was up 268% year-on-year.

Coming to the standalone businesses, our standalone AUM for MAFIL as at end Q2 was INR63,733 crores, up 4.5% sequentially and 68.5% year-on-year. Gold loan AUM in the standalone business was INR58,097 crores, up 6.3% quarter-on-quarter and up 92.2% year-on-year. Gold loan constitutes 91% of our standalone AUM versus 90% in the prior quarter and 80% in prior year. For the quarter, our standalone PAT before OCI and minority interest was INR665 crores, which is up 20% sequentially and up 77% year-on-year.

For the first half of the year, our standalone PAT was INR1,217 crores, which was up 58.4% year-on-year. Our standalone GNPA as at September 30 was 1.79% versus 1.56% during the previous quarter. Credit cost for the standalone entity was 1.4%. Standalone borrowing cost has gone down by 2 basis points in the second quarter.

Coming to the gold loan business, strong momentum in customer acquisition continued, and we were able to add 3.15 lakh new customers. Our outstanding number of customers was 27.2 lakh, an increase of 2.9% quarter-on-quarter and 11.7% year-on-year. Our average gold loan LTV remains stable at 64.5% in Q2 versus 65.6% in Q1. Online gold loan book constitutes about 91% of the total gold loan book.

Coming to the microfinance business, Asirvad AUM stands at INR7,919 crores, and this includes a gold AUM of INR2,508 crores, up 10% quarter-on-quarter and 28.5% year-on-year. For the quarter, MFI disbursements was at INR1,461 crores versus INR1,055 crores in the prior quarter. The proportion of the new MFI book has gone up to 79% versus 68% in Q1 and 23% in Q2 of last year.

PAT before OCI was INR32 crores in Q2 FY27 versus INR21 crores in Q1 and a loss of INR168 crores in Q2 of last year. For the first half, Asirvad PAT was at INR53 crores versus loss of INR436 crores in the first half of last year. Net NPA is at 1.1% versus 1.4% in Q1 FY27. Asirvad CRAR as at September 30th stood at 29.2%. Coming to the vehicle finance business. In vehicle finance, we have reported an AUM of INR2,169 crores, which is down sequentially 15.3% and about 46.5% year-on-year.

Focus is on collections with GNPA standing at 16.9% versus 13.4% the prior quarter. Loans to MSME and allied business, the AUM was at INR3,361 crores with a disbursement of INR238 crores versus INR191 crores disbursed in the prior quarter. GNPA in quarter two was at 6.4% versus 5.9% in the prior quarter.

The home loan business had a total book of INR1,814 crores, marginally declined quarter-on-quarter by about 1.7% and down 4.5% year-on-year. Quarter 2, the disbursements was INR121

crores versus INR103 crores in the prior quarter. Board has declared an interim dividend of INR1 for this quarter. Our capital position is strong and our capital adequacy is at 22.36%. Consolidated net worth stood at INR17,289 crores as at September 30th, 2026, with book value per share at INR184.2. We can now proceed to the question-and-answer session.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Gaurav Gupta from Capital Farming Consultants. Please go ahead.

Gaurav Gupta: Yeah. Thanks a lot. I have couple of questions. My first question is like, there has been commentary from couple of your peers, the NBFC, especially in the gold loan segment, that there has been some increase in the delinquencies among those who have been borrowing gold loan, right? If you can share some color on your customers that how is the delinquencies or if there has been some increase in the tendency to not repay in 30 plus, 60 plus kind of bucket.

That is the first question. Second question is, in our last call also, management said that we are targeting somewhere around 500 branches to open during financial year 2027, right? But what we have observed in the first ending September 30th, the number of branches added during first six months is hardly 100, or I would say even less than 100, right?

Considering that just 70 branches has been added in first six months, are we still that we will be achieving 500 odd branches during the FY27 or we are downsizing that guidance, right? The third question is specifically on some operational aspects that of late we have been observing as analysts and as shareholders, right?

That the senior management personnel who joined our organization post Bain Capital deal, right? Some of them have resigned. Any commentary or any guidance on the management stability, right? Because that matters a lot when you are expanding your book, giving confidence to the investor community, right? These are my third questions. Thanks a lot.

V.P. Nandakumar: Concerning this delinquency, first of all, you should note, our average LTV remains around 65%, perhaps the lowest in the industry. Our stage 3 is only 1% in gold loan. We are the players who have the experience over the last four decades in handling gold in different scenarios of declining gold prices, etcetera, and managing it efficiently. I understand some of the players, maybe many new to the industry, whereas we are not new to the industry. We have established presence in the gold loan segment.

Second about is our branch opening. Even though we have opened nearly 100 branches so far, another 250 branches, the work is in the full swing, and we expect that to be opened in another couple of months. We are really confident about reaching 500 branches with regard to branch opening.

Regarding the operational aspect of CEO, the earlier CEO has resigned on personal ground, etcetera,. New CEO is expected to take charge. The recruitment is already over, and he is expected to take charge from 1st of January. The CTO also resigned due to frequent travel between Mumbai and Kerala.

Other than that, from the new recruitment, there is no attrition. There is great stability with regard to new recruitments. These are the two attrition levels. For CTO positions also, we are closing on some good candidates with a reputed background in the industry and having done some IT transformation. Any more clarity is required?

Gaurav Gupta: Just a follow-up, like in the cost of borrowing, finance team has done a tremendous job while the repo rate has increased by 25 basis points, but we are able to see that 3 basis point has been saved in cost of borrowing. Would you like to give certain guidance that going forward, what will be the trajectory?

If you can expect certain more savings on the cost of borrowing. Second, any guidance on what we can expect that what could be the possible or a tentative AUM while we will be closing FY27, and any guidance on the possible AUM?

V.P. Nandakumar: The second part I will answer. The first part I will leave to the CFO to answer. We have given the guidance. We are expecting a growth of nearly 25%-30% AUM to the current year. We have been telling about 25%-30%. We are expecting a growth of some 30% to the current year.

Buvanesh Tharashankar: Hi, Gaurav. So, on the cost of borrowing, you rightly noted that despite difficult, choppy, volatile market conditions, we've been able to hold to the Q1 levels and maybe shave off a couple of basis points. But having said that, given the environment and the expected rate increases, from an overall Q4 exit, you could probably expect my cost of borrowing to go up more towards the 9% handle.

And that is in line with what was communicated in the Q1 call as well. So, that is what we are holding to, that in terms of the exit cost of borrowing will probably increase by about 25 to 30 basis points.

Gaurav Gupta: Yeah, thanks a lot. Thank you very much.

Moderator: Thank you. Next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Yeah. Hi, good evening. Congratulations on very good numbers. Firstly, sir, if you can give us some breakup of the gold loan portfolio between bullet loans, monthly servicing loans, and EMI loans, if any. And second, if you can also give some disclosure about how the Stage 2 loans have moved Q-on-Q in the standalone gold loan business.

Buvanesh Tharashankar: So, hi. Yes, sir, please go ahead.

V.P. Nandakumar: No, no. Buvanesh, you can go ahead.

Buvanesh Tharashankar: Okay, sir. In terms of the composition, I would say mostly the book continues to be the longer tenor book, which, in terms of the EMI and the shorter tenor book is a more smaller component of our overall portfolio. So that is what we have. In terms of the staging, I think, in

terms of the Stage 2 increases, we are looking at single digit as a percentage of overall AUM. So that is where we are.

Rajiv Mehta: Okay. And when the long tenure book, so it implies that these are bullet loans and where the interest is also not actually contractually due, right? On a regular basis.

Buvanesh Tharashankar: See, they may not be contractually due, but the behavior of the customer, we have seen about almost 60% to 65% of our customers, they pay interest promptly even though there is no scheduled payment as such.

Rajiv Mehta: Correct

Buvanesh Tharashankar: That is behavior what we observed in the past, and we do not see any change in that behavior going forward as well.

Rajiv Mehta: On the Stage 2 spike of being fixed in a material number, how do we plan to solve this, or how do you plan to ensure that the customer do not move buckets forward and they are able to roll back or regularize whatever they have missed, if the loan is shorter tenure or if the interest is missed in the end date?

V.P. Nandakumar: We send the notices, we contact the customers. When the notices are received, they come and they meet the interest and make up the LTV also to the current level. This is the practice which has been followed, and this is nothing new.

Rajiv Mehta: Just lastly…

V.P. Nandakumar: The default option is very, very low.

Rajiv Mehta: Okay. Lastly, on gold loan growth, sir, you said that 25% to 30% growth. I think it should have been the first half. The portfolio growth grown by 19%, and right now, it is in the Q1Q growth run rate, it is 5%, 6%. Are we seeing that 5%, 6% growth rate at the AUM level is continuing even in October, November? That would be the level of

V.P. Nandakumar: There are fluctuations in accordance to the seasonal fluctuations are there. The first quarter used to be very good, the other quarters, the growth used to be moderate at a rate of 5% to 6%. First quarter used to be good, etcetera. As I said, we are expecting some 30% growth in the gold loan AUM this year.

Rajiv Mehta: Okay. Thank you, sir. That's it, sir.

V.P. Nandakumar: Yeah. Thank you.

Moderator: Thank you. Next question is from the line of Gaurav Khandelwal from JP Morgan. Please go ahead.

Gaurav Khandelwal: Yeah. Hi, good evening. Thanks for taking my questions. My first question is on the Stage 2 of gold loans. I am sorry if I missed it. Can you tell us about the Stage 2 gold loans, and when do you expect it to settle down? Some details on that, please.

V.P. Nandakumar: What is Stage 2 and Stage 3?

Buvanesh Tharashankar: On Stage 2 and Stage 3, while we are seeing a bit of a spike, again, compared to peer group, we are much lower than what peer groups are operating at. Having said that, a couple of things that I would like to note here. It is largely behavioral, right? in April, you had this change to regulations that came into effect, and you had a set of new products that were launched, which were the shorter tenor and the EMI-based products.

These products are something that the customers have never experienced before. They are used to the traditional one-year consumption kind of loan, which is traditionally a bullet payment, right? That is the behavior that they are used to.

In terms of spike, typically what we have seen is that, what it requires to correct this is basically increase the customer contact and educate them in terms of the difference between the traditional product and the new products that have been launched. What we have seen in terms of early reads is quite encouraging, in terms of the spike that we are seeing in Stage 2.

We have seen a large quantum of these customers coming back and paying either in full or in part, and therefore, regularizing the amounts outstanding, which therefore does not necessitate us to go down the auction path. I think, I would say, it is a phenomenon which I think should normalize in probably in the next couple of quarters, and reach a more normal level as customers get used to these kind of products.

Having said that, we are monitoring it, the overall levels for any stress. But thus far, I think we are quite comfortable with what we are seeing, and we will continue to keep up the intensity in terms of reaching out to the customers and collecting from these customers.

Gaurav Khandelwal: Got it. Thanks for that. My follow-up question is on competition. Can you share your thoughts on how competition is evolving, and do you anticipate that over the next 6-12 months, is there a possibility of yields moving lower in terms of because of competition?

Buvanesh Tharashankar: Sorry, I didn't get the last part.

V.P. Nandakumar: The competition is there. For any attractive product, there will be competition. But our strength is our knowledge, which we have gained over decades of doing that, managing different situations, including price risk, etc. Many of the newcomers may not have that capability. Regarding the pricing, our pricing remains one of the lowest in the industry. We are able to look at our customer acquisition and tonnage increase.

Even in a scenario of the price falling down compared to the previous quarter, our new customer acquisition has remained very high. Our total customer base has gone up by 11% year-on-year. Quarter-on-quarter also, our customer base is growing by more than 3%. Tonnage also is increasing. In spite of the competition, we are able to grow, and we are confident of withstanding the competition.

Gaurav Khandelwal: Thank you. Those are all my questions.

Moderator: Thank you. Next question is from the line of Piran Engineer from CITIC International. Please go ahead.

Piran Engineer: Yeah. Hi, sir. Congrats on the quarter. Just two questions. One is, your provisioning of INR220 crores on a standalone basis, how much is gold versus non-gold?

V.P. Nandakumar: Buvanesh.

Buvanesh Tharashankar: Yeah, I think largely it will be driven by gold. We also have some prudent management overlays that we've taken and built into the numbers.

Piran Engineer: Okay, but can you quantify the non-gold part of it?

Buvanesh Tharashankar: Yeah, we will get back to you on that. We will quantify it.

Piran Engineer: Okay, sure. Secondly, how should we think about the trend in opex going forward? You all have contained it pretty well, but at some point, you are opening 500 branches, you will add more people, you will have to incentivize your employees. How do we think about opex growth?

V.P. Nandakumar: See, our online gold loan, OGL, is around 91%. Our existing branches are also growing without adding more people. With more OGL and technology in place, actually, we have reduced the manpower in branches without affecting the customer service. Our ability to shift our customers to online gold loan is really helping us.

When we add 500 branches, we do not expect much of the employee cost to increase because we are in the process of rationalizing the field employees. We do not expect that. The opex to AUM will come down even in spite of opening 500 branches. The employee cost to AUM will come down.

Piran Engineer: Understood. Yeah. Okay, sir. That is it from my end. Thanks, and wish you all the best.

Moderator: Thank you. Next question is from the line of Srishti Sarda for Oaklane Capital. Please go ahead.

Srishti Sarda: Sir, I just wanted to know the split of gold loan and non-gold in GNPA. Can you quantify Stage 2 numbers?

V.P. Nandakumar: Buvanesh.

Buvanesh Tharashankar: Yeah. I'll take the Stage 2 first. On Stage 2, I would say it is between low and mid-single digit. That's what we have on Stage 2. In terms of GNPA—

V.P. Nandakumar: Just a minute.

Buvanesh Tharashankar: Gold GNPA is about 1.04% for the quarter.

Srishti Sarda: Okay, sir.

Buvanesh Tharashankar: From the overall total GNPA of 1.79%.

Srishti Sarda: Sir, just one more follow-up. Can you also quantify the number of Stage 2 of Q2 FY 2026, if possible?

Buvanesh Tharashankar: Stage 2 would be much lower. I mean, if you look at gold, because the other portfolios have been undergoing changes. Overall, MAFIL, I mean, you had VF and other products which are in wind-down mode. I think, from a gold perspective, it was much lower. It was probably less than half a percent, same time last year, is what I would look at.

Srishti Sarda: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Shubhranshu Mishra from Phillip Capital. Please go ahead.

Shubhranshu Mishra: Yeah. Hi, good evening. The first question is around the EMI products. If you do EMI products, it has to be yield mitigating versus a bullet loan, where the interest is getting accrued at the end of it or not. How is it at a similar kind of a yield? Can you please elaborate on that? Second is basically data-keeping questions, if you can quantify on the auctions this quarter. What is the gold price per gram in INR, and what is the accrued interest as a percentage of AUM? Thank you.

V.P. Nandakumar: The gross yield on the EMI and the bullet payment combined will remain somewhere around 17.5%-18.5%. That is the expectation. Yield will remain somewhere within that range. Regarding the auction, yes, Raju, that you can

Raju Narayanan: Yeah. Auction amount is nearly INR100 crores in this quarter. Gold price is on this quarter two is INR13,526.

Shubhranshu Mishra: What is the accrued interest as a percentage of AUM?

Buvanesh Tharashankar: It is more or less same as that of Q1. We will come back.

Shubhranshu Mishra: What is the number?

Buvanesh Tharashankar: We will come back on that number.

Shubhranshu Mishra: Right. If I can just squeeze in one last question. When we speak to various competition, whether it is banks or other NBFCs, they come back with the feedback saying that we have started a price war in various markets, at least five to six states, wherein we are offering very low teaser rates, less than 1% per month, which basically would be a cumulative or an effective interest rate of around 12% to 13% on an annualized basis.

So, if we can speak on that and how is competition yielding to it, and is that a strategy going forward as well? Or is that something that the new promoters are asking us to do? So, what is the idea behind all of this? If you can speak on this and clarify this. Thanks.

V.P. Nandakumar: We are not in competition and not on a price war, etcetera. We wanted to remain as one of the attractive lenders for the consumers. So, we are keeping our rates as one of the lowest in the industry to ensure that our customers are retained and we are able to acquire customers and make them long-term repeat customers, etcetera.

It is a long-term strategy. We feel like that will make our business model more sustainable. But still, whatever we have given the guidance to the market with regard to our ROA and ROE, we will stick to that. We told ROA to be somewhere between 3.5% to 4% and ROE between 15% to 18%. We stick to that.

Shubhranshu Mishra: Right. What is the board-approved policy for the pricing of the loans? Do we have a minimum and so a floor and a ceiling? Has the board approved the policy on that?

V.P. Nandakumar: Yeah. See, we have the board-approved policy. We go by the board-approved policy. Yes, this changes from time to time with regard to the market rate, etcetera. It is taken to the board and that takes the board approval. So, it is all market-related. Yeah.

Shubhranshu Mishra: Right. Thank you so much. I will come back in the queue. Best of luck for achieving quarters.

V.P. Nandakumar: Yeah.

Moderator: Thank you. Next question is from the line of Sanket from DAM Capital. Please go ahead.

Sanket: Yeah, sir. I heard you saying Stage 2 is lower single digit, but it would be helpful if you can put up a number to it. We are seeing sharp increase in Stage 2 for other peers, and hence the question. It would be really helpful if you can spell out the number.

Buvanesh Tharashankar: Stage 2, I would say it is about 5% or thereabouts.

Sanket: Okay.

Buvanesh Tharashankar: This is on the gold AUM.

Sanket: Okay. Cool, sir. The other thing that we have seen in PPT is that this quarter you have reclassified some ARC, loss on ARC sale to provisions. How much that amount would be?

Buvanesh Tharashankar: That is about INR14 crores. It is a very small amount.

Sanket: Okay. Besides that, have we created any overlay since the profitability was strong?

Buvanesh Tharashankar: Yes, we have taken some prudent management overlays over and above the ECL provisioning. That is something which is dynamic, and we will decide in terms of the environment. We have just considered it to be prudent to build some management overlays given the strong momentum.

Sanket: How much that overlay quantum would be for this quarter?

Buvanesh Tharashankar: We will get back to you on that number.

Sanket: Okay. Cool. Thank you.

Moderator: Thank you. Next question is from the line of Sameer Bhise from Dymon Asia. Please go ahead.

Sameer Bhise: Yeah, hi. Thanks for the opportunity and congrats on the quarter. Just wanted to ask how are you thinking on gold loan growth, especially given the way prices have moved and say assuming it stays around current level, by next quarter we will be on a lower price on a year-over-year basis, meaningfully lower price on a year-over-year basis. So how should one think on growth for the year and maybe next couple of quarters, if you can kind of give a sense?

V.P. Nandakumar: See, we have told you, told the market from the very beginning, we are expecting a growth of 25% to 30%. So we stick to that. We expect we will be able to grow at around 30% in the current year. And we are able to acquire customers also, customer acquisition has improved, collections also has improved. So this momentum will continue.

Sameer Bhise: Sure. And just can we have the Stage 2 number for Q1 2027 as well? On the gold business.

Buvanesh Tharashankar: So on the gold business, it was about close to 50 basis points.

Sameer Bhise: Okay, sure. Thanks.

Moderator: Thank you. Next question is from the line of Deep Vakil from Bandhan AMC. Please go ahead.

Deep Vakil: Sir, we had, I mean, some regulations around to classify loans as income generation and consumption. I think certain if it's income generation, then we had to kind of write some underwriting around cash flow-based underwriting. Do we have any color on that? I mean, what is that proportion of IGL versus consumption loans in us, I mean, in our book? I mean, what underwriting practices we follow or any color on that?

V.P. Nandakumar: For income generating gold loans, we underwrite the customer. We look at his cash flow, we look at his other borrowings, etc. On the basis of cash flow, we consider it as a cash flow based lending. That practice, other than the bullet loan, this is a very different practice where we have already trained our employees. The numbers Buvanesh can support.

Deep Vakil: Okay.

Buvanesh Tharashankar: Yeah, on…

Deep Vakil: Sir, any proportion that Yeah, sir, sorry, go on.

Buvanesh Tharashankar: No, you were saying something.

Deep Vakil: Yeah, sir. Any proportion that you can give of our overall gold loan book, what will be IGL and consumption loan? I mean, some ratio.

Buvanesh Tharashankar: Income generating loan is a very small component in my overall gold loan base.

Deep Vakil: Okay, so it is majorly consumption loans then. Okay.

Buvanesh Tharashankar: Yes, yes.

V.P. Nandakumar: IGGL, income generating gold loan is growing slowly because we have introduced that in a phased manner, training our employees to assess cash flow, etcetera. You will see gradual increase in the disbursal in IGGL going forward.

Deep Vakil: Okay. And sir, any analysis that we do around, I mean, some percentage fall in gold price and what impact does it have on our LTV? And sir, I think in some of the parts, people asked the question of gold price in rupees. Can you please repeat that number?

V.P. Nandakumar: See, at the beginning itself, the opening remarks also about our average LTV, today in our books is around 65%. You look at the published data of other lenders, all of them are much far higher than LTV than us, most of them. That shows our prudent practices in managing the LTV.

Buvanesh Tharashankar: Gold price mentioned earlier is INR13,526.

Deep Vakil: INR13,526. Okay, sir. Okay, thank you.

Moderator: Thank you. Next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. The first question is on distribution of LTV. What percentage will be above 80% LTV?

V.P. Nandakumar: Buvanesh.

Buvanesh Tharashankar: We will have to get back to you on that.

Nidhesh Jain: Sure, sure. And second, what percentage of our book will be bullet loan and what will be non-bullet?

Buvanesh Tharashankar: Most, large component, I mean, the majority of our book is largely bullet. And given that, you know, these schemes are been recently introduced, you know, in the first quarter, they are a smaller component, both the IGGL and the EMI based loans, they are much smaller component. Majority is all bullet schemes.

Nidhesh Jain: So majority basically 90%, we should take 90%+ or?

Buvanesh Tharashankar: Yeah, 90% plus. Yeah, yeah, absolutely.

Nidhesh Jain: What is the quantum of auction we have done in this quarter and in first half?

Buvanesh Tharashankar: INR100 crores in this quarter.

Nidhesh Jain: Okay. In the first half?

Raju Narayanan: Okay. One, three. Yeah, first quarter is INR13 crores a. So total INR115 crores.

Nidhesh Jain: Okay. This is based on this monthly scheme. Going forward, we will continue to see share of monthly schemes going up, or how do you see that playing out?

V.P. Nandakumar: It is gradual. As I mentioned, it will be gradual. We are training our employees, and that has been done in a phased manner. Gradually, it will improve.

Nidhesh Jain: But if you can get some color on how the share of monthly scheme on incremental disbursement, that would be useful.

V.P. Nandakumar: Gradually, can you check?

Raju Narayanan: Currently around this less than 10% only, 8%-10% only, this monthly or quarterly payment category scheme. As told earlier, it's gradual only because customer also we are sharing details and educating them, and also employee also. It will be in the gradual mode.

Nidhesh Jain: Is it even on the incremental disbursement, the share is 10%?

Raju Narayanan: That level only. Majority are bullet at the moment.

Nidhesh Jain: Sure. Thank you, sir. That is it from my side.

Moderator: Thank you. Next question is from the line of Gaurav from MLP. Please go ahead.

Gaurav: Yeah, thank you for taking my question. I have a couple of questions. One is, sir, if you can quantify what was the quantum of overlay that you created in this quarter? If you can quantify, because provisions seem to have gone up sequentially. Just wanted to understand the overlay or the discretionary element of the provisions.

Buvanesh Tharashankar: In terms of the overlay, I would say of the 1.79% cost that we are seeing, you can say about 70 to 80 basis points would be the overlay.

Gaurav: Understood. Perfect. The second question is regarding the Stage 2. Stage 2 currently is at 5%. Let's say by end of this year, do you expect this to normalize? Normalize as in what we saw in 1Q, we were at about 50 basis points, give or take. Do you expect this in the next couple of quarters to self-cure?

Buvanesh Tharashankar: Early reads, what we are seeing right now are encouraging in terms of getting the collections on from the customer. But as I said, these are all early reads and largely attributable to behavior of customers getting used to this kind of product. As of now, because it's something very new, it's difficult to predict what the normalized trend would be, right, in a particular product.

Gaurav: Sure. But it's already started trending down. Is that a fresh statement to make, let's say in October or November?

Buvanesh Tharashankar: Yeah. The early reads are that from the levels of what we have seen in September-

Gaurav: Right

Buvanesh Tharashankar: We have been able to collect a fair bit. This is something that is on a rolling basis, you will see a certain inflow as well into Stage 2. Where it will normalize and that would be a normal trend, that is a little difficult to predict at this stage.

Gaurav: Understood. Just a data-keeping question. On the overall, let's say, management overlay over and above your ECL, how much overlay are we carrying on our books cumulatively? If you can highlight that.

Buvanesh Tharashankar: I will get back to you on terms of overall how much overlay we are carrying. We continue to maintain prudent overlays in our financials. It is almost akin to like a countercyclical buffer given the overall conditions that we are seeing.

Gaurav: Got it. Is it something that we have been creating earlier also, or it is only something that we started last quarter and this quarter? Or this is something we have been carrying for legacy book as well?

Buvanesh Tharashankar: It is something that we assess every quarter. It is not necessarily a FY27 phenomenon. There are overlays which we have taken in the past, and we will continue to assess and create prudent buffers where required.

Gaurav: Right. Understood. That is perfect. Just last question is on Asirvad. This time we saw AUM growth of 10% sequentially. Going forward, typically second half is always better in case of MFI. Can we assume the growth rate to pick up in the second half from here?

Manoj Pasangha: It is not growth focused. We are going to continue to have a very calibrated method of growing. If circumstances allow us, with absolutely no compromise to underwriting, and if the growth was to happen in spite of our strict underwriting norms, so be it. But we are not looking at anything to perpetually go for growth behind growth.

Gaurav: Understood. But anything that you are targeting, let us say next year? This year, while I understand it is going to be calibrated, let us say for next year, what kind of growth should be penciled in for Asirvad?

Manoj Pasangha: The way they are building the book now, I think there is a very positive trend from the Q4 of last year to Q1 of this year and the Q2 of this year. I think our top line has been growing, and the running down of a book is now a thing of the past. Going by this trend, I think we are looking at a steady book, steady growth in the same kind of growth rates that you've seen over the last two quarters. I see no difference in the next year as well.

Gaurav: Perfect. Thank you so much for answering all my questions. That's all from my side, and all the best.

Moderator: Thank you. Next question is from the line of Vedant Sarda from Nirmal Bang Securities. Please go ahead.

Vedant Sarda: Thank you for the opportunity. My question is with respect to the yields. We are telling with respect to competition that you are providing the attractive rates. That is agreed, you will

always provide attractive rates as compared to industry. But what is your take on the yields part? In coming two- three years, how do you look at the gold on yields to settle down at?

V.P. Nandakumar: I expect that to be somewhere in the range of in three years, maybe around 17% in three years. But all depends on the borrowing cost, how it is going to be, the borrowing cost, the policy. Accordingly, then that can be changed also. It can be even 18%, even more also. A lot of external factors are also influencing that.

Vedant Sarda: Yes, borrowing cost is one factor. I am asking you with respect to the competitive intensity, like other participants also competing and considering that thing?

V.P. Nandakumar: So, I believe there is some agreements around somewhere around 18% now, among the top players.

Vedant Sarda: Okay, 17% to 18% kind of yield you see.

V.P. Nandakumar: Yeah.

Vedant Sarda: Thank you. Thank you for your answers, sir.

Moderator: Thank you. Next question is from the line of Bhaskar Basu from Jefferies. Please go ahead.

Bhaskar Basu: Yeah, thanks for taking my call. One question I had was regarding the shorter tenure gold loan products which you are offering. As we have seen across players, there has been an increase in Stage 2, etcetera. What is the thought process? Would you like to keep pushing this product, or would you like to kind of revert back to the traditional bullet product? Is there any thought process around it? Few players have actually stopped doing this product, is what we understand.

V.P. Nandakumar: We are also slowly moving to from three months to six months product to one-year product. We lend to these short-term products only after assessing the customers. It will come down. Short-term products will come down, and more of it will go down to one-year product.

Bhaskar Basu: To be clear, you are essentially trying to move back to those earlier traditional bullet products or…

V.P. Nandakumar: For those customers who are very clear about short-term requirement, we will continue with that. For others who have no certainty about short-term redemption, we will move to one year term.

Bhaskar Basu: Okay. Thanks. That's all, man.

V.P. Nandakumar: We don't induce the customer to avail short-term loans.

Bhaskar Basu: Okay. Yeah, because the collection intensity, etcetera, is much more intense requirements in this segment. Yeah, which is what some other players are realizing.

V.P. Nandakumar: Yeah. In the case of short-term products, managing the price risk could be better. But at the same time, we should put customers, go after customer's demands also. Options with the customer.

Bhaskar Basu: Okay. Thanks.

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

V.P. Nandakumar: Well, thank you very much for your active participation. Any further questions, we are available, and management is available. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services Limited and Manappuram Finance, that concludes this conference. Thank you for joining us, and you may now disconnect. Thank you.

V.P. Nandakumar: Thank you.