



Muthoot Finance Limited

Registered Office :
2nd floor, Muthoot Chambers,
Opp. Saritha Theatre Complex,
Banerji Road, Ernakulam - 682 018
Kerala, India.
CIN : L65910KL1997PLC 011300

Phone : +91 484 2396478, 2394712
Fax : +91 484 2396506, 2397399
mails@muthootgroup.com
www.muthootgroup.com

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August 22, 2023

National Stock Exchange of India Ltd.
Exchange Plaza
Plot No. C/1, G Block
Bandra - Kurla Complex
Bandra (E), Mumbai - 400 051
Symbol: MUTHOOTFIN

Department of Corporate Services
BSE Limited
P.J. Tower, Dalal Street
Mumbai - 400 001
Scrip Code: 533398

Dear Sir/Madam,

Sub: Transcript of the Analyst Call on Unaudited Financial Results (Consolidated and Standalone) for the quarter ended June 30, 2023.

In continuation of our letter dated August 05, 2023, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the analyst call made on August 11, 2023, on the Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter ended June 30, 2023, has been uploaded on the website of the Company within 5 working days of the conclusion of the call and is available at <https://cdn.muthootfinance.com/sites/default/files/files/2023-08/11-August-23.pdf>

Thank You,
For **Muthoot Finance Limited**

Rajesh A
Company Secretary
ICSI Membership No. FCS 7106



“Muthoot Finance Limited Q1 FY '24 Earnings
Conference Call”

August 11, 2023



MANAGEMENT: **MR. GEORGE ALEXANDER MUTHOOT – MANAGING
DIRECTOR**
MR. ALEXANDER GEORGE – WHOLE-TIME DIRECTOR
**MR. GEORGE M. ALEXANDER – WHOLE-TIME
DIRECTORS**
MR. GEORGE M. JACOB, WHOLE – TIME DIRECTOR
MR. EAPEN ALEXANDER – EXECUTIVE DIRECTOR
MR. K R BIJIMON – EXECUTIVE DIRECTOR
MR. OOMMEN MAMMEN – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. SANKET CHEDDA - DAM CAPITAL ADVISORS LTD**

Moderator: Ladies and gentlemen, good day, and welcome to the Muthoot Finance Q1 FY '24 Earnings Conference Call hosted by DAM Capital.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanket Chheda from DAM Capital. Thank you, and over to you, sir.

Sanket Chheda: Thanks. Hello and good evening to all of you. We have with us the entire Management Team of Muthoot Finance to discuss their Q1 FY '24 Results.

Naming the management, we have with us George Alexander Muthoot, who is the Managing Director, Mr. Alexander George, who is the whole-time director; George M. Alexander, whole-time director George M. George and George M. Jacob, both of them are whole-time directors; Mr. Eapen Alexander, Executive Director; K R Bijimon, who is also an Executive Director; and Mr. Oommen Mammen, who is the CFO.

Without further ado, I will hand the call over to Mr. George Alexander Muthoot for their opening remarks, followed by which we will take Q&As. So, over to you, sir.

George A. Muthoot: Thank you, and good evening to all. I am George Alexander – Muthoot's Managing Director.

Today, Muthoot Finance had its Board meeting and the results of the Q1 have been finalized and it has been uploaded to the Stock Exchange also.

I would now like to say a few things about the “Performance Highlights” of this Quarter. Our consolidated loan assets of the management has increased year-on-year 21% and today stands at 76,799 crores.

We also had the highest ever quarterly gold loan disbursement of 53,600 crores, all time high gold loan portfolio growth in any quarter one of 4,164 crores. There is an increase in the consolidated PAT of 27% year-on-year, which is at 1,045 crores, and the standalone profit after tax 22% year-on-year at 975 crores. There is also an all-time high interest collection in any quarter, first quarter of 2,863 crores.

On a Q-on-Q basis, the gold loan assets have grown by 4,429 crores in this Q which is up by 7% quarter-on-quarter, and the gold loan assets has also grown by 4,164 crores quarter-on-quarter up by 7%.

Other key highlights we would like to place here would be that we opened 59 new branches in this quarter. We received permission from the RBI in July last month to open 140 new branches. We have raised 179 crores through the 31st public issue of secured NCD mainly from retail investors.

As far as the subsidiaries are concerned, the growth revival continues and for Muthoot Home Finance, the gross AUM stands at 1,501 crores a growth of 4%. The disbursal this quarter is 109 crores versus 69 crores in the quarter of last year. The interest income is up by 10% to 37 crores versus 34 crores in the last quarter. The profit after tax of 4.72 crores versus 1.41 crores in the same quarter last year and 2.1 crores in the last quarter.

GNPA and NNPA stands at 3.79 and 1.21 crores in this quarter respectively, against a higher GNPA of 4.01 and 1.39 in March of last year. The provision coverage ratio in the home finance is 70.37 crores, higher than the required provision as per NSB norms.

Muthoot Money, there is a continuous decline in the NPA through physical collections witnessed consistently throughout the quarter. The NPA decreased to 2.46% from 3.72%. The gross loan assets has increased from 387 crores to 496 crores, and the branch network increased to 185 from 149.

The Belstar Microfinance has seen an improvement in the disbursement month-on-month to 700 crores per month. The gross loan assets and the management crossed the 7,000 mark, and the collection efficiency on regular accounts is 99.4%. GNPA stands at 1.62%, and NNPA at 0.21%.

There is an improvement in the credit rating and the outlook has changed from AA- Stable to AA+ by CRISIL rating agency. Belstar has also started expansion in other than Tamil Nadu states to reduce the concentration in Tamil Nadu, which is a home state. This had been initiated in line with the long-term strategy to diversify the concentration from 49% to 35% by financial year 2026.

The other results or details are there in the file with this Muthoot Insurance Brokers. It's a wholly owned subsidiary that generates the total premium of 148 crores premium collection as against 131, and the profit after tax stood at 10 crores versus 4 crores in the same quarter last year.

Asia Asset Finance PLC, which is the Sri Lankan subsidiary where Muthoot holds 72.92%, the loan portfolio grew to Sri Lankan rupee 2,010 during the year as against 1,762 Sri Lankan rupees last year, which shows an increase of 14%. Year-on-year revenue resources have grown up and the profit after tax stood at Sri Lankan Rs. 6 crores in this quarter as against 5 crores in the same quarter last year.

I think, with that I would like to conclude my initial opening remarks, and I would now leave the floor open for clarification from the investors. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: I was trying to get a little bit of sense on your cost of borrowings, which have inched up by around 40 basis points quarter-on-quarter. So, if you can kind of just explain what exactly happened over here and what would be the outlook of cost of borrowings going forward?

Management: So, Nischint, the cost of borrowing for the quarter stands at 8.41%. March quarter, it was 8.02%. So, there is an increase of about 37 bps. As you know, most of the banks, MCLR is around 8.6 or 8.65. So, gradually it will move in that direction unless there is a reduction, which is not likely to happen I feel in the next six months to one year. So, it is more moving in that direction.

Nischint Chawathe: And on the yield on loans, you know, if I kind of try to see it mathematically, there is some compression on a sequential basis. Not very significant but some comparison. So, how should we see that? And in light of the fact that this cost is going up really significantly, let's say over last quarter and this quarter, would you kind of see overall rates going up?

Management: So, March quarter, the yield was 18.48%. This quarter it is 18.08. If you look at the last year, you know, it is 17.3. So, compared to last year, you know, certainly it is a higher number. Of course, gold loan business, you know, because it's a short-term, there could always be a fluctuation of 30, 40 or 50 basis points, fluctuations either side. So, we feel this is a normal thing which can happen because it is a very short term.

Nischint Chawathe: No, fair point, but I think the point I am saying is that, you know, given the fact that if you look at last quarter, which is first quarter and second quarter, we are probably looking at around 60, 70 basis points kind of increasing cost of funds. Probably half of it has happened and maybe some of it is kind of coming in the next quarter. So, in light of that, would you sort of, you know, believe that across the board, there could be some hikes in gold loan rates, or is the competitive scenario such that it doesn't make sense?

George A. Muthoot: You are right, because if the gold borrowing rates are also going up, certainly we will be increasing our lending rates also as you said, right? We try to maintain our spread and NIM to the earlier level so that that doesn't get affected. If overall the cost of borrowing is going up, definitely the cost of borrowing for our gold loan borrowers or their other loans also should go up, and we wouldn't find it difficult to pass it on to the customers. That's what we usually be doing. Certainly, we will be taking a call on that also if the rates go on increasing. We will pass it on to the customers.

Nischint Chawathe: And have you seen any of this in the ground right now or we should probably take a call?

George A. Muthoot: Yes, because we review these interest rates maybe on a monthly basis or once in two months we review, and wherever we feel there is some tweaking to be made because there are so many

schemes etc., we tweak some of these schemes so that we get a better yield. If the cost is going up, certainly we will pass it on to the customer also. That is definitely the policy here.

Moderator: Thank you. The next question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Just one question from my side. So, historically, we have seen that your yields and margins in Q1, always tend to be lower quarter-on-quarter versus your Q4. Can you help us understand what is the element of seasonality here? And my second question is that though I understand that margins have compressed quarter-on-quarter because of higher borrowing cost,. I think you partly answered that. Should we expect margins to expand in subsequent quarters and overall margins for the full year be higher than last year? Those are my two questions.

George A. Muthoot: Generally, we have a NIM of between 11 plus and a spread of around 10%, maybe plus or minus 0.5%. So, I think, going forward also, we will be maintaining that. And as I said earlier, if required, if the cost of borrowing is going up, we will increase our cost of lending also. We will increase our lending rates.

Raghav Garg: Sir, but could you help us understand why your margins are always lower in Q1 versus Q4 of last year?

George A. Muthoot: I don't know. We never thought like that why quarter 1 is this. This is small, small loans.

Management: Your question was on seasonality. I don't think now since we are spread out across the country, there is any specific seasonality in terms of it is all about the schemes you drive. Now as I said to Nischint, you know, because it's a short-term, there could always be different schemes on parallelly in different locations. So, you know, there could always be a fluctuation of 30 or 40 basis points between quarters or anytime. So, that is a normal thing, but compared to last year we have already taken a call then we should increase the interest rates. So, that's why the rate has gone up during last year because, you know, first quarter you can see that the yield was 17.3%. That is more because of the impact of the teaser scheme. Subsequently, we revised the interest rates continuously in the subsequent three quarters which now helped us to know reach 18% or 18.4% last year in the subsequent quarters.

Raghav Garg: And just another question. So, you have delivered about 18% gold loan growth, you know, your guidance has always been about 15%. Is there a chance that you would like to revise your guidance given, you know, the positive momentum that we have seen in this quarter?

George A. Muthoot: Yes. You are right, but anyway, we will try to stick to what we said earlier. We will try our best to deliver more than we have promised always.

Moderator: Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Just wanted to clarify one thing. Now with our loan to value ratio at 68%, it's fair to assume that this ratio does not go up much more and whatever growth come should come from tonnage growth, right?

George A. Muthoot: Assuming that it is just at the 68%, 70% is the average, the loan which people take, average. Some people take 60%. Some take 65%. A majority of them takes 75%. The 68% is a function of that, the rate, the amount which people take on their loan. So, it's not that we are going to maintain the LTV at 68%. It just happens that people don't need more money. They don't take more money. If they need more money, they will take it. So, there is no relation that we cannot do. We are permitted and we would like to give even up to 75%, but if people don't want it, we don't give it.

Moderator: Thank you. The next question is from Pratik Kothari from Unique Portfolio Managers. Please go ahead.

Pratik Kothari: Sir, one, if you can qualitatively comment, so in the past quarter we had mentioned that the rural demand seems to be picking up for the kind of products and customer segment that we cater to. So, one qualitatively if you can comment, and we are seeing the numbers too. So, if you can comment how is the demand shaping up, and also the competition that we saw 6, 12, 18 months back, if we can get some update on that?

George A. Muthoot: No, the business for us comes from all the areas, and we have been confident of maintaining our NIM etc. So, I think, our non-gold loan segment also continue to grow, and we witness improved business performance, and so far we have seen that the gold loan also is driven by strong domestic demand, and I feel that going forward the demand will be there both in the rural as well as the semi-urban and urban areas also.

Pratik Kothari: And sir, any comments on the competition, how is it shaping up currently?

George A. Muthoot: So, as you know, competition has been there, and probably from the banks, etc., has been there for the last one or two years. Nevertheless, we haven't also been able to grow our book. So, competition is there. As I said earlier, when people feel this is a good sector to be in, so more and more people are coming, and the players, focused players will continue to do better, and I think ourselves in the last two quarters also proved that we have been able to maintain our position as a leader in this segment.

Pratik Kothari: But if the competition is receding, I mean, at one point of time, we used to make 12%, 13%, 14% spread, maybe it might be one-off, but we used to do 12% spread for quite some time. And in your comment today that we will be in the 9.5%, 10.5% range. So, what has changed then in the industry?

George A. Muthoot: No, the 12%, etc., came with a very, we should say, one-off time when we did more, what should we say, auctions at that time and our realizations were better, etc., at the time when we got more yield at that time, but that is a one off. So, generally, we also should be tend to be happy with the spread of around 10%. I think we should be able to, we should attain that going forward also. 12, etc., came one or two years also, but I don't think that can be something which we also feel that it can be sustained and continued.

Pratik Kothari: And sir, last, what would be the auction numbers for this quarter?

Management: It's around 110 crores.

George A. Muthoot: It's 110 crores. Yes.

Moderator: Thank you. The next question is from the line of Bunty Chawla from IDBI Capital. Please go ahead.

Bunty Chawla: Sir, why we have not focused on stage three assets? It has increased from March 3.79 to 4.26 because if we think, if you compare the last year, still gold prices are still higher, and we can go for collection efficiency or auction and decline or arrest the increase in the asset quality. Any specific reason we are still allowing the customer to hold the asset though it is billed above 90 days after the 12 month also? Any specific reason?

George A. Muthoot: Yes. So, we have actually been quite supportive of the customers, and many of our customers have, we have been collecting a vast interest from many of these customers. So, all the customers, some of the customers pay part interests and those which have gone into the stage three category also have accounts. Many of them have accounts which have already paid interest. So, all, most of them would have paid part interest also.

So, when they are paying part interest, it shows that they have not abandoned the gold. They would like to keep their gold. They need little more time. So, when these customers approach our bank and requests that please do not auction these gold, we keep, try to keep it for some more time because that definitely endures well with our customers, and they are also quite happy. And finally, the company does not lose money here.

If you look at the NPA, the NPA amount of 2,878 that if you look at the tonnage of that, it is only 60%. The LTV at today's price is only 60%. So, even if you add all the interest on that, even then we are still in the money. So, the point is as long as we are in the money, customer has paid part interest, he has shown his interest to, his commitment to pay more at least he doesn't want to lose the gold, we don't want to auction.

We can auction the gold, but then we will be unfair to the customer who have these. So, since we can safely carry some of this NPA in our books, we tend to err on, not err, to support the customer so that customers don't go away because once you auction it, the customer is definitely

unhappy, and those who have paid part interest etc., many of them and requested for extra time, we are giving them. This has been our position. And finally, over the last decade, we have not lost any money in this through NP, and none of these NPA results in a loan loss.

Bunty Chawla: Sir, out of this 2,900 crores, if you can share how much percentage of customers would have not given a single penny? Is it all the customers have paid some bit of interest?

George A. Muthoot: We haven't got any such number etc. But many of them pay money, and that is why we give them more time. So, it is the branch managers and the data also shows that you have not lost any money.

Moderator: And sir, if you can share one data point, interest accrued, what will be there as of March 23 and similarly, Q1 FY '24 number, sir?

Management: June it is 1,865 crores and March it is 1,853 crores.

Moderator: Thank you. The next question is from the line of Rajagopal Ramanathan from Sada Khush. Please go ahead.

Rajagopal Ramanathan: Just two questions, sir. One is, I don't know whether you normally disclose this, but do you disclose NIMs for your vehicle financing business and your microfinance business? If not, can you indicate what they could be or a range at least?

George A. Muthoot: The vehicle finance?

Rajagopal Ramanathan: Yes.

George A. Muthoot: Vehicle finance.

Rajagopal Ramanathan: The Muthoot Money business.

Management: So, the yield on the two-wheeler portfolio we have roughly about 22% to 23%. That is on the yield side. The cost of borrowings, Yes, cost of borrowings would be roughly about 8.5%, 8.3%.

Rajagopal Ramanathan: 8.3. And what would it be for the Belstar book?

Management: Yield would be in the range of 24 to 25 and the cost would be 10%.

Rajagopal Ramanathan: Cost of around 10. And could you also just sort of explain what led to a significant pickup in NPAs in the vehicle financing business? And what have you learned? And because you intend to infuse equity into this business, what is your strategy going forward? So, some strategy would always help us.

- Management:** Yes. So, you know, we had seen a spike in the NPA for our vehicle finance business because about three years back, we were funding commercial vehicle, construction equipment, both new and used. Those are product lines that we have hitherto stopped about two years back, and today, we are focusing purely on the retail customers that are aligned with our gold loan customer base and focusing only on two wheelers and used cars. Our NPAs quarter-on-quarter for the last three quarters has been coming down in Muthoot Money. But I think, our learning was that, you know, probably on the commercial vehicle, construction equipment sort of product lines, it requires a little different sort of a skill compared to the retail franchise that Muthoot has.
- Rajagopal Ramanathan:** So, going forward, you will continue to focus on segments like two-wheeler financing, and what else, sir?
- George A. Muthoot:** As of yet, it is two-wheeler financing and used cars etc., but it is not that for the next 10 years we will do only that. Year-on-year we will look at what is the better one and then change that tweak according to the requirement.
- Rajagopal Ramanathan:** Fair to think that this could at least be the strategy for the next three years, right?
- George A. Muthoot:** Don't put words into our mouth. Let us do the business and the strategy please.
- Rajagopal Ramanathan:** And what about Belstar? Now, what is the capital adequacy at Belstar?
- George A. Muthoot:** It is 20%.
- Rajagopal Ramanathan:** 20%, is it?
- George A. Muthoot:** Yes.
- Rajagopal Ramanathan:** So, would you need to increase capital adequacy there or would you need to go out and raise money?
- George A. Muthoot:** The current year growth, we are just thinking of about some run rate options we are thinking. I think concrete finalized, but fundraise options also Belstar is thinking.
- Rajagopal Ramanathan:** The reason for asking is, are the rating agencies mandating any minimum threshold from a capital adequacy standpoint for the credit rating that you are currently at?
- George A. Muthoot:** No, now we are at 20 actually. This year's growth is well capitalized. Maybe for the next year growth only we need to look at, and before that the committee has been formed to find out options possible.
- Moderator:** Thank you. The next question is from the line of Shweta from Elara Capital. Please go ahead.

Shweta: A couple of questions from my end. Sir, firstly, year-on-year basis, we have seen rise in bank borrowings. So, is it the spike, incremental spike in cost of funds which will come by should definitely come from yours? What sort of repricing you are seeing on this book? And how would the mix shape up ahead? And secondly, because you clearly mentioned that, you know, I mean, you admitted that competition sustains, and define that we have posted over 20% growth this particular quarter. So, how sustainable is this? And since you mentioned that focused players will continue to do well, so how are we going differently today, you know, now that even teaser loan schemes are behind. So, can you please address that?

George A. Muthoot: So, I think, bank borrowings have gone up. If it has gone up also, it has gone up because of AUMs also increased. There was a growth of 4,600 crores in this quarter. So, it should be compensated by some sort of borrowing and the bank borrowings would have been one of that, and we also repaid some of our ECB loans so that this has brought down the other than bank borrowings. So, bank borrowings are a part of our GNA and we need to do bank borrowings etc.

Your next question was about whether the 26% or 25% is sustainable et cetera? I think I answered earlier also. We had given a guidance of 10% to 15% for the year, and I am sure we should be achieving that. We don't want to change our guidance now just based on the good performance of Q1. We will try our best to do the best and probably do better than what we have promised, and I don't remember what was your second question. What was your second question, madam?

Shweta: Sir, the same, it was a follow-up. So, you mentioned that focused players will continue to do well. So, what differently you are doing now that even teaser loan schemes are behind? So, would you sustain this growth, define competition?

George A. Muthoot: Actually, we are not doing anything differently. We are continuing to do what we are doing. It is only the new players who come and start doing different things. We continue to service our customers. We continue to do them, give them good service. We continue with what we are doing. So, some of these, that is because we said we are focused. Some of the other players come. They do something. They get some business. After some time, they lose interest etc. Only time will tell. For us, we are focused. We are continuing. We will continue our focus on gold loan etc., and I am sure going forward, the focus players, I repeat, will definitely be doing well going forward also.

Moderator: Thank you. The next question is from the line of Pranay Khandelwal from Alpha Invesco. Please go ahead.

Pranay Khandelwal: I am sorry if I missed this information. I think I joined a little late. I just wanted to know what's your outlook on the yield going forward? Are you looking to maintain the yield or will you be looking to increase your yield on the gold loan side?

George A. Muthoot: I already said that that yield will be a function of the borrowing cost. So, if our borrowing cost goes, yield, the yield will be a function of the borrowing cost. If the borrowing cost is going up, our yield or the lending rate also will definitely go up. So, it's not that we are going to maintain the yield. We will try to maintain the NIM and the spread.

Pranay Khandelwal: But in the same respect, I think, if banks keep on their foray into gold loans, I think wouldn't it be harder to pass on that borrowing cost because their yields they will probably look to maintain them at a lower interest and will we be able to pass on cost easily if that happens?

George A. Muthoot: I think we have crossed that bridge about almost two years back. So, two years back itself banks started this and we have been able to maintain our business and our position and maintain at least good part of our NIM etc. I think going forward also, we will be able to do that. It is nothing new, sir. It is last two years, three years, banks have been doing the same thing, and we have been, our strategy has been to grow, and we have been able to maintain reasonable NIM and spread.

Pranay Khandelwal: And also, do you have any, what do you think about the impact OCEN will have on our business, Open Credit Enablement Network?

George A. Muthoot: I didn't understand, sir. What is an Open Credit Network?

Pranay Khandelwal: So, the government is coming up with a new initiative, OCEN, Open Credit Enablement Network, and that is supposed to unlock a lot of countries supposed to help a lot of underbanked and unbanked areas will be reachable by financial services company. So, do we have a view on that if that will be a threat to our business?

Management: No, in fact, we are actually embracing these things and building it into our business models for unsecured loans. So, Muthoot Finance, as you know, has an unsecured, salaried personal loan product as well as unsecured business loan products also. So, these are new initiatives and, you know, public infrastructure that the government is building, we are also embracing that into our business models.

Moderator: Thank you. Next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Sir, two questions. First one for Oommen sir. I mean, at the beginning of the call itself you guided that cost of borrowings which are at about 8.4% can stabilize around this 8.6, 8.65, which is where bank MCLR's are. Just wanted to understand, sir, almost all of last year we didn't see any increase in the cost of borrowings. Now that we started seeing that increase, you think with the repo rates remaining here, the cost of borrowing should pick out around that 8.6%, 8.7%?

Management: So, as it stands now, Abhijit, it should be around 8.6, 8.65. We don't have a visibility in terms of whether there could be a rise above that.

Abhijit Tibrewal:

Sir, the second question that I had has been on the asset quality. You partly answered it. But sir, I mean, just trying to understand this NPA going up, this is appreciable you are giving more time to your customers, people who request you not to auction their gold jewelry, but what is it indicative of why we said that, I mean, people are not paying their interests or is it that people are not renewing their loans? Is it indicative of some stress somewhere that people are not coming forward and paying their interest in their loans? Because you have seen multiple cycles, multiple gold price cycles as well gold prices are moving up and down. At this point in time where gold prices are higher, what is this indicative of, I mean, this increasing NPAs, customers not paying their interests?

George A. Muthoot:

See, first thing you need to understand this business. It's not a EMI loan. We have given it for a 12 month loan, and just to people who do not have a regular cash flow. This has been taken by somebody. Somebody has a regular platform monthly expense; he would take an EMI loan or a personal loan etc. Here he is expecting some money from somewhere. It has not reached.

And secondly, the number of loans which goes here is not even 2% of our portfolio. So, if you have lend 100 people, only 2% to 3% of them come into this bracket. All the balance 97%, 98% people have already taken it back. So, it only doesn't show that there are some big stress in the market. This is for individual people who have some stress. That is why they are coming for a gold loan also because they don't have monthly repayment capacity, monthly source. That is why they are taking a loan, paying higher interest than any other loan. It is because of the comfort they receive because there is no EMI pressure. So, this is just natural. Nothing great in this.

As I said, we are definitely in the money. The principal plus interest, if we auction the gold, we can definitely get it, but then people have paid some part interest. They have shown their commitment to the borrowers that he is keen to take it back. He just needs more time, and we are there to give more time when they request it, and they request the branches to give more time. Some customers we give the time. Even if after some time they are not coming forward, we have to auction it. So, just give them a helping hand or an adjustment to the customer so that we don't need to auction.

It's definitely a customer friendly mission and that is one of the reasons why most, many customers come, choose Muthoot over many other companies. You should see that has always been saying, Muthoot Finance has all the other NBFCs right around the branch. Right around any branch. Any branch of Muthoot, there is at least four or five NBFCs giving gold loan. But still many customers come to us because of some of these things. We have been more reasonable and more accommodative of the customer, and we have never lost any money also on this account. We have only gained customers. That is why we give little more time to these customers. Finally, we don't lose money. That's also as an investor you would like to know that.

Abhijit Tibrewal:

And sir, last question, just a follow-up here. I am just trying to understand when you said, right, I mean, we wait for a certain time and then eventually, if the customers will not come, that is

where we auction the gold, and obviously, I understand we don't lose money. Somewhere earlier you also said that some of these customers who are there in they see the effective LTVs are around 60%. So, even if we add the interest, it will still be in the money. But, I mean, internally, what is it that you track? How many, for how many months or quarters do you wait before you eventually decide that okay, let's auction the gold that we have discussing?

George A. Muthoot: I think that is a function which at the field level the managers take. The managers come back and say, sir, there is no point giving him any more time, but rather than the auction itself. It's a decision taken at the branch level individually.

Moderator: Thank you. Next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: So, basically, your active customer base has gone up by almost 2% in the quarter Q-on-Q. Do we expect this trend to continue going ahead for the rest of the quarters? Are you confident of adding similar sort of range every quarter going ahead?

George A. Muthoot: Yes, I think we have taken quite a lot of initiatives. I think you would also see that we have put lot of advertisements. Other than Amitabh Bachchan we have also got in Madhuri Dixit also as a brand ambassador. Lot of advertisements are going. That is on the media side, and we have also started or rather get doing more of this local road shows and initiatives. So, it's definitely bringing in more customers. So, going forward we should see more customers coming in, but as you also know, there is a big turn here. So, customers come. Customers go. 100 customers come. 80 customers take back their gold. Another 110 comes. Next year another 100 goes away. So, it's a churning. Quick churn is there. Our job, our effort is to see that those who have taken a gold loan earlier either come back to us or new customers also come. So, those who have taken a gold and taken it back, we would expect them to come back maybe after three months, six months. It's a treadmill like we are on a treadmill.

Jigar Jani: And sir, so considering you are investing in marketing and so are we kind of confident of maintaining our earlier guidance of OPEX to average assets of 3.5% or if you, will we see an increase?

George A. Muthoot: I didn't hear you. What is the percentage?

Jigar Jani: OPEX to exercise in last quarter you had guided about 3.5%.

George A. Muthoot: There is not very much drastic increase or decrease in the OPEX exercise. It will be almost the same guidance only. Not that we are going to invest thousand crores on these things, but it should be a reasonably good investment we make year on year.

Jigar Jani: And sir, last question, can you share your AUM by ticket size less than 50,000, 50,000 to 1 lakh, and above 1 lakh, gold loan AUM?

- George A. Muthoot:** Give us a few minutes. Let us check it up. We will reply to this shortly.
- George A. Muthoot:** So, loans above 3 lakh is 27%. Between 1 lakh and 3 lakh is 38%. And less than 1 lakh, it is 35%.
- Moderator:** Thank you. The next question is from the line of Arul Selvan from Independent Advisors Private Limited. Please go ahead.
- Arul Selvan:** I had just a few questions. I was actually going through the performance of your microfinance subsidiary, and one thing that really stands out here is that over the last two, three years, there has been a substantial, you know, improvement in the quality of your microfinance loans in the asset quality. I was just wondering, you know, have there been some learnings, have there been some changes in your strategy? Is this kind of the quality that you expect to kind of, you know, maintain going forward?
- George A. Muthoot:** You have put a right question. Yes, we would like to maintain this as this, but then these are the lowest, lower end of the pyramid, lower end of this list. As long as there are no big hiccups coming in the market, I think we should be able to maintain this.
- Management:** One differentiation with the SHG model. That is unlike the other microfinance companies, the focus is here more on the SHG model. So, that's SSG model. Normally, other microfinance companies are on the JLG. So, that's one thing which is working with the thickness as well as the regional habits of the SHG groups are better than the JLG model. So, that's one reason. Of course, the other some tweaking and digital models, all those things have helped us to improve the collections also.
- Arul Selvan:** So, could you just explain a little bit more about the difference between I am guessing when you say SHG, you mean self-help group versus, you know, joint lending groups, right?
- Management:** Yes, the SHG actually, this is a bigger group of people. They have been trained a little bit on how to make an earning as well as savings etc. And then only the money is lent. So, after six months paid work by the hand-in-hand group only the money is lent. And the other one, just a borrower directly comes. Borrower take the loan and then the number of team also is lesser. Maybe there will be seven members while the SHG, the average in 20 members. So, there is a difference. The thickness as well as the lending, the first one is not a lending. It's a saving and it will be their....
- George A. Muthoot:** Something like a few months seasoning is there.
- Management:** Yes, seasoning is there.
- George A. Muthoot:** Yes, before the loan is given. That is the difference between SHG and JLG. So, the thickness collection. And we have another differentiator also. Unlike other microfinance company, we

have a branch model where people have to come and present it. Other, most of the other microfinance companies, they don't have a, their collection executive just goes into the field and collects it. So, I think those two are the one differentiator with the other microfinance companies.

Arul Selvan: And any learnings in the last two, three years? I mean, anything differently that you have done, you know, which could kind of indicate that there is improvements and that will sustain, this sort of levels will sustain?

George A. Muthoot: Yes. Only that demonetization etc., it's a tough question.

Arul Selvan: So, actually that brings me on a slightly related question. I also noticed that the AUMs of your housing and your two-wheeler portfolios have, you know, shown a substantial improvement increase. Is there any guidance that you would like to give in terms of how much of a increase that you expect for FY '24 in these portfolios?

George A. Muthoot: In the housing side, in the housing finance, I think we have given a guidance of 1,800 crores to 1,900 crores by the end of the year.

Arul Selvan: Microfinance and two-wheeler, sir?

George A. Muthoot: Two-wheeler I think it's very, very modest. Very modest.

Arul Selvan: And microfinance, sir?

George A. Muthoot: Microfinance I think they want to reach about 9,000 crores. That's about 10,000 crores we would like to reach about. That's something the guidance they had told by the end of the year, 9,000 crores.

Management: 9,000 crores we should take.

Arul Selvan: And one last question, sir. Not that I am complaining, but any particular reason for the cash levels to have decreased to these levels? I think, two, three years back, the total amount of cash that you have maintained was much higher and now, you know.

Management: Because everyone was complaining about excess liquidity, we also wanted to reduce. Of course, the loan growth has also started coming in. Look at the last two quarters, we have grown almost like 9,000 crores, 10,000 crores. So, that reduce the excess liquidity.

Arul Selvan: No, I understand, but my larger question here is that are you comfortable with the liquidity levels at where they are currently or do you plan to kind of get back to what it was before?

Management: for 14 days this is a liquidity level which is comfortable. We keep on raising funds which should meet the growth requirement.

Arul Selvan: No, I mean, I was more wondering whether at these levels, you know, you are able to be comfortable, because the last time I think what sir was saying was that unless you have a substantially higher amount of cash available, it gets difficult. The bargaining power is not very high with the banks. I was wondering whether if you are able to continue borrowing, you know, from other sources at these levels, that was...

George A. Muthoot: Yes, it's not an issue. It's also a good level. Very, very decent level because I don't want to name. There was some reports of some companies who are having almost similar AUMs etc., with a very low cash in hand. So, still we are much better.

Moderator: Thank you very much.

George A. Muthoot: Probably, all the questions might have been answered by now.

Moderator: Actually, that was the last question in the queue. There are no further questions. I would like to hand the conference back to the management team for any closing comments.

George A. Muthoot: So, from the management side, thank you, and probably, we will continue. We will put in our best efforts to do better and better quarter-on-quarter. We value your suggestions and your comments. Please keep us well informed of such things, and we will from our side see that we do the best for the company and best for our new investors also and all the other stakeholders. We will be doing our best going forward. Thank you for the support and thank you for the patient listening.

Management: Thank you, Sanket, for organizing the call. DAM Capital.

Moderator: Thank you very much. On behalf of DAM Capital, that concludes the conference Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.