February 13, 2026

BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Wing,
Rotunda Building,
P.J. Towers, Dalal Street, Mumbai 400 001

Scrip Code: 544055

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai 400 051

Scrip Code: MUTHOOTMF

Dear Madam/Sir,

Sub: Transcript of Investor Conference Call of Muthoot Microfin Limited –Unaudited Financial Results for the quarter ended December 31, 2025

This is with reference to the intimation dated January 28, 2026, filed with stock exchanges, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, regarding the investor conference call to discuss the unaudited financial results for the quarter ended December 31, 2025, which was scheduled on February 10, 2026.

We are enclosing the transcript of the earning call and the same is available on the website of the Company on the link: https://muthootmicrofin.com/financials-and-investor-presentations/?tab=6

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,
For **Muthoot Microfin Limited**

Neethu Ajay

Digitally signed by Neethu Ajay
Date: 2026.02.13 17:14:45 +05'30'

Neethu Ajay
Chief Compliance Officer & Company Secretary

"Muthoot Microfin Limited

Q3 FY '26 Earnings Conference Call"

February 10, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 10th February 2026 will prevail.

MANAGEMENT:	**MR. SADAF SAYEED – CHIEF EXECUTIVE OFFICER – MUTHOOT MICROFIN LIMITED** **MR. PRAVEEN T. – CHIEF FINANCIAL OFFICER – MUTHOOT MICROFIN LIMITED** **MR. UDEESH ULLAS – CHIEF OPERATING OFFICER – MUTHOOT MICROFIN LIMITED** **MR. RAJAT GUPTA – ASSISTANT VICE PRESIDENT, INVESTOR RELATIONS – MUTHOOT MICROFIN LIMITED**
MODERATOR:	**MR. PRATIK MATKAR – JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Muthoot Microfin Limited Q3 FY '26 Earnings Conference Call, hosted by JM Financial Institutional Securities Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Pratik Matkar from JM Financial Institutional Securities Limited. Thank you, and over to you, sir.

Pratik Matkar: Thank you. Good morning, everyone, and welcome to the Q3 FY '26 earnings conference call of Muthoot Microfin Limited. First of all, I would like to thank the management of Muthoot Microfin for giving us the opportunity to host this call. From the management team, we have Mr. Sadaf Sayeed, CEO; Mr. Praveen T, CFO; Mr. Udeesh Ullas, COO; and Mr. Rajat Gupta, AVP, Investor Relations.

I would now like to hand over the call to Mr. Sadaf sir for his opening remarks, post which we can open the floor for Q&A. Thank you, and over to you, sir.

Sadaf Sayeed: Thank you, Pratik. Good morning, everyone, and thank you for joining earnings call of Muthoot Microfin Limited for the third quarter financial year '26. Before I get into the financial performance, I would like to take a moment to highlight that Muthoot Microfin in a recently concluded Global Financial Inclusion Summit organized by the ACCESS Development Services has been recognized as the Financial Inclusion Institution of the Year.

We have also won the award for Responsible Finance for Sustainability. These are very, very prestigious award. This recognition not only reflects the success and the way the business is done, it also reflects the values with which we have built this organization and this business with a focus on responsible lending and focus on inclusion.

Now coming back to the performance for the quarter. I'm glad to tell you that Muthoot Microfin continues to grow. With the growth, our asset under management has reached INR13,078 crores, which is a growth of around 5.4% year-on-year on asset under management and quarter-on-quarter around 4.1%. The most important aspect is that we are back to our normalized disbursements. We had disbursed in that last quarter INR2,492 crores, which is on average around INR850 crores of disbursement.

Prior to that, we were disbursing around INR650 crores per month. We are back to around INR850 crores. And in quarter 4, we will be back to around INR1,000 crores of disbursement per month. So we are looking at healthy disbursements taking place. Most important is our initiatives that we had started in terms of diversifying. They are paying a rich dividend. We have our individual loan, which is Muthoot small and growing businesses. These are all our customers who have been with us for several years.

One such case study we have shown in our investor presentation this time. More details would be uploaded on the website in form of the video. The portfolio has reached to INR1,097 crores, and this portfolio is performing really well. So far, we have almost zero delinquency, zero 30+, and the customers are paying very well. And the most important aspect is that this portfolio is entirely a digital collection. So not even one rupee is collected in cash. The entire installment is based on eNACH or UPI mandate and all the installment by 5th of the month is repaid by the customer.

What is more important to highlight is that bounce rate, which is typically in retail lending is in the range of 25% to 30%. For this portfolio, it is hardly 9%. So 91% of our repayments are coming on the day of presentation itself and balance repayment also T+ 8 days, we are able to recover everything. So there is no flow from this business, and this has been going well. And month-on-month, the disbursements are increasing. This is our initiative to build a right portfolio mix between JLG and non-JLG book.

If you look at current composition, our JLG, non-JLG composition has reached to around 88% JLG and 12% non-JLG portfolio, if you consider March number was 97%:3%. So it's a good progress, and we are quite confident that as we had guided, we would be able to reach at around 85%, 15% kind of a ratio in terms of our JLG and non-JLG mix. And in the long run, as we have guided, we would like to maintain a 65%-35% kind of a ratio. This will help streamlining the risk in the portfolio that is there. Like it will be diversified among various products, and these products are more like technology based.

Of course, the underwriting is done, which is our USP that we are able to use technology and underwrite and our credit team at the branch is able to do the personal discussion. So we are using the intelligence of underwriting, the human intelligence as well as technology through AI and through credit bureau through scorecard to underwrite the customer, at the same time, technology to collect installment.

So it will rationalize the cost of operation. One of the biggest highlight of this quarter's result is that, our opex has come down from 7% to 6.5%. There are 3-4 reasons for that. The main reason is we have been able to scale up our business.

So disbursement, as I said, are back to around INR850 crores per month. And the second aspect is, as we had highlighted at the beginning of the year that we would be implementing a cost optimization program where branch profitability would be in focus. We had identified around 82 branches, which we wanted to either rationalize or merge. So out of that, 66 branches have been merged and rationalized and manpower has also been rightly deployed for that branches. So that has helped us to cut our cost and decrease the provision of profitable branches in our mix. That has helped us to cut the cost.

Third is, of course, the individual loan portfolio, we have built this INR1,000 crores of portfolio and the collection cost for this is very minimal because the entire collection is coming in a digital format. So that is also helping us to rationalize the cost. And because of this rationalization of branches, scale up of business and diversification of our portfolio, our operating cost is coming down. It has come down from 7% to 6.5%.

More importantly, our cost-to-income ratios are also improving. We have already reached around 54% of cost-to-income ratio. We had guided for the year, we will reach at around 55%. We are already better than that. Definitely in the coming quarter, we will do better than that. We are on the path to reaching to our optimal cost-to-income ratio of around 43%, which we had achieved in a couple of years ago. It will take another 9 to 12 months for us to reach there, but we are on that path. So that is something which is progressing well.

The most important aspect for any lending business is the quality of asset. I'm happy to tell you that there is significant improvement in the quality of asset. Our GNPAs have increased year-on-year by 137 bps. They have come out at 4.4% and reduced quarter-on-quarter around 21 bps. Our net NPA has improved by around 7 bps quarter-on-quarter.

Overall, the credit cost, which we had guided with a range of 4% to 6% for the 9-month period, it has come out at 3.7%. And for the quarter, it has come out at 3.3%. And we are very confident the way disbursements are happening, the way collection is happening and the way I think the portfolio is building, we would be able to keep this credit cost much below the guided number, the lower spectrum of the guided number. So that is one thing that we are very confident.

And in our diversification journey, we had started 3 products. One was this Muthoot Small & Growing individual loans. Second was Micro LAP. That Micro LAP portfolio has also reached around INR22 crores of asset under management at the end of the quarter and it has got some good traction. There is zero delinquency in this portfolio. Of course, it's early days, but it is getting good traction, and we are confident that we should be able to reach to the AUM that we had guided of around INR50 crores.

Apart from that, the gold business, which is the referral business, it is also growing quite handsomely. It has grown to around INR74 crores of our AUM from our customers, and it continues to kind of grow steadily month-on-month. Most importantly, our collection efficiency last quarter has improved significantly.

Our collection efficiency quarter-on-quarter has improved by 150 basis points. It has come out at 94.8%. Our on-time, like which is X bucket collection efficiency is at 99.8%. So this gives us good confidence to get into the quarter 4, which is a very crucial quarter for any financial services company, with the momentum of our disbursements, which are taking place at a steady pace and our portfolio mix, which is improving and the branch profitability module that we have deployed, we should be able to deliver our committed ROA.

Our return on asset for this quarter has already reached to around 1.9%. We have reported a healthy PAT of around INR62 crores for this quarter and for the full 9 months, around INR99 crores of PAT. And if you look at overall increase in the net worth is INR125 crores. And we believe that our strongest quarter is usually the fourth quarter. So we will definitely overachieve the PAT that we have achieved in quarter 3. And this is on the back of all the matrics in the ROA tree improving.

The cost of fund is reducing for us. Our cost of fund has reached to around 10.4%, which is a reduction of around 64 basis year-on-year. And our incremental cost of fund is 9.8%, which is also an improvement of 48 basis points year-on-year. So our net interest margin have reached to around 12%.

And our operating cost, as I said, is rationalizing. It is around 6.5%. For the quarter, it's around 6.7%, and it will definitely come down in the coming quarters. And most importantly, the credit cost is coming down steadily, and we should be able to deliver the guided ROA that we have guided of around 2%. We should be able to close the financial year close to that guidance that we have given. And as a strategy, our strategy of diversification is paying out well.

The individual loan portfolio is growing healthily, and it is contributing to the top line as well. As a result, our top line, our income quarter-on-quarter has grown by 4.8% to INR605 crores. And our overall PPOP has also grown by 17.7% to INR175 crores quarter-on-quarter.

And as I said, the cost-to-income is rationalizing. We are at 54.8% cost to income. And in the coming months, we will continue to kind of improve on this and build a healthy portfolio and a stronger business. I think I'll conclude here with my opening remarks.

One thing I would like to mention very categorically that we are getting good funding support from our bankers. We have raised close to INR2,700 crores in this quarter itself and we are raising money at a very competitive rate. Our ratings are stable and positive A+, and we are doing really well in terms of fund raise. And we have been able to kind of issue NCDs and do PTC transaction at a very competitive rate. And this really helps us in continuing to grow and disburse loans.

So from that side, there is no challenge. And as of today, we stand in compliance with all the covenants with all our lenders. So all the covenants which are there, because of the macro environment, there were breached earlier. Today, as of today, we stand in compliance with all the covenants.

So I'll conclude my opening remarks with this, and I'm happy to take any questions from the audience.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Mayank Mistry from Antique Stock Broking.

Mayank Mistry: Congrats on a good quarter. Sir, I wanted to ask, there is a substantial increase in your net gain on fair value changes. So what led to this rise?

Sadaf Sayeed: Mayank, can you repeat? Increase in?

Mayank Mistry: Net gain on fair value. I mean, is there some kind of recoveries that you have done during the quarter or something like that?

Sadaf Sayeed: So it is a regular direct assignment income that we earn. So we have done direct assignment transaction during the quarter. Because of that, this income has increased.

Praveen T.: Praveen this side. And also wanted to clarify. As the collection, everything is improving. So on the DA book, the upfront portion plus whatever EIS based on the actual recovery, the accounting happens. So we are seeing an improved recovery in the overdue accounts as well, which is increasing our EIS recovery also, which is also forming part of this portion. So that is giving us better yield.

Sadaf Sayeed: Yes. I would like to mention that last quarter, we had recovered from overdue accounts INR57 crores. This quarter, we have recovered INR62 crores. So there is improved collection from the field. So from this DA portfolio also, whatever you recover, it accounts on an actual basis. So that is also contributing to that portion of income.

Mayank Mistry: Okay. And sir, our borrowing mix has significantly changed. I mean, the PSB contribution has gone down significantly, maybe because of the fund raise that you did during this quarter from retail or HNIs. So how should we see this impacting our cost of funds? I mean, if you could guide on how the cost of funds will move from here on?

Sadaf Sayeed: Yes. So I think you can see the trend, our cost of fund is coming down. It was around 11% last financial year. It has already come down to 10.43%. And if you look at incremental cost, it is at around 9.8%. So we are quite confident and this is I can tell you, a partial pass off of the rate change. The full passing down of the policy rate has not happened. That will also happen during the course of the balance period of this financial year and in the first 2 quarters of the next financial year. That will also result in reduction of cost of funds.

But you correctly pointed out, we have strategically diversified our borrowing mix. We are focusing more on PTC structures. That really has an advantage of giving us better rates because the transmission of rates in PTC is faster as compared to the term loans, because term loans only get revised when there is a quarterly revision of the base rate, or the like annual rate that they have.

But on PTC, the rate revision is immediately. And whenever you do the new transaction, it is at the prevailing kind of a base rate for the bank. So that has the advantage. Apart from that, our long-term strategy is that we will have 50% from the banks and 50% from other sources, which includes ECB, our NCDs, our CPs and other instruments that we want to borrow through. So we are working on that strategy. And going forward, I think you would see more of nonbank kind of a borrowing, a lot of development financial institutions and foreign institution who are willing to do ECB. So we will be accessing that capital as well.

Mayank Mistry: Sir, any benchmark number that we are targeting on borrowing cost, considering that there will be no further rate hikes?

Sadaf Sayeed: So I think right now, our incremental cost is at 9.8%. We think that overall cost will come down to around 9.7% in the next 12 to 18 months' time. So that is where we think we will be comfortable with. We are hoping that yields on our portfolio will reach to around 22-22.5%. And with 9.7%, we should be able to deliver that 12.7% net interest margin that we had projected.

Mayank Mistry: Okay, sir. Sir, just one last question. I mean, our X-bucket collection efficiencies in Karnataka and Tamil Nadu are ranging close to 100%. What I wanted to understand is how is the demand scenario because on the absolute terms, credit cost still remains in the similar range. So we understand that on a percentage basis with the growth coming in, obviously, the credit cost will go down. But I would like to know the scenario. I mean, have the things normalized over there in Karnataka?

Sadaf Sayeed: Yes. So I think there is no incremental pain in Karnataka at all. So whatever we are disbursing, the collections on them are absolutely perfect. If you look at overall, I'm not specific of Karnataka. Overall, in this financial year, 44% of our portfolio AUM is like built in this financial year. In that portfolio, the 30-plus is 0.7%. So the collections are pretty good.

In Karnataka alsothey are recovering well. Our exposure in Karnataka was itself not very huge. It was around 10% of our AUM. It has come down to a level around 7% now. And from that perspective, that incremental collections are pretty good. The most important aspect is that, our portfolio in the key state, which is Tamil Nadu and Kerala is performing really well. If you look at our Slide 14 of our presentation, our strategic alignment.

If you look at the portfolio in Tamil Nadu and Kerala, it is performing really, really well. The collection efficiency are superior GNPA overall compared to overall Tamil Nadu, it's down 100 basis points from the overall GNPA. And Kerala, it's almost 250 basis down from the overall GNPA. The collection efficiency, both places 100% and Kerala is even more. And most important is our digital initiative, that is digital collection.

In Tamil Nadu, it's around 32% and in Kerala, it is around 36%. So overall, our digital collection has reached to around 27%. But definitely, I think these are the key states will take us to the path to better kind of a credit cost mix and portfolio mix and growth.

Moderator: The next question is from the line of Varun Dubey from Share India Securities.

Varun Dubey: First of all, congratulations on being recognized as the Financial Inclusion Institution of the Year. And also, congratulations on the strong set of results that the company has delivered. Sir, if you can just throw some light on the yield movement, how has that been this quarter? And because the company has guided for the net interest margin of 12.4% to 12.7%. Currently, it stands at around 11.8%. So what would drive the overall net incremental net interest margin for the company? And what would be the actual growth level for the company? If you can throw some light on that?

Sadaf Sayeed: Thanks, Varun. Thanks for your question. I think the most important aspect that we have to realize is the way the new disbursements are taking shape. So disbursement momentum is there. We are disbursing around INR850 crores as we said per month. Now it has reached to around INR1,000 crores per month as of January in the balance period of the financial year.

And the new loans that we are doing is on the new pricing. The group loan is at 24.85% and the individual loan is at around 23%. So the blended yield on the portfolio would be around in the range of 23% to 23.5%. This portfolio right now is around 44% of our book. And as this portfolio becomes a larger portion of our book, the yield will automatically start correcting. The basic challenge in the yield is basically because the denominator contains the NPA portfolio also.

So that brings the overall yield down. But as we write off all the NPA portfolio, that automatically yields will improve. And as I said, I think in the next 2 to 3 quarters, we should be able to reach around 12.7% net interest margin. We will be touching above 12% definitely by this financial year itself. That is what we are trying to do in terms of our net interest margin. But more importantly, on the credit cost, we are quite confident it will be much below the lower spectrum of our guidance. And as a result, our ROA would be in the range what we have guided for. Sorry, what was your second question?

Varun Dubey: Sir, what would drive the overall growth for the company going ahead from here?

Sadaf Sayeed: So in terms of growth, we are looking at closing the financial year at around INR14,000 crores of AUM. So we are quite close to the close of financial year. So we will be able to grow. We will be outperforming the guidance. We had guided for around 5% to 10%, but this will translate to around 14% growth. So that is what we will try and achieve.

Varun Dubey: Okay. So that's great that we would be outperforming the guidance for FY '26. So can you give any hint on the FY '27 guidance? Or should we wait for Q4?

Sadaf Sayeed: Yes. I think the broad guidance is that we will look at around 20% growth for the next financial year. So considering that we will close this financial year at around INR14,000 crores, we will look at next financial year to reach around INR17,000 crores. The important aspect is that the portfolio mix will change considerably. Right now, in this financial year, we will end at 85% JLG and 15% non-JLG. By the next financial year-end, we should be close to around 70-30 mix.

Varun Dubey: Congratulations on your strong set of result sir. Thank you very much.

Moderator: The next question is from the line of Anil Tulsiram from Bestpals Research Advisory.

Anil Tulsiram: Sir, my question is on the predictability of the credit cost and ROA for the next 5 years. If I look at the last 10 years, because of the unpredictable credit cost, average ROA for the industry and for Muthoot Microfin is around 2%. So you have spoken about the diversification, but the individual loans again remain unsecured to the same set of the customers. So what I want to understand is what has changed structurally now that the credit cost for the next 5 years will remain predictable. Because every time crisis happens, we take some steps. And again, next crisis, we incur 8%, 10% credit cost. Yes, that's the first question.

Sadaf Sayeed: Anilji, thank you very much for this question. That's a very pertinent question for microfinance industry. So I think the answer to this is like how our underwriting practice is changing. And that is for the industry to reflect also, but I can tell you about Muthoot Microfin that one of the things that apart from our diversification of portfolio that we have done is a significant change in underwriting process.

We have also changed our scorecard that we had built. We have strengthened it. And the way we are going about diversification, you're right in a sense that individual loan is an unsecured loan, but this is being given to a customer who has been with us for 4 to 5 years, have shown repayment track record and has a credit score of 700 and above. And so far, that should -- don't have any delinquency in this portfolio. And there is a proper underwriting, which is done. There is a credit underwriting team, which evaluates the customer.

Like they do a personal discussion. We use technology also. There's a bit of an AI also involved in this where a personal discussion between the customer is recorded. It happens in a vernacular language. It is recorded. It is converted into text. And that from that text, there is a credit appraisal memo that is prepared. The credit appraisal memo, we have designed around 15 questions which the credit officer has to ask the customer. And all of those relevant questions prepare the memo.

Along with that, the photograph of the business, the photograph of the household, the AI reads the photograph and gives the value of the stock for the business and gives the standard of living for the household basis the AI technology. Then we have a tie-up with Finarkein for as an account aggregator, we take information of the bank account and bank account, not only the average balances, but also what are the credits, what are the debits, what kind of saving habit he has -- the customer has and any other saving or investment that the customer has, that information is there.

Then we do our own scorecard that we have built. And after all of these checks, we lend to the customer the right amount of loan. And this is also done in a digital manner. We do e-KYC. We ensure that we do e-sign of the customer and everything is on a e-NACH platform. So collection is done also efficiently. We are tracking this very closely.

The fundamental, I think microfinance is changing a little bit over the years. With financial inclusion taking place, I think there is progress in the customer's life journey also. So she also prefer a little bit of digital technology. She prefers just remitting the installment through digital platform. So we do that. Because of that, I think the customer prefers us.

Apart from that, we have risk management tools such as we have a natural calamity insurance. If the customer basically faces any sort of a natural calamity, we have insurance for that and we get the insurance premium. We also look at ensuring that the customers' cash flows are not disturbed. So we sell them personal accident insurance or insurance of loss wages as well. So if there is some sort of a challenge, then they have that productat a very nominal cost. And we have a health initiative also, which is we provide them e-clinics so that the household health is being taken care of.

So all of this is resulting in better selection of the customer, better repayment habit of the customer and right amount of loan given to the right customer. So that is really helping us to come over the possibilities of delinquencies. I think your question was about long-term credit cost. I can tell you the way we are going about the portfolio mix, we are ensuring that the event risk is minimized for us.

Right now, the regulation allows us a 60-40 kind of a combination. Given a choice, we would like to have a 50-50 combination. but we will utilize whatever the regulation permits us right now. And we'll build a portfolio where the individual loan portfolio, the LAP portfolio and the gold portfolio has actually virtually no bearing of any sort of a political kind of a thing or any intervention that is there. So that really helps us to have a sustained collections. And we feel that in a long run, if you look at 5-year period of time, the credit cost would be in the range of 2% to 2.5% and our ROA would be in the range of 3% to 3.5%.

Anil Tulsiram: Thanks for very detailed answer, sir. My last question is on the growth, again, long-term growth. So the general consensus is microfinance industry will grow 10% to 15% over the next 5-7 years. And definitely, we want to grow at more. So can you elaborate more on your growth strategy, not numbers, but just what strategy we are going to follow? You already elaborated on the diversification, but if you can a little bit more detail about that.

Sadaf Sayeed: Yes, sir. You're right, in terms of the microfinance industry, we are trying to like outperform and be the outlier in the industry. We feel that 20% growth is what we are targeting annually for our portfolio. So for the next financial year and maybe the subsequent year, we can definitely grow at 20%. The strategy of growth is three-pronged. One is, of course, the branches where we are doing well, we will deepen our penetration and ensure that the customers who are doing well with us, we have more wallet share with those customers.

Second is strategically looking at areas where we can expand our business. So we entered into Assam this financial year. We had entered into Andhra and Telangana last financial year. We will continue to deeper our penetration in these areas as the performance of this portfolio reflects us.

The third strategy, as I said, diversification of portfolio and ensuring that the customer need is well understood, and we are able to provide these products to our customers. One of the key difference between our microfinance business versus any other lender is we have a customer app. So all these individual loans that the customer is borrowing, they are doing the e-NACH and UPI through our app. So their use of our app is very much there. We are looking to understand customer behavior through this app, and we will be able to offer more products through this app to our customers. So that will contribute to our growth overall.

Moderator: The next question is from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: Sir, first question is on your outlook for ROE, let's say, over the medium term, FY 2027 or thereafter, what is the kind of ROE you will look to deliver?

Sadaf Sayeed: Yes, Ashlesh. I think if you look at from ROA, I can give you a guidance. ROE is a function of the leverage that we will be able to maintain. See, we are looking at ROA for this financial year to be closer to 2%. In the coming financial year, we will be crossing 3% ROA for sure. And in the sustainable manner in the long-run period of 3- 5 years, we would like to achieve around 3.5% ROA. And definitely, as we grow, we will raise capital, but the ballpark, if you assume there will be a leverage of around 4x to 4.5x. So the ROE would be 14% to 18% ROE that we would like to deliver.

Ashlesh Sonje: Understood, sir. Sir, in the presentation, you have given the X bucket -- the current bucket collection efficiency number of 99.8% in Q2 as well as Q3. Can you also speak about the trends you have seen more recently in the month of January and February so far?

Sadaf Sayeed: Yes. So January has been very good. I think December was very good and January was also very good. In fact, February so far has been very good because this is 1 month, we have got all 4 kind of full weeks. So there are more working days here. So the collection will continue to be good. The collection efficiency is improving, especially in our home state, Kerala, Tamil Nadu, they are doing really well despite January having Pongal, which was like 4 holidays. The collection was pretty steady and did really well.

The more important part is that the customer who were not paying earlier have also started to come back and pay and the collection on a month-on-month basis, the recovery from overdues has improved. Last quarter, we collected around INR57 crores from overdues. This quarter, we have collected INR62 crores -- and stand-alone December month, we collected around INR23 crores in overdue. So if that trend continues, we are hopeful that around -- in the Q4, which is usually even a better quarter, around INR75 crores, we should be recovered from the overdues and overall collection efficiency will continue to improve.

Ashlesh Sonje: Understood, sir. And lastly, can you share the PAR 1 to 90 number for September '25 and December '25?

Sadaf Sayeed: So if you look at 1 to 30 is around December is 2.23% and this was 2.5% and 30 to 60 is 1.3% and 60 to 90 is 2.4% for Q3. So cumulatively, if you include all 3, so 1 to 90 is around 6% -- 5.9%, which was earlier 7.19%. So it is basically 120 basis point reduction in the 1 to 90 PAR.

Ashlesh Sonje: So just to ensure I've got the right numbers, PAR 1 to 30 was 2.23% in December and 2.5% in September.

Sadaf Sayeed: It is 2.23% in -- yes, correct, correct. Yes, 2.23% in December and 2.58% in September.

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

Prithviraj Patil: I just had one question on the yield. So if you can just give me what are the segmental yields in the portfolio and also an explanation on why the interest income is lower Q-o-Q despite the growth in AUM?

Sadaf Sayeed: Yes. So I think there are 2 aspects. One is the interest is a function of your disbursement that you have done in the previous quarter. So because of the slow start, there was kind of yield impact. But if you look at the yield perspective, the question that you are asking, the contracted yield versus what we earn for income-generating loan, which is a group loan, we are charging now 24.85%, which was around 23% earlier.

For individual loans, we are charging around 23%. And for LAP, we are charging around 20%. So on an average, the yield for individual loan because it's on every loan is at the same price, so it's around 23%. The LAP loan ranges from 18% to 22%, so average is 20%. And the IGL yield is around 24% now

Praveen T.: So one more point to highlight. So since we have taken some write-off also, so there is a write-off reversal of is there interest reversal is there, which is around INR25 crores, which is impacted. So that's also one factor which has impacted. But if you look at the overall revenue, including the EIS portion, we are seeing an improvement in the quarter-on-quarter, and we can expect a further improvement in the upcoming quarters as well.

Moderator: The next question is from the line of Nitin from Green Capital Single Family Office.

Nitin: This is Nitin Shakdher from the Green Capital Single Family Office. I just wanted to, as an investor, try and get a sense of the turnaround in terms of what happened in last quarter of last year, you did a huge provisioning. Now obviously, all metrics point towards a turnaround from whichever angle we see it.

So I just want to sort of an assurance from the company that, yes, we're on the turnaround path and all metrics are good to go, and we are back and seeing the worst behind us. Just want a sense of expectation from the management, what we can expect and we should not expect some large drawdowns of provisions as per the course of business. Just wanted to get a sense on that.

Sadaf Sayeed: Yes. Thank you, Nitin, for your question. I think I can firmly say that we are back on the path. So it's definitely a turnaround from the last financial year. In the last quarter of the last financial year, we had to take a huge provision because there was a Karnataka legislation, which came in, in November and it had an impact.

But so far, we are not seeing any issue in the portfolio or any state that we are operating in. So we don't expect any sort of provisions. We are already into mid of February. So things are pretty smooth, and we expect the balance 45 days also to continue to go in the way that the period has gone. So we don't expect any extraordinary provision.

Last year, we had taken a management overlay of INR230 crores. So we have subsumed everything. We don't require the credit cost is coming down, and it will continue to be on that trend and income is improving. So definitely, the profitability that we are guiding, we are trying to overachieve that, and we will be able to achieve. And the next financial year, what we are expecting is going to be a clean year. All the challenges are behind us. So we will be back to around 3.5% ROA and with a growth of around 20% on our AUM.

Moderator: The next question is from the line of Himanshu from MB Investments.

Himanshu: My question is, if you can give me the breakdown of your secured versus unsecured book and the percentages, that would be nice.

Sadaf Sayeed: Yes. So Himanshu, thank you for your question. In terms of our unsecured portfolio, it will continue to be around 95% unsecured portfolio, around 5% would be portfolio. But the major distinction that we make is our JLG and non-JLG portfolio, which right now is around 88% to 12% as of end of quarter.

Moderator: The next question is from the line of Mann from GrowthSphere Ventures.

Mann: Sir, just to get the understanding on our payment at risk from 1 to 90 days, how will the trend follow through? And how will that follow through in our NPA numbers? For the challan, do we expect this to get cleaned of 1 to 90 days? Do you think that will follow on plus 90 days? How much of the same should be recovered? If there's any sort of idea on that part, that should be very helpful.

Sadaf Sayeed: Yes. I think that's a very important question to ask. So first thing is that on all the buckets, be it 1 to 30, 30 to 60 or 60 to 90 or whether you look at SMA pool. So everywhere, there is a good kind of a recovery and a kind of an improvement. The 1 to 30 has come down from 2.58% to 2.23%, kind of a good 35 basis point reduction there and around 30 to 60 has also come down from 1.47% in the last quarter to 1.32%. And in 60 to 90, it has also come down from 3.15% to 2.43%. So that's point number one.

The second aspect is that the overall cash flow in the rural buckets have improved. because of disbursements coming back, like we are also disbursing, other entities are also disbursing and overall economic activity as we see the GDP and also the monsoons were good. So because of that, a lot of kind of benefits have come in or also the GST rationalization is leaving more in the hand of people. That is improving the cash flow in the hand of the people because of which there is improvement in the recovery.

The biggest impact during the crisis was that where we used to be able to recover almost around 35% to 40% from 90-plus customer, which had reduced down to around 22% to 25%. It has now come back steadily. We are back to around 30% from 90-plus. And we are hoping in the coming quarters, we will be back to around 40% recovery from the bad loans.

So definitely, from that perspective, the NPA recovery would be good. And the flow rates will also improve in the coming quarters. So as a result, I think the credit cost will reduce and our ROA and PAT will improve.

Mann: Got it. Sir, 2 more questions. The first question is that the collection efficiency that you show, right, is it with arrears or it's without arrears. So just wanted to get the understanding that -- already overdue. Is that getting recovered? Or is this the portfolio's collection efficiency that is without any sort of arrears?

Sadaf Sayeed: So X bucket collection efficiency is without the arrears because it is in current bucket. So there is no arrear there. And the overall collection efficiency includes the arrear, but it does not include pre-closure or any loan that has been closed.

Mann: Got it. And sir, last question that I wanted to understand is that we came for IPO. And post that, what happened is that we raised capital and the cycle for MFIs turned out to be very bad, right? We have sort of the capital on the balance sheet. Do you think that we can lever up or we can basically take some sort of multiple amount of debt without diluting the capital till FY '27 or FY '28? Because we have the fuel and the cash that we use from IPO is not yet utilized for the purpose of levering up our balance sheet.

Sadaf Sayeed: So if you look at the current leverage, our debt-to-equity ratio is around 3.3x. This has improved from a little bit like last quarter, it was around 3x. Definitely, we can continue to leverage on this capital for a while a little bit. But like regulatorily, we are allowed 6x leverage. But in realistic terms, it never happens. So we would need to raise capital, but I think we will raise capital in somewhere down the next financial year or following year.

Right now, our internal accrual and growth in the portfolio is aligning. So we are expecting to grow around 20% for which our internal accrual and the current capital base is good enough. So our capital adequacy is around 26.4% and our net worth has improved by around INR125 crores, so which is around INR2,768 crores, so which we feel is sufficient for the time being. But yes, we don't rule out the capital raise in the next financial year.

Mann: Got it. So with capital raise since the credit cost would come down in the normal range that you have guided earlier and 20% sort of AUM growth, do we expect the ROE for next financial year to reach at least 12.5% to 15% sort of rates?

Sadaf Sayeed: So definitely, I think once you raise capital, your overall cost of fund goes down, then your margin improves. That is there. But it also has an impact on ROE because your denominator for equity increases. That will have an impact. But ultimately, what we are guiding is towards the ROA of around 3.5% that we should be able to achieve.

Moderator: The next question is from the line of Pratik from JM Financial Institutional Securities Limited.

Pratik Matkar: This was a really good quarter from you. So I just have one question. The portfolio diversification is emerging as a necessary strategy for all the MFI players and everyone is evaluating secured products like LAP, gold loan. So I would like to know that is pure-play microfinance growth has become structurally constrained? Or do you see there is a still pillar available for MFI?

Sadaf Sayeed: Yes. So I think, Pratik, that's a very good question to ask. I think right now, everybody is recalibrating the model a little bit. and how the strategy has to be kind of deployed in terms of diversification. We are slightly better placed because we have the in-house knowledge of certain products like LAP, we have a housing finance company. For gold, we have a parent company. So we have a better understanding and also a well-established brand name. So for us, this becomes an easy kind of a go-to strategy.

But coming back to your important part is that whether it's structurally becoming difficult to go back to the group loan kind of a model. I think the focus is on retaining the existing good customers because the guardrails are in force. People don't want to be the third lender or fourth lender. If you look at our portfolio also, around 41% of our portfolio is unique customers and us plus 1 is almost more than 72%. So the focus is on that to make sure that the unique customers that we have, we are able to have the maximum wallet share with them, So I think that focus is there.

So right now, what people have seen is the customers who are new to credit have a higher delinquency. Customers who have a proven track record are better. So the focus is there. That's why the focus of diversification. And the household that we are catering to, they are growing household. They have growing needs. So we are able to cater to their needs from the newer products that we are able to offer. So that is the strategy that we are adopting and many of the others are adopting.

We have adopted a little bit more scientific approach of making sure that we have a proper score underwriting and evaluation before lending. It's not just a cross-sell of the loan. It is proper underwriting and evaluating. We have a rejection ratio of around 30% in individual loans as well, even though having a 700 score. So I think that is the strategy that we have adopted. For industry, I think it will be evolution. People who are really small in size will find it difficult. There is an entry barrier because already like established players have access to those customers to become a third and fourth lender, a new entrant can't lend so much.

So I think people would like to protect that database and those loyal and good repaying customer and continue to cater to them. So I think for a short term, I think that will be the approach. Once I think there would be a little bit of consolidation in the industry, then you might see, again, people going back to acquiring more new customers and forming new JLGs customers.

Moderator: The next question is from the line of Anil Tulsiram from Bestpals Research Advisory.

Anil Tulsiram: Sir, many of your peers are taking the CGFMU guarantee. So what's your strategy and view on this?

Sadaf Sayeed: So, we have also applied for the CGFMU guarantee. There are certain conditions that we have to comply with. I think we would be able to get that guarantee approved in the course of next couple of quarters.

Anil Tulsiram: So is it going to be tactical or you will have coverage for continuous for the next 3, 4, 5 years on the entire unsecured part?

Sadaf Sayeed: This is tactical in a sense that we are going by. Higher risk states, we are applying for the CGFMU.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand over the conference to Mr. Sadaf Sayeed for closing comments. Over to you, sir.

Sadaf Sayeed: Once again, thank you very much for joining our call for quarter 3. As I said, Muthoot Microfin is firmly on the path of recovery and profitability. The growth is also firmly back in the organization. We are disbursing robustly. And as our recognition and award indicates, we will continue to focus the path of responsible lending.

We will use technology, and we will use underwriting strength and know-how of our field officers, credit officers and our risk team to ensure that we build a robust portfolio and a good diversified mix of our portfolio to deliver stable and sustainable returns for our investors.

We wholeheartedly thank everyone for believing in us and giving us the opportunity. I can assure you that things are going to get better from here on as we get into a clean financial year next year. Thank you very much.

Moderator: Thank you. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.