



“Manappuram Finance Limited Q3 FY2023 Earnings Conference Call”

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MODERATOR: **MS. POOJA AHUJA – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Manappuram Finance Limited Q3 FY23 Earnings Conference Call hosted by Monarch Network Capital.

As a reminder, all participants' 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 this 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 Ms. Pooja Ahuja from Monarch Network Capital. Thank you, and over to you, ma'am.

Pooja Ahuja: Thank you, Rochelle. Good evening, everyone. We welcome you to the Q3 FY '23 Conference Call of Manappuram Finance. We are pleased to host the Senior Management of the Company who is represented by Mr. V. P. Nandakumar - MD and CEO; Dr. Sumitha Jayasankar - Executive Director; Ms. Bindu - CFO; Mr. B.N. Raveendra Babu - MD of Asirvad Microfinance; Mr. Rajesh - CFO of Asirvad Microfinance; Mr. Kamal Parmar - Head of Vehicle Finance; Mr. Suveen who is the CEO of Manappuram Home Finance; Mr. Bikash Mishra - CFO of Manappuram Home Finance.

I now hand over the call to MD sir, Mr. Nanda Kumar for his opening remark, post which we can have the floor open for Q&A. Over to you, sir.

V. P. Nandakumar: Thank you. Good evening, ladies and gentlemen. I welcome all of you to our Q3 FY '23 Conference Call and wish you all a wonderful year 2023. I take great pleasure in presenting our Q3 FY '23 results amidst of prevailing climate of optimism and exuberance in the country. The optimism about India's growth prospects is gaining traction as we march forward.

In fact, even as the world economy is raising itself to deal with an impending recession, India continues to be an island of macroeconomic stability. The China plus one strategy, which refers to global Investors' attempt to diversify the investment from China and look for alternative business destinations also spells advantage for our country. Various estimates by leading think tanks show that we are well on our way to achieve a GDP of US\$5 trillion in another five years.

The spill over effects would be felt across the sectors in the days and years to come, and we are well placed to seize the opportunity. To be sure, higher interest rates across advanced economy and heightened inflation will drag down global growth prospects. India cannot be totally immune, and we are likely to take a 100 bps hit in our GDP growth in FY '24 compared to that of the current fiscal.

However, we will retain the fastest growing economy track. Our demography will be at another advantage compared to an aging population elsewhere. India's prominent role in the global state including in major fora like G20 shows that it is not just our decade, but also our century. The

three years starting with 2021 can widely be termed as a phase of survival, revival and growth as we negotiated the pandemic, and we gained a firm growth predictive.

In the last Con call, I had stressed the need for a balanced and prudent growth strategy. I am happy to share that with despite increased competition, we have recorded a net profit of 393 crore in Q3, which is an improvement of 50.8% over the year ago quarter driven by profitability in gold loans and the turnaround in microfinance business.

Our gold loan AUM stands at 18,614 crores, a decline over the Q3 of the previous year, but more or less steady sequentially. Overall, the consolidated AUM has reached 31, 883 crore in Q3 representing an increase of 4.9% over the year ago quarter. The Company's microfinance subsidiary Asirvad posted an AUM of 8,653 crore showing a growth of 22% year-on-year and a profit of 70.5 crore during Q3.

As the sector reaped full benefits of the ongoing economic recovery, the share of microfinance is the overall profit pie is said to go up in the days to come. Like in the previous quarter, you have seen a maximum growth in the vehicle finance business recording 40% increase year-on-year with an AUM of 2,112 crores followed by home loan AUM of 1,005 crores registering 23% increasing over the corresponding quarter in FY '22.

The strategy of diversifying into other sectors is gaining pace, and this rebalancing is already reflected in the December 2022 quarter results. We will continue to prospection with this policy of becoming a well-diversified NBFC. For instance, in the housing finance business, we have focused on a model based on call location with parallel branches, and they focus on lot tickets housing loans. We have also decided to enter niche areas like financing, healthcare professional, and small hospital owing to good potential.

On the company's loan front, we have already disbursed 500 crore. MSME and personal loans are another area where we want to increase our presence to arrive at the right mix of gold and non-gold products. For a more comprehensive review of our financial performance, I hand over the floor to our CFO Mrs. Bindu A. L.

Bindu A L:

Thank you, sir. Good evening, ladies and gentlemen, and thank you all for joining us today. Now coming to the operational overview, our consolidated AUM for Q3 FY '23 was Rs. 31,883 crores representing 4.9% Y-o-Y growth and 4% growth sequential. Consolidated profit after tax was Rs. 393 crores, which was up by 50.8% Y-o-Y, and down by 3.9% Q-on-Q. ROE on a consolidated basis was 17% and ROA was 4.2% for the quarter. Our leverage is currently at 2.9 times. Our GNPA as on 31st December at 1.61% versus 1.95% during the previous quarter.

Company had redeemed the USD loan 300 million, which was due in January 2023. Cash and cash equivalents on a consolidated basis were Rs. 4,879 crores, and undrawn bank line was Rs. 4,761 crore. Our CP exposure is nil in the standalone entity, and our ALM is well positioned

across all the buckets. Standalone borrowing cost has gone up by 59 basis points after the repo rate hike of 225 basis points.

Talking about the gold loan business, which constitutes 58.4% of consolidated AUM, whereas the remaining 41.6% comprises microfinance, loan against vehicles, housing, and SME finance. Gold loan AUM has decreased by 3% Q-on-Q and down by 9% Y-o-Y. The yield at 22.4% against 21.9% in Q2 FY '23.

During the quarter, we were able to add 4.8 lakh new customers. Average ticket size at Rs. 55,015 and the tenure average duration of 73 days. LTV at 61.5%. Our Standalone PAT was Rs. 318 crore, up by 22.9% Y-o-Y, and down by 8.7% Q-o-Q. The total number of gold loan customers stood at 23.7 lakh, and the gold on book at Rs. 18,614 crore. Online gold loan continues at 47% of the total gold loan book.

About the microfinance business, Asirvad AUM stands at Rs. 8,654 crore including gold loan AUM of Rs. 548 crore, up by 13% Q-o-Q, and up by 22% Y-o-Y. As we are coming to the end of COVID related provisioning cycle in Asirvad, PAT for MFI business has increased to Rs. 70 crore in Q3 versus Rs. 56 crore in Q2 FY '23. Expect further reduction in credit cost and return to pre-COVID provisioning levels over coming quarters.

Our collection efficiency from MFI business during the quarter at 104%, and disbursements towards MFI during the quarter was Rs. 2,382 crore. Cumulative ECL provision in Asirvad is Rs. 444 crore. Net NPA stands at 1.7%. CRAR of Asirvad stands at 21.6%.

Vehicle Finance business reported an AUM of 2,112 crore, which is up by 12% Q-o-Q, and up by 40% Y-o-Y. Collection efficiency at 102%. GNPA come down to 3.1% from 3.6%. Home loan business, the total loan book of Rs. 1,005 crores, which is up by 9% Q-o-Q, up by 23% Y-o-Y. It operates from 74 branches and reported a profit of 2.6 crore during this quarter and was Rs. 12 crore for the nine months ended 31st December 2022. Collection efficiency was 100%. GNPA continuous at 5.4%.

Loan to MSME and others stands at Rs. 1,526 crore. Collection efficiency is over 100%, and GNPA at 1.2%. Our own lending AUM stands at Rs. 521 crores with a disbursal of Rs. 280 crore during the quarter. Provisions and write-offs on the standalone entity stood at Rs. 9.8 crore compared to Rs. 22 crore in Q2 FY '23.

The Board has declared an interim dividend of 75 paise during the quarter. Our capital position is strong, and the company is well capitalized with a CRAR of 32.86%. Company's consolidated net worth stands at Rs. 9,279 crore, and the book value stood at Rs. 109.6.

Thank you. We can go for the Q&A now.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Rahul Shah from Shah Associates. Please go ahead.

Rahul Shah: Good evening, management, and especially Mr. Nandakumar. My question is regarding the bread and butter of your business that is gold loan, and that is 90% of the profits. What steps are we taking to gain market share? And also, what are the marketing strategies? Because whenever we research Manappuram Finance, we see other companies at the top of the Google search pages, and similar things. So, have you thought about changing your marketing strategy and also making the website better looking and also the app better and the UI/UX app better?

V. P. Nandakumar: So, Mr. Rahul, few years back we have told the market we want to be a diversified NBFC. So, our strategies are to become a diversified NBFC. That doesn't mean that we forget our gold loan product. So, the others, we are strengthening the other sectors. At the same time, we are also strengthening gold loan. But here because of the increased competition, not only increased competition, but also the demand from our target audience was low. So, it is slowly picking up. It was slow, but it is slowly picking up now. With the social spending has increased, it is picking up. So, this is an interim graph. That's why the gold loan portfolio had a decline, and the yield also had a decline. So, that's the one reason.

We are not ignoring. We are strengthening both gold loan and non-gold. The results will be evident in the coming quarters. In the result itself you have seen the gold loan, year-on-year there is a decline. But at the same time, quarter-on-quarter you have seen the sort of balancing. So, in the coming quarters, we expect the gold loan also to grow along with other businesses, and the profit also to improve from all sectors starting from Q4.

Rahul Shah: And regarding the changing of the user interface on the app making it better, easier for customers use and more appealing, if you could answer that please? I will repeat the question. It is regarding making app better looking and easier to use by changing the software of the app and making it more appealing for online gold loan growth, if I was able to put it better this time?

V. P. Nandakumar: Yes. So, that efforts are going on to improve the app as well as website. That efforts are going on, and we have taken several steps. And it will be published very soon.

Moderator: Thank you very much. Our next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Sir, my question may sound like a continuation of the previous question, but just trying to understand this better. I mean, it's a very good thing that we are now kind of looking to diversify into other product segments given the highly competitive landscape. I think, we are naturally growing strongly in the non-gold business, but I am just trying to understand that have you made any changes in terms of underwriting or the management team post COVID in the non-gold product segments, which should now give us higher confidence to go strongly in the non-gold products?

And also, sir, looking at the competitive landscape, I mean, given that you talked about demand is now slowly coming back in your target customer segment, but if we kind of continue to cater to that customer segment, which borrowed gold loans predominantly at let's say 20%, 22 %, do you foresee that there is a risk of losing market share in your core business, which is gold loans?

V. P. Nandakumar:

So, I will answer the second part first. Then I will go to the first part. So, see at 20% to 21%, our target audience is coming back. That's why even though a decline is there year-on-year, you see a balancing in Q-on-Q. In the coming quarters, you will see growth may not be of that large scale, but slowly and gradually picking up from the third quarter onwards. This quarter also you will see the growth, and coming quarters also you will see growth. It means that our target audience, which is borrowing for a short term, and also the ticket size of around Rs. 50,000, up to Rs. 60,000, they started coming back. You would have seen that the social spending like marriages at the bottom of the pyramid or social events like festivals, etc., were much less in two quarters before, but slowly picking up. With that we see, we witness at the ground level that is reflecting in our business also positively.

Regarding the first part of your question, yes, our underwriting is good in non-gold. If you look at the asset quality in commercial vehicles, the GNPA has come down to around 3.1%, which is good, which is a good figure, good quality asset, if you look at other companies' assets also, large companies' assets also. It is also growing at a very fast rate. Even in MSME, the GNPA is around 1%, which is the best. It is growing very fast. In affordable housing also, it is improving. We have the problem now. The problem was the selling out of the real estate assets. So, we are in the process of arriving at the deals. And in the Q4 itself, you will see a considerable reduction in the GNPA there. In microfinance, you have seen the company has come back. And in the coming quarters, we are very hopeful, very positive about excellent results on the microfinance business.

So, the underwriting is one of the best, and we continue to improve according to the need. Continue to strengthen, not improve, strengthen in accordance with the need. So, from last quarter onwards, we are very confident. We are expecting a good result in all the segments including gold loan.

Abhijit Tibrewal:

Just a follow-up question before I ask my last question. So, when you are guiding that we now expect gold loan growth to happening next quarter onwards gradually maybe a modest growth to start with, it is assumed that that can happen at the same strengthened margins or units that we are operating now without dilution in any of those metrics, like yields or spreads and margins?

V. P. Nandakumar:

We are speaking to a yield of 20%, 21%, and there is no further dilution. The growth is happening at that level because as I mentioned just now, our borrowers are borrowing for two, three months, and also the ticket size is small. And the customer acquisition is also going in the same way. So, as demand increases, the tenure also gets slightly increased. So, the things are shaping up for good.

Abhijit Tibrewal: Sir, just one last question in the interest of time. I think somewhere in media or in a public forum you had commented on succession planning that regulator also expects that as a company we kind of lay out the succession planning. I recall in the last week of December, you had appointed Dr. Sumitha Jayasankar as an additional Director Executive on the Board of the Company effective from Jan 1st. Sir, just wanted to understand, I mean, is that appointment more in the nature of a promoter is coming on the Board? Or I mean, what I am trying to understand is we will see the activity involved in the business just like you or going forward, the idea is that maybe we will appoint someone as the MD and CEO to run the business?

Sir, lastly, for a kind of stock here, on the dividend payout, given our capital adequacy and expectations or any thoughts around increasing the dividend payout going ahead?

V. P. Nandakumar: So, the succession plan for the family, my daughter has been appointed as an Executive Director. She had been here a few years back. She is a medical doctor. So, now she has come as a full-time director and actively involved in the business. She has taken up the growth of non-gold products to start with, vehicle finance now. And she is getting trained for succession. So, the final call of the succession of MD will be taken up by the Board later. It was not now. So, there is time, by the time I retire. So, the Board will definitely find out a suitable succession. So, don't worry about that.

About the dividend payment, we continue with same dividend. For the time being, we have not increased the dividend, but in the coming quarters, most probably next year, Board may consider with some much, much more improved performance.

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

Shubhranshu Mishra: In terms of the SME lending and on-lending, sir, what is the yield that we are seeing on this book? And where in this business before the IL&FS crisis as well we tried to scale it up. Again, we retracted from this business. So, what has led to the change of thoughts that we are entering this business again, and we are getting such high disbursements? That's the first question, sir.

Second is that we have seen a tonnage decline in this quarter in the gold loans. So, how do we look at the gold loan growth? What is your guidance for tonnage growth as well as loan growth? Also, if you can split the AUM into less than 1 lakh as a percentage of the AUM, 1 lakh to 2 lakh as a percentage of AUM and more than 2 lakh as a percentage of AUM as of third quarter? And if we can speak on balance transfers out to banks and other NBFCs, and if you can speak of competitive intensity?

V. P. Nandakumar: So, first, I understand this regarding lending to NBFCs.

Shubhranshu Mishra: Lending to NBFC and SME lending, both, sir.

V. P. Nandakumar: And SME lending. So, SME lending is going towards micro factors where the average ticket size is around 6 lakhs, which is mostly of security of mortgages. So, there we are lending around 150, 60 crores now per month and growing at a rate of over 100 crores per month micro lending, micro enterprises or mostly secured with mortgages. There this is increasing month on month, the disbursals are increasing, and the quality also it does have been already mentioned about a GNPA of 1.1% without any write-offs.

In the NBFC lending, we are lending to different sectors of NBFCs where our average yield is around 13.3%. We have been in that business prior to COVID and post COVID we have restarted this business. That portfolio was almost wound down to nil during this COVID period, and we have a very excellent experience. we have an assessment team. The team assess the quality of the promoter, the credit rating, and the Board, etc., etc. Only after underwriting that and found to be a good company, we are lending to them, and we have a good experience. Whatever we have learned here, we continue with that experience. About the 1 to 2 lakh tickets, the details will be shared by the CFO, and balance answers also in those loans also will be shared.

Shubhranshu Mishra: So, what is the ticket size of the on-lending to NBFCs? What kind of checks are we writing to them?

V. P. Nandakumar: NBFCs, every ticket size to NBFCs in the NBFC business, 12 crore. And maximum is 30 crore.

Rajesh Namboodiripad: On the gold loan, up to 1 lakh, that is 44%, up to 1 lakh. 1 to 2 lakh, 23%. 2 to 3 lakh, 10%. 3 to 5 lakh, 8%. And above 5 lakh, 15% as on quarter. Up to 1 lakh, 44%. 1 to 2 lakh, 23%. 2 to 3 lakh, 10%. 3 to 5 lakh, 8%. above 5 lakh, 15%.

Shubhranshu Mishra: And if you can speak on the tonnage growth and the AUM growth going forward, sir?

V. P. Nandakumar: The tonnage growth, see, the tonnage growth shares little significance. Why? See, the people borrow based on their need only, and you see the average redemption period is around within two-and-a-half months. They are very much more than above the cash flow, because they intend to redeem within a short period of time. So, unlike unsecured loans or other loans, if they don't borrow indiscriminately. When the gold price goes up, the tonnage comes down. When gold price goes down, automatically the tonnage goes up. So, in this business, gold loan business, the tonnage is often asked, but I don't see, I don't find any significance. Anyway, that will be shared with you.

Shubhranshu Mishra: One question still remains unanswered about the competitive intensity and balance transfer to banks and NBFCs.

V. P. Nandakumar: In gold loan, we don't track what is the exact transfer to banks, NBFCs, etc. Because as these are short term, what we see is most of these are taken back by our own customers.

- Moderator:** Thank you very much. Our next question is from the line of Manuj Oberoi from Yes Securities. Please go ahead.
- Analyst:** So, sir, firstly, the question is on the MFI portfolio. So, while ma'am has given the full ECL provisioning a number of 444 crore, can we get the ECL coverage on stage two and stage three assets out there?
- Bindu A L:** Yes. So, on stage three based on the data our LGD stands at 67%, and on stage two it is around 15%, 14.5%.
- Analyst:** So, that is a provision on those buckets you are already holding, right?
- Bindu A L:** So, that is the coverage also.
- Analyst:** Coverage also, yes, okay.
- Bindu A L:** Second is 1.7%.
- Analyst:** Correct. And ma'am, what has been the collection experience in the recent quarter on stage two loans and stage three loans? So, what has been the collection efficiencies?
- Bindu A L:** So, month-on-month, the overall collection efficiency is improving. So, this quarter it is around 104%. That book also post-COVID disbursements increasing. So, that is also helping us to improve the collection efficiency. And on the stage three collections, based on the data, it is around 37%. So, that is 30%, 33%. So, that is the reason for LGD of 67%.
- Analyst:** And stage two collection efficiency will be around 85% then, the reverse of the ECL coverage?
- Bindu A L:** Yes.
- Analyst:** And coming to gold loans, you said that the new customers acquired in the quarter were about 4.8 lakhs. What is this? So, how should we look at this run rate versus pre-COVID? Was the pre-COVID run rate much higher than this run rate, while it might be improving quarter-on-quarter right now, but versus pre-COVID?
- Bindu A L:** Better now. It is better now.
- Management:** Last two quarters, it is better.
- Analyst:** It is better?
- Management:** Last two quarters, it is better. It is catching better than that of pre-COVID nowadays, last two quarters.

- Analyst:** And in this incremental customer acquisition of 4.8 lakhs, what is the ticket size breakup? Or maybe what is the proportion of loans, customers taking loans below 1 lakh?
- V. P. Nandakumar:** See, if you look at the percentage, there is 1 to 2 lakhs, 3 to 3 lakhs., etc., there is no much change as of now. But going forward, we expect the below 1 lakh to improve. It is slowly improving. So, we will be able to share the improvement in the last quarter. It is improving slowly.
- Analyst:** So, you are saying both at the portfolio as well as at the incremental level, less than 1 lakh portfolio is seeing faster growth.
- V. P. Nandakumar:** Yes. So, lower end of the segment that per share is slowly improving. yes, we hope that there will be improvement during the last quarter.
- Moderator:** Thank you. Our next question is from the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead.
- Pratik Kothari:** Sir, this, the low yielding book less than 12%, I believe our intent will be to run this down to zero, right, eventually?
- V. P. Nandakumar:** Low yielding products that, first of all, that low, it is just not that low yielding now. You have increased that to some extent. We have increased the rate by 3%, 4% there. But that is why the yield is somewhere around 20%, 21%.
- Pratik Kothari:** No, sir, my question was on slide 18, we have mentioned that 17% of our yield comes from below 12% yield, which used to be zero in FY '22.
- Bindu A L:** Yes. As you rightly pointed out, so our teaser rate schemes, which was around 7% schemes, etc., that was stopped. That is zero now. That is what like we used to discuss on the teaser rate product. Within the portfolio, 17% is below 12% yield. That is as part of gold loan scheme, this is there for many years. The people who are very sensitive to interest rate at their higher, lower LTV, we will be offering these kind of products.
- Pratik Kothari:** And ma'am, in the presentation for quarter two, we have mentioned that 18% of the book was below 12%. But I think the last quarter it was mentioned 25.
- Bindu A L:** Yes. So, this 12 % if you seem, last time it was less than 12, and greater than 12. So, last time that 12% was clubbed with less than 12. That is the reason this time we have modified greater than 12, greater than and equal to 12.
- Pratik Kothari:** And sir, on the gold loan again, at an overall level, pre-COVID, etc., we used to do, I am not considering the exceptional times we saw in between, we used to do 5%, 6% kind of growth in ROA. We are at about 4.5 right now. I mean, is growth the only lever to reach there? Or what else do we have?

- Bindu A L:** Gold loan ROA is 6%.
- V. P. Nandakumar:** Gold loan ROA is still at 6%. The overall ROA of the standalone book is at 4.6%.
- Bindu A L:** 4.2%.
- V. P. Nandakumar:** 4.2% is the consol.
- Bindu A L:** Standalone is 5.2.
- V. P. Nandakumar:** Standalone is 5.2, and the consol is 4.2. It's a decent ROA.
- Pratik Kothari:** No, sir, if you look at our standalone results for quarter three, our ROA is 4.2. It's usually 5, 6 pre-COVID.
- Bindu A L:** Yes. But standalone includes vehicle finance, MSME and this on-lending to other NBFCs. But the gold loan portfolio alone we are taking the segmental profitability. In that gold loan, ROA is around 6%.
- Pratik Kothari:** So, we are back to what it used to be earlier.
- Bindu A L:** Yes. That is, earlier it was 8%, because our yields used to be around 24%. It was high. But still we are earning 6% ROA.
- Pratik Kothari:** And ma'am, auction number for this quarter?
- Bindu A L:** Auction 353 crore during the quarter.
- Moderator:** Thank you. Our next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.
- Rishikesh Oza:** Sir, my first question, if you can guide on the quarter growth rate to gold business and also for the non-gold business?
- V. P. Nandakumar:** So, our target is to achieve a console growth of 20% per annum. So, that is our target. So, we are gradually reaching that level of quarter growth of 5% in the consol.
- Rishikesh Oza:** And how much would be from gold and how much would be from non-gold?
- V. P. Nandakumar:** So, this is the consol one. So, the segmental, there could be some variance, etc., etc. Overall, our target as I have been telling for a long time, our consol target is a CAGR of 20% as well as an ROE of 20%. So, we have not reached an ROE of 20%, but gradually, quarter-on-quarter, we hope there will be improvement, and steadily we will reach that level of 20% ROE in a few quarters.

- Rishikesh Oza:** And sir, banks are offering gold loans at 12%. Do you expect pressure on your yield?
- V. P. Nandakumar:** This was done even during pre-COVID level to poor people who are borrowing a very low amount, etc., Rs. 5,000, Rs. 10,000, etc. This has been done for a long time, and that will not, yes, but still as this is a very small portion of the portfolio, we will maintain our yield at around 21%.
- Moderator:** Thank you. Our next question is from the line of Sanket Chheda from DAM Capital. Please go ahead.
- Sanket Chheda:** I wanted to know our growth guidance for FY '24 on overall book and particularly in case of gold loan, do we expect some growth to start kick in from next quarter or maybe we will look for the FY '24 in terms of AUM growth in gold and next quarter would still be flattish on gold?
- V. P. Nandakumar:** See, the exact guidance of segmental guidance, etc., we can't give, but this is the target, 20% CAGR and 20% ROE. So, in ROE we are lagging behind that, reaching that level. This is what I have said. Now from the present level of ROE, quarter-on-quarter, you can witness improvement. In a few quarters now, we will be able to meet both a CAGR of 20% as well as ROE of 20%, which is what our plan is. This we have been doing pre-COVID. COVID had its challenges. Now, it is evident that we have come back, and in the coming quarters, we are really hopeful about achieving this.
- Sanket Chheda:** And anything on say opening incremental branches for gold loans? Any approval that we have received? Are we planning to open incremental branches for the gold loan business?
- V. P. Nandakumar:** See, we have currently around 3,985, nearly 4,000 gold loan branches now. Every quarter our consolidated gold loan branches are increasing by around 100 branches quarterly. This is being done.
- Moderator:** Thank you. Our next question is from the line of Neha Kshirsagar from KRChoksey. Please go ahead.
- Neha Kshirsagar:** Sir, my question is on the net interest margin. So, considering the increase in cost of borrowings, and even in this quarter, the consolidated cost of borrowings was up by 40 basis. So, can you just give a guidance where do you see the margins going ahead?
- V. P. Nandakumar:** I hope the net interest margin would remain somewhere in the present range. In the last quarter, we have redeemed the high-cost borrowing of \$300 million bonds. So, that has brought down, and as some of the high-cost borrowings are redeemed, there may not be much change. And even if there is a minor change in the borrowing cost, we hope that could be passed on. The NIM would remain more or less at the same range.

- Neha Kshirsagar:** And any guidance on the contribution from gold finance business in medium term, how much do you expect at a consolidated level?
- V. P. Nandakumar:** See, the gold loan, five, six years back itself, we have told that we want to be a diversified company. We want to maintain a minimum of 50% share of the consolidated AUM as gold loan. So, we are 58% now. And yes, in another two years, we hope it will be more or less 50-50. this is what we have planned five, six years back.
- Moderator:** Thank you very much. Our next question is from the line of Pradeep Agarwal from Systematix. Please go ahead.
- Pradeep Agarwal:** My question pertains to the Asirvad gold loan branches. So, if you can quantify what would be the AUM, we have booked under Asirvad in gold loan?
- V. P. Nandakumar:** 8,600 crores.
- Bindu A L:** Gold loan, 550 crores.
- V. P. Nandakumar:** The gold loan is 550, and the balance is the parents.
- Pradeep Agarwal:** Balance is the?
- V. P. Nandakumar:** Balance with the parent company, Manappuram.
- Pradeep Agarwal:** And sir, also, we have talked about, you know, getting MFI listed down the line. So, if you can share what are your thoughts at this point in time in terms of listing, having a separate listing or value unlocking in MFI?
- V. P. Nandakumar:** Yes. It will eventually get listed according to the requirement of its capital. So, now the company has a capital adequacy of around 21.6%. So, we will maintain at a rate of around 20% capital adequacy, and when the market situation improves, we plan to raise capital there, and need not be through the listing at a reasonable valuation. We may also raise private equity. And in one or two years the company may get listed. When is it going to be listed, that we have not planned anything as of now.
- Pradeep Agarwal:** Also, you know, while we have been talking about balance transfer to banks from last 1 to 1.5 years, so are we also witnessing any reverse cases where our customers who have moved to banks are getting the cases again transferred to NBFCs because of inferior experience over there?
- Bindu A L:** Yes. That will also be happening, but as such, we are not tracking that seriously. But there are cases this customer shifting the gold loan from bank to here also.

V. P. Nandakumar: See, the advantage of banks is something, and the advantage of the NBFC is something. So, both have advantages and disadvantages. Our customers are borrowing for a shorter term of around 3 months, 4 months, etc. And on an average ticket size of 50,000, 60,000, where they want that money very fast, they don't want to lose their time waiting at the bank's counter or the counter of the lender. They want money in 10 minutes, 15 minutes, and redeem also within a shorter time, say, 10, 15 minutes. So, whereby they don't lose their day. So, such customers continue coming to us, and that is our target audience. They are mostly from the lower middle class, and their borrowing was less post-COVID. We see with the activities increasing, economic activities increasing, and their social spending also increasing, the demand is picking up. So, that will cater to our requirement of growth in gold loan.

Pradeep Agarwal: And also, one, you know, a data keeping question. In the presentation, number of gold customers at one place is 2.4 million, where other place is 2.3. And there was difference in previous quarter as well. So, if you can highlight, is this because of Asirvad numbers included in some place? Which would be the right number? 2.4 or 2.3?

Management: Including Asirvad, 2.4.

Bindu A L: 2.4, including Asirvad.

Pradeep Agarwal: So, this is because of that. Okay.

Moderator: Thank you. Our next question is from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Bhuvnesh Garg: My question is on gold loan outlook. So, with the gold prices hovering above 55,000 level for last one month, so what kind of demand we are looking at? And what is, if you can quantify, like the demand in November, December versus what we are seeing in January? And what kind of loan growth you are targeting in Q4?

V. P. Nandakumar: So, the borrowing is not based on the gold price. As I mentioned earlier, the borrowing is based on their need. When these customers borrow, they borrow at a rate whereby they can redeem within a shorter period of time. So, they will not borrow indiscriminately from whichever sources they will get. Unlike other loans, they won't borrow. So, even with the gold prices increasing, there won't be much impact as far as the growth in gold loan business is concerned. The growth will be driven by the demand of money.

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

V. P. Nandakumar: So, thank you. So, what we want to communicate, our intention is to be a well-diversified company. Our strategy in diversification will continue. That doesn't mean that we ignore the gold loan. It will also get strengthened with the demanding we see. Thank you for the questions,

all the questions. The questions were good. We hope that we answered the questions to the satisfaction of the friends who are putting these questions. Thank you.

Bindu A L: Thank you.

Moderator: Thank you very much, members of the management team. Ladies and gentlemen, on behalf of Monarch Network Capital, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.