



# “Manappuram Finance Limited Q2 FY2023 Earnings Conference Call”

November 14, 2022



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**Moderator:** Good morning, ladies and gentlemen and welcome to the Q2 FY2023 Earnings Conference Call of Manappuram Finance Limited hosted by ICICI Securities. 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. Ansuman Deb. Thank you and over to you, Mr. Deb!

**Ansuman Deb:** Good afternoon ladies and gentlemen, we welcome you all to the Q2 FY2023 results conference call of Manappuram Finance Limited. We have with us the management of the company represented by Mr. V. P. Nandakumar, MD and CEO, Ms. Bindu A L, Chief Financial Officer, Mr. B. N. Raveendrababu, MD, Asirvad Microfinance, Mr. Rajesh Namboodiripad, Chief Financial Officer, Asirvad Microfinance, Mr. Kamal Parmar, Head Vehicle and Equipment Finance, Mr. Suveen P. S. CEO of Manappuram Home Finance, and Mr. Bikash Kumar Mishra, CFO of Manappuram Home Finance. I now hand over the call to MD, Mr. V. P. Nandakumar for his initial remarks post which we open the floor for Q&A. Over to your Sir!

**V. P. Nandakumar:** Thank you. Good morning ladies and gentlemen, welcome to our Q2 FY2023 performance call. As you are aware the pandemic has subsided and the Indian economy is showing clear signs of recovery. In the previous concall I have referred to the uneven nature of the recovery and its impact on our company’s growth but the graph is now showing a more steady curve upwards and this ongoing revival coupled with our earnest efforts of finding traction has reflected in our Q2 results declared on Saturday. India cannot be decoupled from the rest of the world and macroeconomic developments elsewhere could resonate domestically as well. For instance, the United States, the European Union, and the United Kingdom have been tightening their monetary policies and interest rates globally remain elevated. The rupee had also weakened to Rs.83 before recovering to Rs.80.56. As the dollar strengthened, gold prices lost some sheen during the quarter. The demand for the yellow metal has reached pre-pandemic levels and witnessed an annual growth of 14% during the July and September quarter at 191.7 tonnes. Accordingly investor confidence in India remains high as evidenced by the facts that next FII inflows in November so far have touched \$2 billion. IMF in its latest world economic outlook forecast India to be the fastest growing economy globally. Morgan Stanley goes a step ahead to state that this will be India’s baggage. We hope to capitalize on this upbeat mood and ensure that. Our business verticals are focused to translate it into our advantage. For the quarter ended September 2022 our consolidated gold AUM was Rs.19190 Crores registering an increase of 2.1% year-on-year. Overall the consolidated AUM has reached Rs.30665 Crores in Q2



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representing an increase of 7.9% over the year ago quarter. Consolidated net profit of Rs.409 Crores in Q2 is an improvement of 45.2% over the preceding quarter driven by profitability in gold loan and microfinance businesses. To be sure competition is increasing with the emergence of new players in the NBFC space including Fintech companies; however, India has a huge and banked and underbanked population which provides headroom for a larger number of players to exit without sacrificing profitability. We have huge hopes on the long-term prospects of companies, microfinance subsidiary Asirvad which has an AUM of Rs.7661 Crores showing a growth of 7% year-on-year according to a CARE Edge report. NBFC and MFIs are expected to see a 30% year-on-year growth in their loan book in 2022-2023 on the back of resurgence in demand for microloans especially from Tier-3 cities. I have no doubt that we would be able to tap this sector even more in the days to come. We have seen maximum growth in the vehicle finance business recording 49% increase year-on-year with an AUM of Rs.1886 Crores followed by home loans with AUM of Rs.922 Crores registering an increase of 25.9% for the corresponding quarter in FY2022 though primarily a gold loan player. We are slowly but surely on the path to becoming an NBFC with a balanced and broad-based portfolio mix. This rebalancing is already underway and the share of non-gold verticals in our AUM now stands at 37%. For instance in the housing finance business we see a lot of potential for low ticket housing loans. On the vehicle finance business we are increasing penetration in rural and semi-urban locations apart from using the digital lending platforms and automated approval processes. Yet another focus is MSME and digital personal loan segment. The idea is to arrive at a diversified product portfolio covering secured and unsecured loans for the salaried and non-salaried employees. For a comprehensive review of our performance I hand over the floor to our CFO, Mrs. Bindu.

**Bindu A L:**

Thank you Sir. Good morning ladies and gentlemen and thank you all for joining us today. Coming to the quarter our consolidated AUM for Q2 FY2023 was Rs.30665 Crores representing a flat growth sequential and 7.9% Y-o-Y growth. During this quarter all segment AUMs has grown except gold loan and the drop in gold loan is on the back of conscious rationalization of low yielding schemes. Consolidated profit after tax was Rs.409 Crores for Q2 FY2023 which was up by 45.2% Q-o-Q and up by 10.7% Y-o-Y. ROE on a consolidated basis was 18.6% and ROA was 4.6%. Our leverage is currently only 3 times. Our GNPA as on September 30, 2022 at 1.95% versus 1.43% during the previous quarter. The company is currently holding excess liquidity in order to meet the redemption of the 3-year secured fixed rate loan issued in the bond market which is due in January 2023. Cash and cash equivalent for a consolidated basis was Rs.5633 Crores and undrawn bank line was Rs.3368 Crores. Our CP exposure is only 2.4% of our total borrowings in the standalone entity. Our ALM is well positioned across all buckets. Standalone borrowing



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cost has gone to 7.56% in comparison with 7.47% in Q1 FY2023 after repo rate hike of 190 basis points over the period.

About the gold loan business it constitutes 62.6% of consolidated AUM and the remaining 37.4% comprises microfinance, vehicle, housing and SME finance. Gold loan AUM decreased by 6.3% Q-o-Q and up by 2.1% Y-o-Y. Gold loan yields improved to 21.9% in Q2 FY2023 versus 19.4% in Q1 FY2023. The yield improvement largely driven by rationalization of low yielding schemes rolled out in H2 FY2022. During the quarter we were able to add 4.47 lakh new customers. Average ticket size and average duration was Rs.54694 Crores and 68 days respectively. Our gold loan LTV is 65.7%. Our standalone PAT was Rs.349 Crores up by 20% Q-o-Q and marginally down by 1.8% Y-o-Y. ROE for this quarter at 16.8% versus 14.4% during June 2022.

Coming to microfinance business, Asirvad AUM stands at Rs.7661 Crores up by 9% Q-o-Q and up by 7% Y-o-Y. During this quarter our yield improved to 22.1% in comparison with 20.3% in March 2022. We are coming to the end of COVID-related provisioning cycle in Asirvad. PAT for MFI business has increased to Rs.56 Crores in Q2 FY2023 from a loss of Rs.8 Crores in Q1 FY2023. We expect a further reduction in credit cost and return to pre-COVID provisioning level over the coming quarters. Our collection efficiency also improved in MFI business during the quarter stood at 103% and disbursements during the quarter was Rs.1919 Crores. In Asirvad the gold loan AUM as on September 30, 2022 stands at Rs.500 Crores. Cumulative ECL provision in Asirvad is Rs.520 Crores. Net NPA stands at 1.64%. In September 2022 an equity infusion of Rs.250 Crores by parent, Manappuram Finance through a rights issue. Currently Asirvad's CRAR stands at 22.8%.

Coming to vehicle finance we have reported an AUM of Rs.1886 Crores which is up by 7.4% Q-o-Q and up by 49% Y-o-Y. Collection efficiencies for the quarter 101%. GNPA has come down to 3.6% from 4%. Home loan business total book of Rs.922 Crores which is up by 5.4% Q-o-Q and up by 25.9% Y-o-Y. It operates from 74 branches and reported a profit of Rs.4.2 Crores during this quarter and Rs.9.3 Crores for the half year ended September 30, 2022. Collection efficiency for the quarter 98%, GNPA reduced to 5.5%. Loan to MSME and others at Rs.1235 Crores, collection efficiency over 100% and GNPA at 1.4%. Our own lending to NBFC the AUM stands at Rs.272 Crores with a disbursal amount of Rs.252 Crores during this quarter. Provisions and write-offs in the standalone entity during the quarter stood at Rs.22.1 Crores compared to Rs.8.8 Crores in Q1 FY2023. The Board has declared an interim dividend of Rs.0.75 for the quarter. Our capital position is strong and the company is capitalized with a capital adequacy ratio of 31.9%, company's consolidated net worth stands at Rs.8957 Crores, the book value stands at Rs.105.2. Thank you. We can now go for the Q&A session.



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**Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Dhaval from DSP Mutual Fund. Please go ahead.

**Dhaval:** Thank you for the opportunity and congrats on decent performance. Sir I had three questions. First is relating to margins just wanted to understand have we seen the full benefit of the teaser rate book running down and the gold book yield increase fully getting reflected this quarter and also correspondingly on the cost of fund side what is our expectation for the second half of this year so your sort of perspective on margin would be useful? The second part is relating to growth specifically in the gold loan portfolio we have seen volume decline and overall the book has been stable for quite a while now what is our outlook from here on that would be useful and the third part is on cost, it is still quite elevated compared to what our expectation was in terms of cost rationalization so some perspective around how we think about absolute opex would be useful especially for the next three to four quarters those are the three questions? Thanks.

**V. P. Nandakumar:** The yield rationalization by reducing the dependence on low yield products for growth it has come down low yield products has come down from 35% in Q2 it has come down to 25%. Our high yielding product has increased its share by 10% to 75% so that is the reason why there is no improvement in the yield and that is nearly 21.9% and we believe that it will remain at more or less at this level of 21% and GL growth we see it is not growing now because there is another 25% in this teaser rate it will have to go down and it takes one more quarter to get growth I think so. Regarding the cost asset term that has been mentioned already, there is going to be redemption of overseas borrowing and that will bring down the cost again. There is enough headroom as our short-term liabilities are only to 2.4%. There is some headroom there and we can use that buffer to a reasonable extent to mitigate the rising cycle of interest rate, so we believe that it will be somewhere stay around this and at the consolidated level the Asirvad's yield has gone up by nearly 2% now and it is going to further go up and currently our pricing is at around 24% so it will move to around 24% now and Asirvad collections and the NNPA is steadily coming down so this will protect our overall profitability is expected to grow and you mentioned about the cost, cost primarily is coming from the HR cost why because there was some increase in salary at our lowest level and also we are building our MSME portfolio and we are strengthening the disbursements in other non-gold vertical like CV, car, etc., so this has been split and these are showing good traction as far as growth is concerned so the results of this cost, the benefit of this cost will accrue in the coming months. These are growing very fast both the non-gold secured portfolio like MSME which are all small ticket loans. Again vehicle finance also is small ticket for us as these are growing very fast. So you will see the cost rationalization going forward, in another two to three quarters you will see the benefit out of that.



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- Dhaval:** Right Sir. Just to clarify so you are saying that the absolute cost will remain around these levels and grow from here while you see the book accretion helping manage the cost ratio is that correct or you will see absolute?
- V. P. Nandakumar:** You are right so in the higher proportions the income from these businesses will go up.
- Dhaval:** Understood. Sir just lastly on comments on growth especially in the gold portfolio that would be useful?
- V. P. Nandakumar:** Yes gold portfolio as I mentioned the low yield product its share is around 25% and high yield around 80% to 75% so we wish to bring down that to around 15% and the share of high yield products to around 85%, the portfolio us remaining somewhat flat for sometime but then it will start picking up for another one quarter.
- Dhaval:** Got it Sir. Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Thank you so much. Good morning and thank you for taking my questions. Sir I just wanted to understand given that our focus has now changed to profitability and given that in your response you guided that we expect gold loan yields to remain at around at least 21% levels so just wanted to understand given that your other peer Muthoot is still doing gold loans, the interest rates which are I would say at least 200 to 300 basis points lower than the rates at which you are doing you think we have a gold loan market at 21% to 22% kind of yields even today that is my first quarter Sir?
- V. P. Nandakumar:** I hope so the reason is the rural economy is reviving and activities are improved so that is the reason why slowly our high yielding products where the average ticket size and tenure is low is increasing, so when more customers come from that segment even when we lose this low yielding piece of product we will be able to show growth. In the pre-pandemic level even with the higher yield we were growing at a higher rate but we believe that has come down it was around 25% for us it has come down to around 21.5%, etc., so at this level we believe that small ticket short-term customers can be a factor in the rural market and as the harvest and everything is expected to improve because of the monsoon, etc., we believe that the growth is possible to the extent of some 5% to 10% in gold loan in the coming quarters.
- Abhijit Tibrewal:** Understood. Sir is it fair to say that going forward even if some of the other peers start concentrating on growth and do gold loan disbursements at much lower yields we will still



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stick to this 21% to 22% kind of yields even going forward, basically there is no risk of introducing any of those teaser rate gold loans in the future again?

**V. P. Nandakumar:** Just after the COVID pandemic or during the difficult times we were not getting our conventional customers. Then we thought of attracting some better customers through low yield products and we were successful in that so now we think that having the market of this bottom of the pyramid started improving our focus from that low yielding product will be shifted to this high yielding product and we were growing that during the pre-pandemic level. We believe that market widens as I mentioned in our opening remarks the gold sale also has picked up it has reached the pre-pandemic level. We believe that as projected the revival will continue, the situations will be improved, so as our focus is on high yielding products we hope that we will be able to go back to that segment soon.

**Abhijit Tibrewal:** Again going back to the opex Sir I am just concentrating on the standalone P&L or the standalone opex that we have published so wanted to understand if I look at the opex that we were doing may be last year we used to say that this is predominantly driven by very high gold loan disbursements that you were doing and I would say incentivization which was required and the promotion expenses which we incurred last year particularly I would say in Q3 and Q4 now flash forward now one is help me understand what was the gold loan disbursements that we did in this quarter and against that is it predominantly salary increases which has kind of led to this kind of operating expenses or are there any one-offs there I am just talking about the standalone business Sir?

**Bindu A L:** Sir during the quarter our gold loan disbursements consolidated is Rs.35762 Crores compared to Rs.30000 Crores. With regard to cost we have not added much man power in gold loan as we did some time back we added one man power across the branches for our marketing activities so during the quarter the increase was on account of two reasons and overall admin cost increase is purely salary cost, so at the end of June we have given an increase to the lower level employees so the full impact has come during this quarter and the other thing is we added almost 1500 average number of employees to increase our non-gold businesses in the standalone entity. Non-gold both vehicles finance and MSME is growing and for employee productivity is what we are monitoring so we added manpower added to the cost in this quarter but we expect further improvement in the productivity in the coming quarters.

**Abhijit Tibrewal:** Understood Madam. Thank you so much. This is helpful. That is all from my side.

**Moderator:** Thank you. We have the next question from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.



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**Shubhranshu Mishra:** Good morning. Thank you for the opportunity. Sir during the quarter we have increased the salaries to arrest the attrition because if I look at the employee expense run rate it was fairly lower post COVID so if you can throw some light there what kind of attritions have we seen in the last one, one-and-a-half years especially post COVID? Second is on the secured PL particular product that we are doing secured PL so we are doing it at a fairly high yields of around 19% so if it is a secured PL the yield is around 19% versus the unsecured PL which is at around 22% if you can throw some light there what kind of security are we taking for the secured PL and why is it such high yielding loans and also if we can speak a little bit more on the growth because if we are going to do higher yielding products we are essentially saying that the volumes would be lower hence the growth should be flat is that a fair understanding?

**V. P. Nandakumar:** One the increase in salary the reason is already mentioned. We have hiked the salary to retain talent and better qualified employees so the attrition level has gone to around 9% during COVID days now it has been brought to around 5% per month we hope it will go further go down. Your second question is secured PL at 19%. These are small ticket loans where the average ticket size is around Rs.4 lakh to Rs.5 lakhs and in that the bounce rate is around 6%. The net bounce rate is around 6% and the NPA is already mentioned it is around 1% and the secured is 19% is the gross yield and the unsecured digital personal loan it is around 22% the difference in the gross yield is only that but these are offered to our own customers who have a good track record. It is 24 hours 365 days loan totally digital so we are disbursing around Rs.25 Crores per month, Rs.20 Crores to Rs.25 Crores per month now and quarter-on-quarter we are expecting increase in the disbursal per month by 15 to 20 growth so that we believe that we will be able to reach around Rs.100 Crores disbursal towards the middle of 2023 calendar year that is our expectation and there also the bounce rate is around 7%, the credit cost is around 2% to 2.5% so the risk-adjusted return remains the same and these customers are mostly our own existing customers who have a good track record. We have several millions of customers with us who have been transacting with us for the last two years so we have start getting them. About the growth currently in the non-gold, I will come to the gold. Non-gold currently we are disbursing around Rs.1100 Crores to Rs.1200 Crores per month, non-gold includes microfinance, this MSME, then vehicle finance including car finance, etc., plus some NBFC loans so we are disbursing and we hope to improve that to around Rs.2000 Crores in another four quarters by a steady growth quarter-on-quarter. The trend is showing that. Other than MFI we are targeting mostly on our existing customers. Large segment of our borrowers are these. That is the reason why GNPA in vehicle loan has come down below 4%. About gold loan as I mentioned we are moving out from the low yield product which is around 25%. We believe that the low yield product of the current level it should be contained at around 15% so there will be some middle yield product also in between so we hope that we are adding the middle level





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product as well as high yielding product will be more suited for us to maintain a yield of around of 21%. That is our strategy and we believe that with that our ROE can be further improved going forward.

**Shubhranshu Mishra:** Sure Sir just two data keeping questions Sir. What is the proportion of AUM less than three months tenure and what was the amount of auctions done in this quarter?

**Bindu A L:** Auction during the quarter Rs.190 Crores and tenure wise 80% of the books three month product.

**Shubhranshu Mishra:** 80 Madam?

**Bindu A L:** 80.

**Shubhranshu Mishra:** Alright Madam sure. Thank you.

**Moderator:** Thank you. We have the next question from the line of Shreepal Doshi from Equirus Capital. Please go ahead.

**Shreepal Doshi:** Good morning Sir and thank you for giving me the opportunity. Sir my question was pertaining to the average ticket size and also the loan book split in terms of ticket sizing so what would be the book which would be say below 3 lakh and 3 lakh to 5 lakh and more than that in the gold segment?

**Company Speaker:** On the total Rs.2 lakh above only we kept and not a 3 lakh, 2 lakh above we have around 22.6% on the total, below 2 lakh is 78%.

**Shreepal Doshi:** Could you also provide some like above 5 lakh ticket size loan?

**Company Speaker:** That is around 7%.

**Shreepal Doshi:** 7%?

**Company Speaker:** 7%.

**Shreepal Doshi:** Thank you Sir and the second question was with respect in the MFI segment at Asirvad level we are also doing gold financing so what is the yield range that we have for gold financing product at Asirvad level?



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- V. P. Nandakumar:** The product structure everything is similar to that of the parent so the yield is somewhat similar only as far as gold loan is concerned.
- Shreepal Doshi:** Okay got it.
- Bindu A L:** Above Rs.5 lakh as on September 30, 2021 it was 7.3 and in between we have increased the ticket size and then it has come down as on September 30, 2022 14.5 only.
- Shreepal Doshi:** Okay since you have given Y-o-Y number so what was this say above 2 lakh ticket size number in September 2021 which right now is 22.6% can you share it?
- Bindu A L:** Yes so based on like we have done between 1 lakh and above 1 lakh were the yield sensitivity also different so up to 1 lakh we were at 77% of the customers and we were at 80% now.
- Shreepal Doshi:** Okay this is in terms of customers and not loan book or is it the same?
- Bindu A L:** So this is based on the customers 80% of our customers are below 1 lakh, in terms of the portfolio as on September 30, 2022 it was 45% below 1 lakh and 55% above 1 lakh.
- Shreepal Doshi:** Okay got it. Thank you so much. That is it from my side.
- Moderator:** Thank you. We have the next question from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.
- Vivek Ramakrishnan:** Sir the first question was on the proportion of gold loans and you had mentioned you are broad basing what is the minimum percentage you would keep and given the fact that the other businesses are relatively volatile would there be some kind of adjustment you do on debt equity if you grow the more risky business if I can call it that?
- V. P. Nandakumar:** The unsecured business is mainly microfinance the others are secured like vehicle finance, which includes commercial vehicle, car, tractors and two wheelers and MSME also secured against the lender property so these are mostly secured. Asirvad also it is risky now it has been that risk has been mitigated through the new regulation. The new regulation provides the support in two areas to mitigate the risk to have enough cushion as far as the yield is concerned. Based on our assessment over these years we thought there should be a premium built in the yield. It should be around 4% so now our yield would come to around 25% because including the charges the yield is around 24% and a service charge, the yield would come to around 25% whereas the increase in the yield of over 4% from the previous one so enough cushion has been built in this so the share as of now as I mentioned it is non-gold



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has come to around 37% and gold is 63% so we are trying to grow gold and we believe that gold also will grow. The ticket size below 50000, the ticket size below 1 lakh the share was far higher during pre-pandemic but it is slowly coming back. With the demand coming to that segment we believe that segment will grow and we are focusing more on that. Even before the pandemic the competition was there but the problem is more than the competition the challenges those segments requirement for money has come down because of the social functions were not happening so far it has started slowly picking up, so the risk mitigations have been done even in the non-gold product, so the quality of assets we have mentioned in other asset classes non-gold asset classes other than microfinance the GNPA in commercial vehicle segment is below 4% and GNPA in MSME has decreased around 1.5% only so this shows the portfolio is good and why because we are primarily targeting on our own customers whose real number is running into Crores.

**Vivek Ramakrishnan:** Thank you very much Sir. Sir I had two questions. What I will do is I will just ask them sequentially? In the microfinance and home loan business your GNPA numbers you have shown as 8.8% and 5.5% are you still collecting from the clients whom you have classified as GNPA is question number one and question number two is to Ms. Bindu given the fact that the high proportion of your loans are short term in nature your city proportions seems extremely low would you be looking at higher city proportion going forward? That is it from my side. Thank you.

**V. P. Nandakumar:** This MSME and home loan portfolios are two different portfolios. In the MSME portfolio where the portfolio is around Rs.1200 Crores to Rs.1300 Crores now going to around Rs.1400 Crores now the gross NPA is 1.4%. In home loan as you said the GNPA is high but it is coming down and net NPA has reached around 3% and we hope that this year itself we will be able to bring it down because the rural home demand is slowly increasing and many of these assets are backed by the real estate assets which are mostly of housing nature and as the rural housing is slowly picking up we hope we will be able to liquidize that and bring the NPA to around 3% towards the end of this fiscal. Now over to Bindu!

**Bindu A L:** On the CP proportion you are right that it is very low compared to our larger short term products in the asset side so one reason is we were cautious on the tenure because the dollar bond is getting matured in Q4 so we accumulated as much as through long-term loans, etc., from banks and the other thing with the increase in repo rate there is not much difference only, in the current scenario cost wise the benefit is not that great so once the rate improves for the city market we will tap that because that buffer is there so that will help us to reduce the cost also in future so we are keeping that as a buffer in the current environment.

**Vivek Ramakrishnan:** Thank you very much and good luck Madam.



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- Moderator:** Thank you. We have the next question from the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead.
- Pratik Kothari:** Thank you. Sir just one clarification is any of our incremental lending happening in this low yield bucket of below 12%?
- V. P. Nandakumar:** No, we have completely stopped lending below 12%.
- Pratik Kothari:** Okay Sir this book should run down pretty quickly right because most of our loan is anyway higher?
- V. P. Nandakumar:** It will run down very quickly.
- Pratik Kothari:** Okay great. Thank you and all the best Sir.
- Moderator:** Thank you. We have the next question from the line of Nihar Shah from New Mark Capital. Please go ahead.
- Nihar Shah:** Good morning. My questions have been broadly answered. I just had one question which was on the new branch expansion, we have been anticipating that we should get that permission from RBI at some point of time, is there any update on the same and your peer has been given some branches so what is the challenge there and how are you going about it resolving it?
- V. P. Nandakumar:** We hope we will also get soon so far we could not get and we are hopeful about that in the coming quarters, but one thing I can tell you at the consolidated level and up to 25% of the loan book the non-MFI in Asirvad and Asirvad branches have started pushing gold loan so in some unrepresented area our subsidiary would be able to lend gold loan because of the headroom but in the meantime we are addressing and now we are pursuing our branch opening request with the regulator.
- Nihar Shah:** One other question is on the Asirvad book the yield increase was pretty sharp was there any sort of securitization or one-off transactions in that or is it what can be expected going ahead?
- Company Speaker:** In the Asirvad books generally we have some DA transaction happening this quarter we had a slightly higher number on that that is the reason for this difference.
- Nihar Shah:** Okay fair enough that is fine. Thank you.



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- Bindu A L:** The question on the GNPA.
- Nihar Shah:** It was on the yields because if there are any sort of securitization or any of those things happen.
- Bindu A L:** The yield increase is on account of the new regulations we changed it, earlier because of the NIM cap we were charging 20.3 and under the new regulation we changed the yield from April 1, 2022 onwards so that will result in grow the yield by 2% during this quarter it is not because it is one-off DA transaction.
- Nihar Shah:** Okay great. That is all from my side. Thank you so much and good luck in the quarters ahead.
- Moderator:** Thank you. We have the next question from the line of Aalok Shah from MNCL. Please go ahead.
- Aalok Shah:** Thanks for the opportunity. Congrats on a great set of numbers Sir. Just two questions from my side. Sir can you give us some thoughts on what is the consolidated and the standalone ROEs that you are looking from the midterm and long term perspective and also some sense on what is the consolidated AUM growth that you are looking on the overall book?
- V. P. Nandakumar:** I have been repeatedly stating that our target is growth even standalone book is around 20% CAGR and ROE is also 20% CAGR so we are slowly coming out so we hope that it will happen. All our non-gold segments are also doing well and gold also we hope that by shedding this low yielding product we will witness growth there also and I believe that at a consolidated level we are getting an ROE of 20% we are very near to that and in another two quarters I believe that we will touch that point 20%. This is our plan.
- Aalok Shah:** Sure Sir. Thank you Sir.
- Moderator:** Thank you. We have the next followup question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Yes thank you for allowing me a followup question. For the benefit of everyone if you could firstly please repeat the split of your gold AUM by ticket size and then maybe I will ask my question?
- Company Speaker:** On the ticket size as on September 30, 2022 above one lakh it is around 57%, below 1 lakh 44%.



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- Abhijit Tibrewal:** Sir you also gave some split above 2 lakh and above 5 lakh right?
- Company Speaker:** That number clarified again I will tell. Above 5 lakh I already told earlier 14.5%, 2 lakh to 5 lakh around 18%, 1 lakh to 2 lakh 22% so total together above 1 lakh it is around 56% and below 1 lakh 44% as on September 30, 2022.
- Abhijit Tibrewal:** Understood Sir. Thank you so much. Sir now my question was we have published a very interesting slide where we have shared the legal split by NIMs so just wanted to understand from peak of let say Q3 and Q4 where gold loans below less than 12% actually peaked at 47% to 50% in Q3 and Q4 now that we have declined to 25% we have not seen a proportionate reduction in your average ticket size so would this then be fair to say that large part of this change in AUMs with the yields was driven because of the migration of teaser rate customers to higher interest rate gold loans and may be over a course of time you will see this higher ticket gold loans maturing which will then lead to a proportionate decline in your average ticket size?
- Company Speaker:** Q3 and Q4 during this period most of the disbursements happened part of this happened in Q2. The maturity time of course some customers may be migrated towards the (inaudible) 54:59 but majority of them may not continue that, that is why the percentage is not sharply 100% reduced to this level, somehow the migration happened and they were continuing with the new rate whatever we are offering and others are of course there may be quitting from our side that is there but on the other side you can see that the customer increase for net reduction in the customer that has happened only 1.5% to 1.6% so the moment it is mostly from the bigger ticket size there where predominately that yield is in the range of 10% to 12%.
- Abhijit Tibrewal:** Got it Sir. Sir which means that ticket sizes will remain at these levels or do you think that with this higher ticket size?
- Company Speaker:** Yes some reduction in the ticket size already happened also it may reflect in the coming quarters around Rs.3000 per ticket is already reduction happened, so some Rs.2000 to Rs.3000 further reduction may happen but some of the customers with bigger ticket also will be there but predominantly in the below 1 lakh range mostly it will come.
- Abhijit Tibrewal:** Understood Sir. This is useful. Thank you and all the very best.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for closing comments.



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**V. P. Nandakumar:** Thank you so much all the investors and analysts who have attended this conference and arranged this. Thank you.

**Moderator:** Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.