



“Manappuram Finance Limited
Q2 FY’24 Earnings Conference Call”
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MODERATOR: **MR. ABHIJIT TIBREWAL – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Mannapuram Finance Q2 FY24 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijit Tibrewal from Motilal Oswal Financial Services Limited. Thank you and over to you, sir.

Abhijit Tibrewal: Thank you, Sagar. Good evening, everyone. Welcome to the earnings call of Mannapuram Finance. We have with us today the senior management of Manappuram Finance, represented by Mr. V.P. Nandakumar, MD and CEO, Dr. Sumitha Nandan, Executive Director, Ms. Bindu A.L., CFO, Mr. D.N. Raveendra Babu, MD, Asirvad, Mr. Rajesh Namboodiripad, CFO, Mr. Kamal Parmar, Head, Vehicle and Equipment Finance, Mr. Suveen P.S., CEO, Mannapuram Home Finance, Mr. Robin Karuvely, CFO, Mannapuram Home Finance, and Mr. Basavaraj Shetty, Senior VP and Head IR, Asirvad.

I now hand over the mic to Mr. Nandakumar and other members of the senior management for their opening remarks, post which we can open the floor for an attractive Q&A. Thank you and over to you, sir.

VP. Nandakumar: Thank you. Good evening, ladies, and gentlemen. Welcome to the conference call for the second quarter of FY24 financial.

It gives me immense pleasure in presenting our results when India is continuing the growth momentum despite the global uncertainty and geopolitical tensions. While IMF has downgraded global GDP growth by a notch in its latest outlook, India's growth has been revised upwards. In this backdrop of an optimistic environment, I present before you our Q2 FY24 financial.

A balanced and prudent growth strategy, which I have been reiterating for many quarters, is now going on in full swing. In this quarter, we have achieved good growth in both AUM and profitability with a consolidated basis. I am happy to share that we have recorded a net profit of INR 561 crores with an improvement of 37% year-on-year, driven by profitability in gold loans and microfinance business. Gold loan AUM was INR 20,809 crores, an improvement of 8.4% over the year-ago quarter and 1% sequentially. We have maintained the pricing discipline in a very competitive environment and improved upon the profitability. We are committed to maintain the momentum on the gold loan business.

While the standalone AUM of the entity at INR 26,696 crores grew by 20.2% year-on-year, the consolidated AUM has reached INR 38,950 crores, representing an increase of 27% over the year-ago quarter.

Asset quality in the standalone book is comparable at an NPA of 1.56%. The company's microfinance subsidiary, Asirvad, has posted an AUM of INR 10,950 crores, recording a growth of 43% year-on-year and a profit of INR 118 crores, which is up by 109% year-on-year. Both in the gold loan sector as well as microfinance, unmet credit needs are huge and therefore there is enough headroom to co-exist for all players, whether it be banks, NBFCs or fintechs. Continuing

with the trend in the previous quarter, we have posted a maximum growth in the vehicle finance business, recording a 66.7% increase year-on-year with an AUM of INR 3,143 crores, followed by home loans with an AUM of INR 1,305 crores, resulting in a 41.6% increase over the corresponding quarter in FY23.

For the vehicle finance business, we are increasing the penetration in rural and semi-urban locations apart from using digital lending platforms and automated approval processes. MSMEs and personal loan segments are another area where we want to increase our presence by increasing the number of branches and as of now we are making a steady process.

As mentioned earlier, the strategy of diversifying into other sectors is gaining pace. The share of non-gold verticals in our total asset-under-management now stands at 47% and is in line with the objective of achieving a 50-50 portfolio mix between gold and non-gold segments. Given the strong growth in AUM and excellent earnings, the board is happy to announce an increase in dividends and raising payouts to INR 0.85 during this quarter. We are confident of achieving both top-line and bottom-line growth as we continue to maintain a comfortable liquidity position by keeping the cost of funds reasonable.

For a more comprehensive review of our financial performance, I hand the block to our CFO, Bindu A.L.

Bindu A.L.:

Thank you, sir. Good evening, ladies, and gentlemen, and thank you all for joining us. As you are aware of, Asirvad Microfinance filed DRHP on October 5, 2023.

We are not in a position to give more numbers for Asirvad except those which are in the public domain. We request our participants to restrict their questions on Asirvad to published numbers. Coming to the operational overview, our consolidated AUM was INR 38,950 crores, representing 5.1% sequential growth and 27% Y-o-Y growth. Consolidated profit after tax was INR 561 crores, which was up by 12.6% Q-on-Q and 37% increase Y-o-Y. ROE on a consolidated basis was 21.6% and ROA was 5.3%. Our leverage is currently at 3 times. Cash and cash equivalents on a consolidated basis was INR 4,871 crores.

Undrawn bank loan was INR 4,253 crores. Our CP exposure is 2.9% in the standalone entity. Standalone cost of borrowing has gone up by 21 basis points during the quarter. The Gold Loan business constitutes 53% of the consolidated AUM, whereas the remaining 47% comprises microfinance, vehicle finance, housing and MSME finance. Gold Loan AUM at INR 20,809 crores shows an increase of Q-on-Q 1% and up by 8.4% Y-o-Y. And the number of live customers stood at 24.63 lakhs. During the quarter, we were able to add 4.03 lakh new customers. Our average LTV is 66%. Online book accounts for 56% of the total Goal Loan book.

Our standalone PAT was INR 420 crores, up by 10.2% sequentially and up by 20.4% Y-o-Y. Our standalone PAT for the half year was INR801 crores, up by 25.4% Y-o-Y. Coming to the microfinance business, Asirvad Microfinance AUM stands at INR10,950 crores, including Gold Loan AUM of INR815 crores, up by 8 percent Q-on-Q and up by 43 percent Y-o-Y. PAT for the MFI business increased to INR118 crores in Q2 FY24 versus INR111 crores in Q1 FY24. For the half year, the profit increased to **INR230** crores versus INR48 crores last year.

NPA stands at 1.44 percentage and the CRAR at 24.47 percentage. In vehicle finance, we have reported an AUM of INR3,143 crores, which is up by 13 percentage Q-on-Q and up by 66.6 percentage Y-o-Y. ROA for the business is around 1.5 percentage for this quarter. Collection efficiency is 100 percentage. GNPA reduced to 2.5 percentage. Home loan business has a book of INR1,305 crores with Q-on-Q growth of 8.5 percentage and 41 percentage Y-o-Y growth. This business operates from 65 branches and reported a profit of INR4.5 crores. ROA is at 1.4 percentage, collection efficiency is 96 percentage and GNPA 1.75 percentage. Loan to MSME and allied businesses reached INR2,639 crores. For this business, ROA is 2.2 percentage, Collection efficiency 96 percentage and GNPA 1.9 percentage. When it comes to lending to NBFCs, AUM stands at INR920 crores while ROA is around 5 percentage during the quarter. Provisional and write-offs for the standalone entity during the quarter stood at INR31 crores compared to INR21 crores in the previous quarter.

Our capital position is strong and the company has a capital adequacy ratio of 30.7 percentage. The consolidated net worth stands at INR10,572 crores and the book value is at INR124.90. Thank you. Now we can go for the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Hi, thanks for taking my question and congrats on the strong numbers. Just a few questions. Firstly, we did an assignment this quarter. What exactly was it? Like we assigned gold loan for vehicle or other loans?

Bindu A.L.: We did an assignment for MSME and vehicle finance books to banks.

Piran Engineer: And what percentage of the book did we sell down? Like what is the quantum of sell down?

Bindu A.L.: We did in the earlier quarter also. Put together it is around INR700 crores. It is a normal standard book which is also a line of liquidity.

Piran Engineer: Okay, but why are we doing this when our Tier 1 is at 30%?

Bindu A.L.: We have to maintain the relationship with the banks. Sometimes this will help them to meet their PSL requirements also. It is not very big. Sometimes we have to do that. We have to open different line of sourcing. In gold loan, to some extent, assignment is not possible. But as we are into non-gold businesses, we are opening up these lines also.

Piran Engineer: Got it. Okay, that makes sense. Secondly, I noticed in the standalone and consolidated statements, employee expense has gone down but the other expenses have gone up a lot. So have we moved some employees to off-role or something like that?

Bindu A.L.: No. The reduction in the employee cost on account of it depends on the growth of asset quality. So sometimes we will give more weightage to asset quality like that. So to some extent it is on account of reduction in incentives. Otherwise the number of employees we are adding based on the employee productivity. Admin expenses, we had to add the communication lines more to the branch etcetera. Those were the reasons.

- Piran Engineer:** Got it. And lastly, you can give some broad comments on the gold loan space in terms of competitiveness of the environment. Because we have seen you all are able to pass on 50 bps of yield like this quarter. Muthoot, on the other hand, had to shed yields by about 40-50 bps. So just overall how is the environment in terms of competitive scenario both on growth and pricing, that would be helpful.
- VP. Nandakumar:** As I mentioned in my opening remarks, we want to maintain the price discipline at around 22% plus. And we believe that the market also will gradually realize that. Peers also will gradually realize the need because the funding cost is going up and the trend is not reversed now. So that's our policy. And we expect the coming quarters to remain good as far as gold loan is concerned. That's the usual scenario.
- Piran Engineer:** Are banks being as aggressive as they used to be or less aggressive? Have you seen that competition taper down?
- VP. Nandakumar:** So, yes, when their credit growth goes up and their credit deposit growth, if they are comfortable. Naturally, their preference for small-ticket loans will come down. And that is happening now.
- Moderator:** Thank you so much. The next question is from the line of Shubranshu Mishra from PhilipCapital. Please go ahead.
- Shubranshu Mishra:** Hi, sir. Thank you for the opportunity. Just some data-keeping questions. If you can spell out what was the percentage of AUM less than three months up to now as a percentage of the book? And if we can split the book into less than 1 lakh, 1 lakh to 3 lakh and above. And what was the auction number this quarter? And if we can get the weighted average LTV in rupees. Thanks.
- Management:** The auction is INR15 crores this quarter. On the LTV percentage, it's 66 percentage on INR5300.
- Shubranshu Mishra:** Say that again, 5300.
- Management:** Gold price 66% average LTV.
- Shubranshu Mishra:** In rupees, sir. What was that?
- Management:** We'll come back. On the portfolio prices, we have up to 1,00,000; 44 percentage. 1 to 5 lakh, 41 percentage and balance above 5 lakh, 15 percentage.
- Shubranshu Mishra:** Okay. And what was this?
- Management:** INR3,512 in rupees term.
- Shubranshu Mishra:** Understood, sir. And sir, what has been the accrued interest in this quarter versus last quarter, sir?
- Bindu A.L.:** 3.7 percentage for the quarter. It was more or less similar in the last quarter.
- Management:** Same level.

- Shubranshu Mishra:** Understood. And ma'am, if we can give out the split of the book last quarter as well, less than one lakh – less than 1 lakh, 1 to 5 lakh and 5 lakh and above.
- Bindu A.L.:** We'll send you separately.
- Moderator:** Thank you so much. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.
- Pratik Kothari:** Hi, good evening and thank you. So my first question on the microfinance side, I mean, our expectation was the credit cost. We did some write-offs last quarter and credit cost was expected to come down, which we haven't seen. Is there anything to call out if we can highlight?
- Bindu A.L.:** See, microfinance, as we filed the DRHP, we can talk only the numbers in the public domain. So the quality in the book has improved. So we will come back with the detailed numbers when we are allowed to do that.
- Moderator:** Thank you so much. The next question is from the line of Rati J Pandit from Nirmal Bang Institution Equities. Please go ahead.
- Rati J Pandit:** Yes. Thanks for taking my question. My first question is with respect to your auction surplus, which you had mentioned in the first quarter, it was around INR36 crores. So has it reduced further? And if any update from RBI on the branch expansion with respect to gold loan branches? This is my first question.
- And my second question is, what is your outlook on the gold loan business growth? I mean, if we look at, I mean, for FY24, I mean, in the past one or two months, we all have seen at a macro level, I mean, if the geopolitical tensions, they extend a bit. So do you think that, there could be better chances for the growth on the core business? So these are my two questions.
- VP. Nandakumar:** The auction surplus, as you have said, which was around INR38 crores, has come down to around 30, nearly INR30 crores now, and it is coming down. But the RBI is looking forward for a couple of quarters whether we are able to bring it down, and we have demonstrated that we are able to do that. And we hope that the RBI will be very happy with that. And there won't be a problem getting permission for branches.
- And regarding the gold loan opportunity, as I said, yes, we are maintaining the price discipline at around 22% plus. We have got growth of 8% Y-o-Y, and the coming quarters are generally good for gold loan, so we hope to take advantage of that.
- Rati J Pandit:** Okay. Auction surplus, I'm sorry, how much you said? You said it has come down.
- VP. Nandakumar:** We hope it will come down by around INR2 crores to INR3 crores every quarter. And it is in line with the plan we have shared with RBI.
- Rati J Pandit:** Okay, sir. That's it from my side.
- Moderator:** Thank you so much. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

- Mona Khetan:** Yes, hi, good evening. So firstly, on the MFI book, while we have seen 8% sequential growth, if I look at the revenue from operations on slide 21, it has declined Q-on-Q. So what explains that?
- Bindu A.L.:** If you see the DA income, it depends on how much direct assignment transactions we have done during the quarter. If you compare Q1, we have done a larger amount of DA and our up trending of income was INR55 crores, which reduced to INR28 crores during the quarter. Other than that, the yield has gone up, interest income has gone up. Only the difference is on account of less DA transaction during the quarter.
- Mona Khetan:** Got it. Secondly, if you could just share again the breakup of loan book by ticket size up to INR1 lakh and between. I just missed that.
- Management:** Yes, up to INR1 lakh, 44%. INR1 lakh to INR5 lakh 41% Above INR5 lakh 15%.
- Mona Khetan:** Got it. And just finally, though I understand the LGDs in the gold business are near nil, if I put together the auctioning and the rise in NPA, it seems that, and also the higher credit cost, it seems that you are seeing rise in NPAs in this business. Unlike, say, an MFI and stuff. So if you could highlight what you're seeing in the ground that is resulting in higher delinquencies in the business?
- Bindu A.L.:** So your question is on the credit cost of gold loan? You are right. LGDs are very less. And credit cost during the quarter, we had an option of only INR15 crores and we have not incurred any loss on account of that.
- Mona Khetan:** Right. What I wanted to understand is, if anything you can highlight on why the delinquencies are higher in this business. We've seen something like this for other NBFCs as well. So if you could just share what you're seeing on the ground, that will be helpful?
- Bindu A.L.:** As per contract, in gold loan, if the customer is not redeeming, we have the option to sell the gold and recover the money before becoming NPA. But sometimes, considering the request from customers, we may give some more time to the borrowers. As the underlying collateral and award receivable is secured based on the request from customers, we may give some more time to the customer. That is the only reason. Otherwise, for the NPA, before becoming NPA also, we can sell as per the contract.
- Mona Khetan:** Sure. Thank you. I'm done. Thank you.
- Moderator:** Thank you so much. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.
- Rajiv Mehta:** Yes. Hi. Congratulations on good numbers and thank you for giving me the opportunity. So my first question is on gold loan growth. So we are talking about pricing discipline and we have seen our yields also improving the last two quarters. So with this kind of pricing discipline, what kind of growth we can expect coming through?

And for that kind of growth, what kind of actions are we taking on the ground in terms of more advertising, client outreach, old client reactivation? Can you just show more light? Because I can see that the new customer acquisition number has been pretty stable over the past two quarters. And, is there a plan to accelerate that number and stop the attrition?

VP. Nandakumar: So, on an average, we are acquiring around 5,000 new customers every day, which remains stable. And the Y-o-Y gold loan growth was around 8%. And we hope that it will be maintained, as I mentioned earlier, in the coming quarters. Some quarters, it may be slightly dull, but in the coming quarters, it may improve. So we are expecting the same momentum as far as growth is concerned.

Rajiv Mehta: And sir, when you say momentum, are we looking at annual growth of 7%, 8% every year?

VP. Nandakumar: Yes.

Rajiv Mehta: Okay. And this is without any gold price benefit?

VP. Nandakumar: Yes.

Rajiv Mehta: Okay.

VP. Nandakumar: Even when the gold price was down, to some extent, the portfolio has grown.

Rajiv Mehta: Okay. And on microfinance, ma'am, if you can tell us, what is the collection efficiency?

Bindu A.L.: Collections were similar to that of Q1, we can say. But as these numbers are to be certified in future, we are not allowed to give out these numbers. So you can see from the profit number everywhere, we can see improvement.

Rajiv Mehta: Okay.

Bindu A.L.: So we have to wait for that.

Rajiv Mehta: Sure, sure. And just lastly, again on Asirvad, now since we have filed a DRHP for raising money and it will take some time and we are running slightly higher on leverage. How do we plan to manage growth in the interim? Do we slow down on growth or do we do more assignments in the current quarter?

Bindu A.L.: **So Asirvad microfinance current year, at 24% and every quarter plough back is over INR100 crores profit.** So this is sufficient to support growth for this year. This fundraising is more on account of the growth capital in the coming years.

Rajiv Mehta: Okay. So one should not expect any slowdown in momentum. Yes?

Bindu A.L.: Yes

Rajiv Mehta: Thank you so much for answering my questions.

- Moderator:** Thank you. The next question is from the line of Ketan Athavale from Robo Capital. Please go ahead.
- Ketan Athavale:** Hello. Thank you for the opportunity. I wanted to know the consolidated loan book growth guidance and the credit cost guidance for FY'24 and the next two years?
- VP. Nandakumar:** Yes, yes. So whatever has been already spelt out, we remain by that.
- Ketan Athavale:** Okay. We are maintaining. Okay. Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.
- Pratik Kothari:** Yes. Hi. Thank you again. Sir, on the MFI side again, we were expecting a rundown in our credit cost. We did some write-offs last quarter and we expected that to come down. You can highlight what happened this quarter?
- Bindu A.L.:** Yes. So the portfolio quality, all those specific numbers, we when can't share since we have filed the DRHP.
- Pratik Kothari:** No Ma'am. I am just asking from what you have reported. So last quarter, we had said that we did some INR60 crores of write-off, which should continue going forward and your credit cost should come down. But provisioning again this quarter is about INR90 INR92 crores. So if you compare last quarter...?
- Bindu A.L.:** So if you compare last quarter?
- Pratik Kothari:** I'm asking for number, so qualitatively, what is not going right?
- Bindu A.L.:** So one element of P&L debit is on account of increase in AUM also. Because last quarter, the book was flat and standard assessed provision was not there in the earlier quarter. So this quarter, the growth was there. So if you compare between last quarter INR96 crores and this quarter INR91 crores, you have the difference. One is the increase in standard assessed provision, one on account of ARC provisioning and on the normal book, we are seeing improvement in asset quality.
- Pratik Kothari:** Okay. Fair enough. My second question is on gold loan. So in a quest to maintain this 21%, 22% yield, is it fair to assume that we have let go of growth because I mean, our peers, maybe they have let go of yielding to capture growth, but we seem to have done the reverse. I mean, we do say that the competition has come down, but this balance between growth and yield doesn't seem to play out together. Some comments there, if you can?
- VP. Nandakumar:** So our internal decision is, as an NBFC, we are serving a certain section of the community where the ticket size is relatively smaller, around INR50,000, and the duration is around three months. Where the offer is very high, and about the borrowing cost also, whatever uncertainty is there in the market, yes, that is there. So we believe that as an NBFC, it will be always good to have that discipline of maintaining around 22%.

And we maintain that, we expect growth of around 8% to 10% even with this, because in the coming quarters, from our target audience, the demand is expected to have some momentum. We don't want to compete in the market and bring down the interest rates at a level which is not much affordable.

Pratik Kothari: Correct, fair enough. And this gain in direct assignment that we have booked up, about INR75 crores in H1 of this year, how much was it last year or say, first half of last year?

Bindu A.L.: So, last year it was INR42 crores.

Pratik Kothari: In H1 or full year?

Bindu A.L.: H1, full year. It is there in the reserves, net gain on deregulation of financial instruments, so half year ended 30, September 2022 was zero. Console in the first half was zero. Okay, so we will come back with the...

VP. Nandakumar: Yes. We will share with you.

Pratik Kothari: Sure, and my last question, in the last quarter we had highlighted that we didn't face any issue with funding per se, but there was some apprehension from borrowers, they were asking a few more questions with the ED issue. Now that has been solved, are we back to normal in terms of credit lines, in terms of our access to liquidity, cost of capital?

Bindu A.L.: Yes, so we have included in the presentation also, we are having almost INR4,800 crores liquidity at the end of cash and cash equivalents at the end of the quarter around INR5,000 crores, INR4,871 crores exactly, and undrawn lines also.

Pratik Kothari: No, correct, my question was, I mean, there were some apprehensions which we were facing, so is that all resolved or?

Bindu A.L.: Yes, completely resolved, we got the final order and even the lenders were aware this is a temporary issue, only because it is the court matter, it will take some time, so in our case, we were able to resolve everything in three months, four months' time and we are getting enough liquidity. In the pricing also, we have seen some reduction at the end of the quarter.

Pratik Kothari: Okay. Fair enough. Thank you and all the best.

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

Piran Engineer: Yes, hi, thanks for allowing me a follow-up. Just two questions, one is on the cost of funds trajectory, what's our expectation both standalone and consolidated? And second thing, just wanted to know more about your secured PL product, like what is the security that you all take and why does that person not just take a gold loan instead of a secured PL because the rate is the same interest rate you are charging, that is 21%?

VP. Nandakumar: See, the cost of borrowing, we don't expect much increase as the CFO has said. Regarding the secured PL product, the security is a mortgage where the margin, we lend up to 60% of the

valuation of the collateral. The gold loans are meant for short term for them, the average life is around 100 days or 90 days. Average ticket size is around INR50,000. So this is our range. Primarily, these are seen as short-term loans because these are from the customers from the lower end of the pyramid, where this is very precious for them and they want to wear for family festivals, family celebrations, festivals, etc. Whereas this mortgage is for 10 years. So that's why the customers go for secured PL, even though they also avail gold loan.

Piran Engineer: Sir, but then why are we not doing it from the home loan subsidiary? There also we have a LAP product and what you said sounds very much like a LAP product. That is also INR5.5 lakh ticket size. So, parent and subsidiary both are doing the same business?

VP. Nandakumar: No, there is one reason. There are limitations for a home loan company. There are some limitations with regard to how much the LAP can be? Whereas here we have enough headroom.

Piran Engineer: Got it, got it. Okay, that answers my question. Thank you.

VP. Nandakumar: Portfolio is around INR2,500 crores now over spectrum.

Piran Engineer: Got it. Okay, that is helpful. Thank you, sir.

Moderator: Thank you so much. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Sir, just one follow-up on other income, sorry, on the fee income. So, when I look at the fee income, stand-alone as well as consolidated, some stand-alone books of fee income remain negligible. When the consol numbers of fee income goes up to INR31 crores and this number was again very marginal number in the previous quarter. So, this entire delta of fee income has come from Asirvad Microfinance. So, what is the fee income, fee, and commission income?

Bindu A.L: Yes, so we are getting a referral fee, when we are able to sell the products to borrowers. So if they need some household equipment, we will be selling those products to borrowers.

Rajiv Mehta: And what are these kinds of products? Is this a recurring, ongoing arrangement? How should we look at this business income?

Bindu A.L: Yes. It will be like pressure cooker, gas stove or solar, small lights, etc.

Rajiv Mehta: Okay. So, these are cross-sell. And the quantum that we got this quarter, was it pertaining to this quarter or was it a pent-up number? Because it is a sizable run rate in terms of our quarterly profitability. Can we expect this kind of income to happen every quarter or is there a seasonality? How should we look at this number?

Bindu A.L: So, as you are aware, Q1 MFI disbursement was slow. So, we got some pent-up demand in Q2 and it will continue. It may not be like Q2 because Q1 disbursements were low. So, Q2 is not exactly comparable but this fee income will be there in the coming quarter too.

Rajiv Mehta: Got it ma'am. Thank you so much.

- Moderator:** Thank you so much. The next question is from the line of Utsav, who is an individual investor. Please go ahead.
- Utsav:** Hello. Congratulations on the great numbers, sir. I just like to inquire on the growth we can see this quarter because we have the festive season and the marriage season also. So, what kind of growth can we expect this quarter?
- VP. Nandakumar:** Yes. We are expecting a similar growth.
- Utsav:** So, like around 8% in gold and non-gold and around 10%, 15%?
- VP. Nandakumar:** No, no. Y-on-Y growth is 8% in gold.
- Utsav:** More than 8%, right?
- Management:** Yes. Y-o-Y is 8%. Q-o-Q is around 1%.
- Utsav:** And non-gold business, what kind of growth can we see this coming quarter?
- Management:** We are expecting the same amount of growth.
- Utsav:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Suraj Navandar from Sampada Investments. Please go ahead.
- Suraj Navandar:** Hi, sir. Good evening. I just wanted to understand, why we are doing gold loans in Asirvad Microfinance and not through our main holding company?
- Management:** See, MFI can do 25% of their balance sheets in lots other than MFI also. They have the option. And it is quite natural that we thought, we will do secure lending as the other 75% of the balance sheets are unsecured. So, among secured loans, we have the preference. And we sought RBI permission whether we can do gold loans. And these branches are in such a geography that there is no competition between the parent and the subsidiary. So, that's the reason.
- Suraj Navandar:** Okay. In which geography Asirvad is strong where Manappuram is not present for the gold loans?
- Management:** See, in a country like India where one-sixth of the world population are living and the middle-income growth is growing and even the bottom line, they are also growing. There is an opportunity to have so many branches. So, there are many unserved places in India. And Asirvad is taking that as an opportunity to do gold loans. And as I mentioned, 25% of the balance sheet has loan of secured nature.
- Suraj Navandar:** So, you are saying that conflict of interest will not come even if Asirvad is listed separately in future?
- Management:** Yes. There is plenty of opportunity.

- Suraj Navandar:** Okay, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.
- Shubhranshu Mishra:** Hi, sir. Two questions. When you are talking about this 8% gold loan growth, what would be split that should come from South India versus non-South geographies? And second, just to take the question on the income at a consol level and then forward. Given the fact that we are doing household products, do we have certain KRAs which are assigned to the sales of these household products at the MFI branches for employees? Thanks.
- Management:** The opportunity is there across India. And India is annually importing around 1,000 tonnes of gold. The opportunity is there. And some quarters, we will see some geographies growing. Other quarters in other geographies. All these are dependent upon the conditions like harvest season or festival season in different geographies. About the re-income, these are sold to MFI customers who wanted to buy household articles, etcetera.
- So the advantage for them is, these are delivered to them at a price much lower than the MRP. And they are happy about it. And depending upon the need in different geographies, different categories of customers, we have around 20 plus products. So from there, we are getting an income, a commission from the supplier. And of course I say, this is at a discount much lower than the market. Discount higher than the market that is the price much lower than the market.
- About KRA, the employees will have some incentive. This is normally given. This is what we call as product sale. These are the sales of consumer durable. There is the MFI industry for a very long time. And most of the companies provide this service to its customers.
- Shubhranshu Mishra:** It's been almost close to two years that we are not giving out the regional AUM mix. Our south AUM was upwards of 60% as of March quarter, FY 2022. So we don't have a number because we have not been publishing it for the last two years for some reason. Then having said that, south should really weigh on our growth.
- Even upwards of 50%. That's the specific question I am asking. What would be the south versus non-south growth? I understand that India has a large geography and we have a large opportunity. I have a very specific question for south versus non-south? Thanks.
- Management:** So around 63% of branches are in south and 37% is in the rest of India. So what I said is the growth in these places are cyclical depending upon the festivals in various geographies. Harvest season in different geographies, climatic conditions in different geographies. It is going like that. If you want to have the data, we can share with you over the last few quarters.
- Shubhranshu Mishra:** I shall take this offline. Thank you for your time.
- Moderator:** Thank you so much. The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

- Jigar Jani:** Hi, thanks for taking my question. I just wanted to understand on your consolidated financial results, there are three-line items. One is net gain on fair value changes. Second is net gain on de-recognition financial instruments. And third is a other income line item. So I believe you are reporting the DA in the net gain on de-recognition of financial instruments. Is that correct?
- Management:** So this is all up-fronting of DA income that INR82 crores for the half year and INR64 crores in the -- INR82 crores for this half of the year and last year, it was INR64.55 crores.
- Jigar Jani:** So that is the DA income, right, up-fronting?
- Management:** Yes.
- Jigar Jani:** And what is the net gain on de-recognition of financial instruments? INR42 crores?
- Management:** So the bifurcation we will sent to you, based on the accounting. So I will share with you.
- Jigar Jani:** Sure, no worries. And this product selling that you do, so this is, you don't give any loans for it, right? This is paid sale and you just get commission, right? Or do you give loans also for buying these products?
- Management:** We grant loan for the purchase of this product; this is consumer durables.
- Jigar Jani:** And what would be that quantum of the year right now? Could you share the number?
- Management:** INR350 crores.
- Jigar Jani:** INR350 crores. Okay. And ma'am, I know Asirvad, you cannot comment on specific numbers, but just directionally has stage two numbers for Asirvad gone up this quarter sequentially compared to last quarter?
- Management:** I will not be able to comment.
- Jigar Jani:** Okay, no worries. Thank you so much for answering my questions.
- Moderator:** Thank you so much. The next question is from the line of Mr, Abhijit Tibrewal. Please go ahead, sir.
- Abhijit Tibrewal:** Sir, just last two questions. One is, I mean, I think earlier some participants had asked that one of your larger peers is seeing some stress in gold loans. When do I say stress, they are seeing their stage two, stage three numbers go up for the last maybe two quarters, three quarters. Are we also seeing something similar in our gold loan portfolio? I mean, customers not being able to kind of come back, repay, and take their gold jewellery back?
- Management:** We don't see any stress in stage two, stage three in gold loan.
- Abhijit Tibrewal:** Got it. And one last question for you, sir. Sir, we've already seen gold loan yields improve to 22.1% now. We've in the past always indicated that gold loan yields will be between 22%,

22.5%. So, fair to assume that gold loan yields will now stabilize or is there some more room for increase in yields for maybe next one quarter or two quarters?

Management: We expect that to remain somewhere around this range.

Abhijit Tibrewal: Got it. That's all from my side. Over to you, sir.

Management: Yes. One data point which I was missed out to the earlier participants. So, these two-line items in consolidation, the fourth one, net gain on fair value changes that is relating to Asirvad. So, INR27 crores in Q2, FY '24 and in June, it was INR55 crores. And the next line item is by Manappuram Finance Limited, INR37 crores in this quarter and INR5 crores in the previous quarter.

Moderator: Thank you so much. We will take that as our last question. I would now like to hand the conference over to the management for closing comments.

Management: So, thank you all the participants for this analysts' meet Manappuram's earnings call. We expect your support. Thank you.

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