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Dear Madam/Sir

Sub: Concall Transcript of the Q1FY25 Results Conference Call held on August 13,2024

With reference to the above, kindly note that the transcript of Q1 results Conference Call held on August 13,2024 has been uploaded on the website of the Company in the below Link.

<https://www.manappuram.com/investor-call>

We request you to take the same on record.
Thanking You.

For Manappuram Finance Limited

Manoj Kumar V R
Company Secretary

India's First Listed and Highest Credit Rated Gold Loan Company

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“Manappuram Finance Limited
Q1 FY '25 Earnings Conference Call”
August 13, 2024



MANAGEMENT: **MR. V P NANDAKUMAR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MANAPPURAM FINANCE LIMITED**
DR. SUMITHA NANDAN – EXECUTIVE DIRECTOR – MANAPPURAM FINANCE LIMITED
MS. BINDU A.L. – CHIEF FINANCIAL OFFICER – MANAPPURAM FINANCE LIMITED
MR. RAVEENDRA BABU – MANAGING DIRECTOR, ASIRVAD MICROFINANCE
MR. RAJESH NAMBOODIRIPAD – CHIEF FINANCIAL OFFICER – ASIRVAD MICROFINANCE
MR. KAMAL PARMAR – HEAD, VEHICLE AND EQUIPMENT FINANCE – MANAPPURAM FINANCE LIMITED
MR. SUVEEN P.S. – CHIEF EXECUTIVE OFFICER – MANNAPURAM HOME FINANCE
MR. ROBIN KARUVELY – CHIEF FINANCIAL OFFICER – MANNAPURAM HOME FINANCE
MR. BASAVARAJ SHETTY – SENIOR VICE PRESIDENT AND HEAD IR - ASIRVAD MICROFINANCE

MODERATOR: **MR. SANKET CHHEDA -- DAM CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '25 Earnings Conference Call of Manappuram Finance hosted by DAM Capital Advisors 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 touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanket Chheda from DAM Capital. Thank you, and over to you.

Sanket Chheda: A very warm welcome to all of you to Manappuram's Q1 FY '25 Conference Call. We have with us the entire management team today, starting with V.P. Nandakumar, who is MD and CEO; Sumitha Nandan, who is ED; Bindu A. L., who is CFO; Mr. Raveendra Babu, who is MD of Asirvad Microfinance; Rajesh Namboodiripad, CFO of Asirvad MFI, Basavaraj Shetty, Senior VP and Head IR; Kamal Parmar, Head of Vehicle and Equipment Finance; Suveen, who is CEO of Manappuram Home Finance; and Robin Karuvely, who is a CFO of Manappuram Home Finance.

Without further ado, I'll hand the call over to Mr. V.P. Nandakumar for his opening remarks. We will follow that with question and answers. Over to you, sir.

V.P. Nandakumar: Thank you. Good evening, ladies and gentlemen. It is my pleasure to welcome you all to this conference to discuss the first quarter FY '25 financials. Amid global uncertainties and geopolitical conflicts, our country remains a standout poised to achieve a sustained real GDP growth rate of 7%. Against this backdrop, I present our Q1 financial results.

At a macro level, forward-looking economic agenda and political stability create a conducive environment for building Viksit Bharat by 2047. Several initiatives outlined in the union budget are expected to have a multiplier effect on the economy. The affordable housing scheme, incentives for first-time employees, measures to enhance skills and student's internships in the top companies will all boost employment and income, leading to increased job creation and sustained aggregate demand.

Despite a slowdown in economic activity due to general elections during the quarter, our company achieved a substantial growth in both AUM and profit. I'm pleased to report a net profit of INR557 crores, an improvement of 11.7% year-on-year, driven mainly by the profitability in our gold loan. The stand-alone AUM stands at INR31,035 crores, growing by 20.6% year-on-year. With a consolidated AUM of INR44,932 crores, it is an increase of 21% over the same quarter last year. Our gold AUM reached INR23,647 crores, an improvement of 14.8% over the same quarter last year and 10% sequentially.

You may recall that I have been promising just this kind of a growth in our gold loan for full year. Our gold holdings increased during the quarter, despite heightened competition. As you know, the union budget slashed the import duty on gold from 15% to 6%. As a result, there is an expectation that domestic gold prices may see a moderation leading to higher retail sales. Though this does not have any direct correlation with our business, an increase in volume of gold with households would be positive for our business since gold loans are the go-to sources for people to meet their emergency financial requirements.

Coming to the non-gold segments, our microfinance subsidiary, Asirvad, posted an AUM of INR12,310 crores growth, showing a growth of 21% year-on-year, and a profit of 100 crore. As in previous quarters, our vehicle finance business continues to show the highest growth, recording 63.4% increase year-on-year with an AUM of INR4,541 crores, followed by home loans with an AUM of INR1,587 crores, recording 32% increase over the corresponding quarter of FY '24.

We are closely monitoring the affordable housing segment. It has significant potential. Our non-gold businesses now account for 47% of the total portfolio. It is true that there is an industry-wide trend of collection challenges in these sectors. We have not been immune to such challenges. But in our case, these are restricted to certain regions.

A close examination has shown that climate challenges, such as floods and heat waves affected the optimum function of establishments. And this in turn caused delay in repayments. We are taking all possible steps to identify the bottlenecks and increase collection efficiencies. Going forward, we also plan to focus on secured lending in the non-gold verticals. Overall, we are well capitalized as per the industry norms with an asset quality in the stand-alone book contained below 2% and consolidated ROA of 4.5% for the quarter. For a more comprehensive review of our financial performance, I now hand the floor to CFO, which is Bindu A. L.

Bindu A. L.:

Thank you, sir. Good evening, ladies and gentlemen. Thank you for joining us for the discussion on the financials for the quarter ended June '24. Restrictions on disclosing Asirvad financial numbers continue as the IPO is in progress. Coming to the performance, our consolidated AUM for Q1 FY 2025 was INR44,932 crores, representing 6.8% sequential growth and 21.2% Y-o-Y growth. This is with a strong growth in gold loan book. Consolidated profit after tax was INR556 crores, which was down by 1.2% sequentially and up by 11.7% Y-o-Y. ROE on a consolidated basis was 19 percentage and ROA 4.5%. Standalone GNPA was at 1.96% versus 1.93% during the previous quarter.

With regard to liquidity, cash and cash equivalents was at INR5,383 crores on a consolidated basis and undrawn bank line was INR3,530 crores as on 30th September. Our CP exposure is only 3% in the stand-alone entity. Borrowing cost has gone up by 18 basis points. As you may be aware, we have raised US\$300 million from dollar bonds in May '24 for business growth.

The gold loan AUM stands at INR23,647 crores, up by 9.11% Q-on-Q and 14.8% Y-o-Y. During the quarter, we were able to add 4.21 lakh new customers and the number of outstanding customers has gone up to 24.5 lakhs from 23.76 lakhs. Online gold loan book stands at 70% of total AUM. And standalone profit after tax is INR440 crores, up by 2.9% sequentially and up by 15.7% Y-o-Y.

For Asirvad, our Microfinance subsidiary, the AUM stands at INR12,310 crores, including gold loan AUM of INR1,016 crores; Q-on-Q growth up by 3.6% and 21.4% Y-o-Y. PAT was INR100 crores versus INR102 crores in Q4 FY '24, which is marginally down 1.8% and Y-o-Y 10%. Net NPA stands at 1.36%, and the CRAR currently stands at 21.81%. Coming to Vehicle Finance, we have reported an AUM of INR4,541 crores, which is up by 10.5% Q-on-Q and 63.4% Y-o-Y. The GNPA stands at 3.6% and the AUM comprises of commercial vehicles at 56%, passenger

vehicles at 28% and 2-wheelers 16% of total vehicle finance. The home loan business comprises INR1,587 crores, which is up by 5.2% Q-on-Q and up by 32% Y-o-Y. This subsidiary reported a profit of INR6 crores during the quarter, and the GNPA at 2.88%. Home finance AUM comprises of home loan of 72% and land book of 28%.

Loans to MSME and Allied at INR2,946 crores with a disbursement of INR311 crores during Q1; GNPA 2.7%, excluding digital personal loan. And this portfolio is largely secured. On lending AUM stands at INR916 crores with a disbursal of INR95 crores and the ROA on this book is around 3.6%. Considering the consistent earnings, Board has declared an interim dividend of INR1 for this quarter. Our capital position is strong at a CRAR of 29.6%. Net worth was at INR12,020 crores and the book value is INR142.02. Thanks. 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 Adarsh from Enam Holdings. Please go ahead, sir.

Adarsh: Congrats on the good numbers. I have two questions. The first is on the gold book. After a very long time in the last few quarters, we are seeing some decent customer additions. So just wanted to understand, what have you done for this trend to change the customer growth after many years. So that and have you benefited from the ban on a competitor? And the second question is, many MFIs have reported their first quarter numbers, things seem quite tough for the sector now. Our Asirvad numbers seem okay. So I just wanted to understand what are you seeing on the ground on the MFI business?

V.P. Nandakumar: Okay. Adarsh, about gold loan, what has happened is that demand from our target audience went down. And after that, it started coming, that's why the number of customers also has increased. So we have not done anything different from whatever we have been doing. But the demand has gone up. Our average ticket size remains around INR70,000 to INR75,000. From that class of customers, the demand started coming in. The ban on competition, I don't think the effect is significant. Because even if it is there, it is getting distributed to so many players. And many of these are going to banks. Basically, the customer requirement has gone up. The demand for working capital, etcetera has gone up. About Asirvad, we are in the IPO and DRHP stage, but in the sector, yes, what you have said this right. There are some challenges in collections because of farmer agitation in Punjab, general election, etc. And connected with that, there were some rumors spread about non-waivers. More than these two, because of the climatic conditions such as heat waves, that has led to some of the establishments to close for so many hours of our business, that has led to the decrease in collection. As you know, the sector also has some cyclical challenges.

Moderator Ladies and gentlemen, please hold while we reconnect the management line.

Bindu A. L: Sir, you got the answer?

Adarsh: Yes, ma'am. Just a follow-up, sir. On our customer growth, what is your expectation now? Do you expect that, unlike the last three to five years when we didn't have customer growth, we would get back to having some 5%, 7% customer growth?

- V.P. Nandakumar:** It is slowly growing. So before COVID, we were growing at around 10%, 15%. Demonetization had some impact. Then after that, we have come back. So I have been maintaining that this year, we may grow 12%-15%. Judging from the current trend, we hope we may grow around 15% this year. There will be growth in the number of customers also.
- Moderator:** The next question is from the line of Piran Engineer from CLSA. Please go ahead Sir.
- Piran Engineer:** Congrats on the quarter. A few questions. Firstly, this INR20 crores exceptional item. Why have we added it to our profits instead of deducting? I didn't get that logic in the stand-alone financials?
- Bindu A. L:** This fraud is on account of unauthorized access by our subsidiary employee. And as it is an outsourced vendor, we are in the process of recovering from the subsidiary as it is committed by the subsidiary. So, the loss is already factored in our financials over the years. And now this is coming as an income to the quarter financials.
- Piran Engineer:** This is like some insurance income?
- V.P. Nandakumar:** Consolidated, there is no difference.
- Piran Engineer:** So in the consol numbers, this INR20 crores is part of the opex?
- Bindu A. L:** So this INR20 crores, in consol, this will be a group adjustment because in a subsidiary, this is booked as an expense, claims payable. And in the main entity, it is booked as a receivable. So in group adjustment and in the consol, only the tax impact. Because in Manappuram Finance the tax liability is there, but in the subsidiary, there's no tax. So in consol, no tax impact. In Standalone, it will be of INR4 crores..
- Piran Engineer:** Sorry, Bindu, I'm confused. The employee has done a fraud of INR20 crores, but there is no impact on the financials?
- Bindu A. L:** Yes. Because this person has done the adjustment from the interest income and it is already factored in the financials over these years.
- V.P. Nandakumar:** With regard to collection challenges, places like Punjab, Gujarat, Rajasthan, Madhya Pradesh, these are the main states. While saying so, I wish to add one more thing. In these places also, there are branches which are showing good collection. So all the branches in these states are not affected. Some places where heat wave conditions were more, or farmer agitation was more, there were issues. And spread of false news like farm loan waiver, loan waiver etc also had its impact. Now having seen that the rest of loan waiver and good monsoon etc, hopefully, as we have witnessed in the past, these may slowly come back.
- Piran Engineer:** Okay. And what is our portfolio in these states, sir?
- V.P. Nandakumar:** Whatever is disclosed in to the public domain only can be discussed because of our constraints of DRHP.

- Bindu A. L:** Sir, these are not our main concentration. But the states where we face these issues are not where we have big presence.
- Piran Engineer:** Okay. Okay. Fair enough. And lastly, on slide 18, you mentioned that you've taken some cost rationalization measures for the gold loan business. So can you just elaborate on that, please?
- Bindu A. L:** It is for cost rationalization. What we were discussing as the gold loan brand set up or those costs are fixed. Additional business will help us to reduce the opex.
- Moderator:** The next question is from the line of Rajiv Mehta from Yes Securities. Please go ahead.
- Rajiv Mehta:** Congrats on good numbers. I've got a few questions on the gold loan business. So we are talking about demand having increased for gold loans. But when I look at the customer acquisition number or volume, it is 4.2 lakh customer acquired in Q1. And it is pretty similar to Q4. Q4 was 4.1 lakh customers that we had acquired. So it doesn't show up in volume. And the math behind the gold customers growing by 4% Q-on-Q. Because when we had a similar addition in the previous quarter, the customer base did not grow as much. So was it that auctions were zero? Or was it that releases of the gold pledged were much, much less in the quarter?
- Bindu A. L:** So the life...
- Management:** Partly from the new customers, what we feel that 4.2 lakh is new customers number only. But apart from that existing customers have also started coming back. And on the auction side, last quarter only the auction is there. But that is not the exact reason for this. Existing customers also come back for some...
- Rajiv Mehta:** Can you share that number? Can you share that number of old customers reactivating in this quarter? And what was it in the previous quarter?
- V.P. Nandakumar:** We will let you know because these details are not there. The new customer acquisition remains the same, but the customer base has gone up.
- Rajiv Mehta:** Understood. Understood. And this increase in ticket size, average ticket size by 6% Q-on-Q. Can you explain this? I mean, is it more driven by the LTV headroom being availed by some of the existing customers basis their incremental need for money. Because I also see LTV going up. Or is it also driven by the fact that the customer mix has changed that you acquired slightly more higher value customers. What has kind of driven this increase in ticket size on Q-on-Q basis?
- V.P. Nandakumar:** The details we have...
- Management:** It is a mix of both. One is that in LTV, some percentage increases and also the offerings also. About two lakh customers, percentage has increased from 33% to 35% during this period. So it's a mix of both.
- Rajiv Mehta:** Okay. So which is why your net yields on the gold loan portfolio has also come down from 22.5% to 22.2%?
- Bindu A. L:** Yes, marginal.

- Management:** Marginal decrease...
- V.P. Nandakumar:** In gold loan, the customers are coming, they are pledging gold – with the intention of redeeming within a month to three months. The average life of the loan is around 100 days. They don't simply pledge because the LTV is high, because they have a bunch of requirements. They come with the necessary quantity of gold just to have the loan of their requirement. They are very clear that this should be redeemed. They are getting more money on the same amount of gold but it's not a big attraction for them to for an increased borrowing. Why? Because they are sure that they would redeem it.
- Rajiv Mehta:** And lastly, sir, what can be the likely impact of one of your competitors coming back or restarting their operations?
- V.P. Nandakumar:** Yes, yes. Let them come back. See, earlier, the old players didn't have a level playing field. Still more than 65% of our loans fall in the informal sector. This informal sector transition will happen. It is the natural process of transition which is happening now. Then again, as I mentioned earlier, India is importing 1,000 tonnes of gold every year. That means people have more gold with them to avail loans at the time of their emergency requirements.
- Rajiv Mehta:** And sir, this customer acquisition trend and this existing customer reactivation trends, which were very good in Q1, are they continuing in July and August as well?
- V.P. Nandakumar:** Yes. See, there will be some seasonal changes, some seasons will this happen. For instance the harvest season or school reopening reason will see increased demand. But compared to the same period last year, we see the demand is better.
- Moderator:** The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** The first question is more of a data question. What was the gold loan disbursements in this quarter? And what proportion of those gold loan disbursements were top up loans?
- V.P. Nandakumar:** We don't have the details right now. So if you want, we can share it later.
- Abhijit Tibrewal:** Sure, sir. The second question, again, on gold loans was, sir, in the last question itself, you kind of referred to seasonality, which is typically there. So from what we understand, typically 4Q, 1Q -- 4Q and 1Q tend to be seasonally stronger quarters because of reasons that you yourself have explained multiple times on these earnings calls. Now 2Q, 3Q, I mean, just trying to understand, are we kind of heading into slower growth for the next two quarters before it kind of picks up again in 4Q?
- V.P. Nandakumar:** Yes, we feel like it will be slightly lower than the peak period which is over now. But still, the growth will be there.
- Abhijit Tibrewal:** Got it. Got it. And then just one last question on micro finance. So while we touched upon some states where problems are there and we kind of attributed it to a lot of things, Punjab farmer agitation, general elections, rumor about loan waivers, heat waves as well. So I mean there are MFIs who started acknowledging the problem of customer over leveraging that has happened.

So what is our view on this problem of customer over leveraging, which could lead to more stress in the coming quarters? And two related questions on microfinance only.

I mean in terms of the asset quality stress credit cost in micro finance, are we kind of done taking the hit? Or you think there are a couple of more quarters ahead? Because in this quarter also, we did an ERP transaction of almost INR200 crores in the microfinance business. So are we kind of going to be seeing that stress pan out over the next couple of quarters? Or do you think things will start improving from second quarter itself? And sir, lastly, if you can share that data on microfinance or you have started sharing about customers.

V.P. Nandakumar:

We are in the DRHP stage. We have constraints in giving you all the numbers other than the published numbers. So the MFI industry has challenges and I am talking something generally, as we cannot disclose more in our case because of obvious reasons. So some states, the heat conditions, farm loss, etcetera, was high. And thereafter, the rumours of loan waiver, also contributed. Because of the heat wave also I am told the productivity loss happened. That is the challenge. And that is what is seen in the industry. As I said, these factors do not encompass the entire states like Punjab, Rajasthan, Madhya Pradesh, Gujarat, where some parts of the states are doing pretty well.

So these are where these issues have impacted. And these issues the industry has seen in the past. And after realizing that the rumours were false and also because of the monsoon coming, people will come and repay because this microfinance is helping them to manage their cash flow to meet some requirements. History shows that when the problems were there, the challenges were there, their repayments are affected, but still situation gets back to normal.

Then coming to our leverage, SROs guided us to ensure that our leverage is not promoted. They have said, yes, the maximum income per family to be kept at this thing and maximum lenders to be kept at this. And do you see that if you take our growth compared to some of the peers where the reports were already published, our growth was a little lower during the last quarter.

Abhijit Tibrewal:

Got it, sir. And sir, just one last question for Bindu ma'am. But before that, sir, earlier during the call, you kind of guided for 15% gold loan growth this year and the same number for growth in customer acquisitions as well?

V.P. Nandakumar:

Yes, somewhere around 15-plus percentage growth this year.

Abhijit Tibrewal:

Okay. And sir, Bindu ma'am, now looking at where we are and the expectations that rate cuts might also start happening in the near future. How should we look at your borrowing costs going ahead?

Bindu A. L:

Borrowing cost, at this stage, it is continuing at a similar level only. So, I think we are also expecting rate reduction, let us see, I think in September.

Moderator:

The next question is from the line of Gaurav from Capital Farming. Please go ahead.

Gaurav:

I just have a question on Asirvad Microfinance. It has been observed that the provisioning for bad assets has been increasing consistently, right? And similarly, it has been observed with the

other microfinance listed entities as well. There has been a significant increase in the spread assets across the category. So what's your opinion as management on how far it can go? Is it the peak of the provisioning? Or there is still some room, which we can see in the coming quarters that this provision can increase from there onwards?

V.P. Nandakumar:

Again I repeat because of the DRHP, we cannot disclose beyond whatever is disclosed. But I'll tell you a few things, where Asirvad is better managed. We have an exposure of 10% of the total AUM. And then non-district, we have an exposure of more than 1% of AUM. The second thing, the gold loan also is coming to around 10% of the portfolio where you cannot expect, because that's why the regulation also has facilitated the non-gold lending that has been enhanced from 15% to 25%. So, we have 520 branches as disclosed earlier.

And that's doing pretty well, along with the gold loan segment. We hope because of the de-risking like this, the company will be able to perform better compared to the peers. It is spread across the country in terms of geographical concentration. Second, gold loan will definitely support. Asirvad is unique as well as risk management is concerned.

Gaurav:

Yes. And my second question is on the other segments other than the gold loan, like we are into the affordable housing finance, commercial vehicle finance. Now we are also talking about lending to the MSME, which I think in the last couple of annual reports also we have been mentioning, right? But lending to these segments require different skill set in terms of the underwriting team, recovery team, right, and the entire infrastructure.

So how Manappuram management is bringing in the expertise on the board right from the ground level to the mid- and senior management level? How you are ramping up those teams so that what you are talking in the annual reports as well as the quarterly goals is actually getting implemented on the ground also. So your views on that, please?

V.P. Nandakumar:

Whether it is micro finance, or MSME, these are especially people who are exclusive for that from top to bottom. Their underwriting requirement, these are all Secured loan, if you take the MSME, the average ticket size is around INR5 lakhs, INR6 lakhs. So these are used by small businesses -- is around 7% only. That means 92%, 93% is collected by nearly presenting the NASH or check. The balance 7% we are collecting. So around 5%, we have unsecured lending to MSMEs. These are all small ticket lending up to INR3 lakhs, INR4 lakhs. Now we have reduced that further. And we gradually we will reach 97%, 98%. So we have a team for each of these. Our business model is slightly different.

These businesses are colocated along with the gold loan business, even though done by separate teams. So when there is so much of footfall by simply presenting some banners, etcetera. And we are acquiring a majority of our customers direct from them or through them in their communities, etcetera, etcetera. This is a larger channelizing of customers. So that's why these customers have been with us for some time in gold loan. Now these are being done by a separate team who are really skilled in this regard.

Gaurav:

Last question, if you allow me to ask. With respect to -- if it is not violating any guideline of Asirvad Microfinance listing. But there was some news that you have appointed a new CEO for

Asirvad Microfinance. And within a very short span of time, I think, CEO resigned. So isn't the IPO still getting delayed just because we do not have a CEO in place or is it something else?

V.P. Nandakumar: See, we have the MD in place. Yes. Just to support him, we appointed a CEO, who is a Mumbai based person. He has his family connections in Kerala. He thought of coming over here just to support his aging parents. Then he has health problems. His family is in Mumbai, they have challenges. So this plan didn't work out as the family challenges were there. That's the reason why he thought of going back to Mumbai. The company has MD, who is also the CEO.

Gaurav: Okay. Okay. But not having a regular CEO is not the reason of not going with the IPO listing. Because I think SEBI has given an approval, but there has been a significant delay in getting the company listed, right?

V.P. Nandakumar: It is not because of that. There were other issues like the General election. Then the outcome of the election just after that, there were some uncertainty. So then everything has come back. Then we have started the road show. So this is how it is moving.

Moderator: The next question is from the line of Bunty Chawla from IDBI.

Bunty Chawla: First one on clarity. Sorry, I missed that. Gold loan group guidance, have you revised to 15% for the year -- for full year FY '25?

V.P. Nandakumar: Yes. So from the current, we expect the gold will grow, beyond...

Bunty Chawla: Okay. So for overall consolidated AUM growth guidance will be now?

V.P. Nandakumar: 15%. The others will grow in a similar way, other non-gold like vehicles affordable housing, etcetera -- during the first quarter...

Bindu A. L: Okay. Okay. And a few data points. One auction during this quarter and as well as it seems to be higher write-offs we have taken in the MFI portfolio. So can you share both the data, auctions and write-offs in MFI?

V.P. Nandakumar: MFI, whatever it is, cannot be disclosed. Gold loan auction amount INR12 crores.

Bunty Chawla: And one more, what we have observed during this quarter, non-gold portfolio, vehicle financing, MSME and standalone, there has been an increase in the gross NPA levels. Though I agree it's a seasonality, but if we compare on a Y-o-Y basis, there has been a huge rise in NPA. For example, MSME and personal loan, there has been almost doubling of the gross NPA numbers. Vehicle financing also on a Y-o-Y basis increased by 70, 80 bps. So any specific reason behind that? And how one should see next three quarters for these NPAs?

V.P. Nandakumar: The climatic conditions like heat wave affected the productivity of the people, the loss of working days has affected across all the sectors, particularly in the lower end of the pyramid. It doesn't mean that they will not pay; just that there is delay in some payments. So as I mentioned, in MSME etcetera, we have around 5%, 6% unsecured loans.

- Bunty Chawla:** So, can we say there should be a decline in NPA from Q2 onwards as these factors have been out of the picture now?
- V.P. Nandakumar:** Yes, yes, yes. Gradually, gradually. There will be some delay because the regular instalments plus old instalment need to be paid. So these are all genuine customers who have been paying promptly. The situation has changed -- they will come back slowly.
- Bunty Chawla:** And lastly, on the cost of borrowing, if we see it on a consolidated basis remains stable. But on a stand-alone basis, there has been an increase in the cost of borrowings. So how one should see the cost of borrowing? Can we say that this 9% should move to 9.3% for stand-alone as well? And ultimately, what will be the margin impact then for us?
- Bindu A. L.:** See the cost of run depends on the source of borrowing. During the quarter, we have done -- the maturity is 3.3 years. And that money, we -- as a diversification process and the also helping us to grow the business. So that is the reason it came at a slightly higher cost. So that is the main reason for the increase in cost of borrowing during the quarter. So we are now expecting it to go to 9.3% on the stand-alone level, and we are hearing about possible rate cuts should help us, but we are not seeing much change. It is currently running at a similar level.
- Bunty Chawla:** Okay. So we can say that margins at least should remain stable now?
- Bindu A. L.:** Yes.
- Moderator:** The next question is from the line of Mohit Jain from Tara Capital Partners. Please go ahead.
- Mohit Jain:** I just wanted to know if you are looking at the different segments in which we are operating, the overall NPA has increased in all the segments apart from the MFI. Is it purely because of the fact that we have written off the portfolio?
- V.P. Nandakumar:** Yes. MFI, I cannot give you more details than saying that there were some challenges in some places, but we are spread across the country, North states have 10% -- more than 10% of AUM. No, district 1% of AUM. So this way we are spread across. But the other sector because of the heat waves and so many other conditions like farmer loan waiver, false messages such as farmer loan waiver -- general election, etcetera, has affected a loss in this. About rather MSME etcetera, it is because of the delay on account of the same reason. As I told you, yes, it is going to come down only because -- earlier, we have around 5% of unsecured portfolio in MSME. that is being reduced...
- Mohit Jain:** Is it principally like, obviously not asking for the figures, but principally, had we not written the portfolios in MFI? The NPA would have been slightly higher than what we have reported?
- V.P. Nandakumar:** MFI, whatever is there, it is shown. It is already there. It is write-off.
- Management:** INR71 crores of write-off.
- Bindu A. L.:** INR71 crores write-off.
- V.P. Nandakumar:** Whatever can be disclosed, INR71 crores write-off. It is already disclosed.

- Moderator:** The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** A lot of my questions have already been answered. So I just had like one question, like on a broad basis, like I think we're seeing good loan growth and maybe stable cost of borrowing. So what kind of like ROA will we target like for the full year, sir?
- V.P. Nandakumar:** So we are at ROA of 4.5%. So we are bringing down the opex premium gradually because of the growth in AUM. It could come down. In the next one year, we hope that it will go down further, so that there will be an improvement in ROA. We are targeting 5% ROA. It takes a few quarters to reach that level.
- Darshil Jhaveri:** So it's a 5% ROA by end of the year, right?
- V.P. Nandakumar:** It could take another one year -- four, five quarters.
- Darshil Jhaveri:** Okay. Okay. Fair enough, sir. And at this point -- yes, yes. Fair enough, sir. And sir, just wanted to know like at least I think on the consol level, there has been an increase in provisioning. So I just wanted to like pick your brain like so you're saying the GNPA will decrease, but then -- are you seeing structure? This might be more sticky than you might be more provisioning or something like how would you see the credit cost going forward?
- V.P. Nandakumar:** The stand-alone book, it will gradually come down because as I mentioned, because of the climatic situations and other situations, whatever has been told after the bans, losses, etcetera, etcetera. So we believe that it has picked up with and it should come down eventually.
- Moderator:** The next question is from the line of Shubhramshu Mishra from PhillipCapital.
- Shubhramshu Mishra:** The first question is on the auctions that we have done in gold loan, what is the quantum of that? And what is the gold price per gram that we had in the quarter? And when we look at the AUM split, what percentage of AUM is less than INR1 lakh, INR1 lakh to INR3 lakh and more than INR3 lakhs in first quarter? And when we look at the growth, sir, you mentioned that this really has come from one of the competitors going on so not competing. So what is the organic growth that we have had in this particular quarter from our own sources? And if we have the split of South versus non-South, sir?
- V.P. Nandakumar:** See these micro details would be sent to you. But I can tell you one thing. This competition, one of the competitors among larger players have been banned for some time. They may come back. But as I told earlier also, when they come back, they will come with whatever guidelines have been issued by the regulator. Then we all will have level playing field.
- So when somebody does something beyond that, we are losing level playing field. Even when they come back, we welcome that. We will all have the same level playing field. We don't have much to worry. But this is mainly due to the demand from our target audience is slowly showing improvement. It is slowly getting back to the pre-COVID level now gradually. That is actually driving growth.. The other details, Mr. Mishra, we will share with you.

- Shubhranshu Mishra:** Sir, if you can give me the auctions and the AUM split on the call, I'll come back for the rest, sir?
- Bindu A. L:** INR12 crores auction.
- Management:** Is up to INR1 lakh is 42%; INR1 lakh to INR2 lakh, 23%; above INR2 lakh, 35%.
- Shubhranshu Mishra:** You are not audible, sir. Say that again?
- Management:** Up to INR1 lakh, 42%; INR1 lakh to INR2 lakh, 23%; above INR2 lakh, 35%.
- Bindu A. L:** The price between two quarters has gone up by 5%. It was INR6,275 as of 31st March. And as on June, it was INR6,625.
- Shubhranshu Mishra:** So from last quarter, the average has gone up by 5%?
- Bindu A. L:** Yes.
- Moderator** As there are no further questions, I would now like to hand the conference over to the management for the closing comments.
- V.P. Nandakumar:** So thank you so much for the active participation in our investor call. And anybody want that details about whatever can be disclosed, meaning Asirvad probably has limitation, other places, whatever can be disclosed, please feel free to ask, we are happy to share. Thank you.
- Bindu A. L:** Thank you.
- Moderator:** On behalf of Dam Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.