



“Manappuram Finance Limited Q3 FY25 Earnings Conference Call”

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MODERATOR: **MR. ABHIJIT TIBREWAL – MOTILAL OSWAL**
FINANCIAL SERVICES

Moderator: Ladies and gentlemen, good day and welcome to the Manappuram Finance Q3 FY25 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 this call, please signal the operator by pressing * and then 0 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. Thank you and over to you, sir.

Abhijit Tibrewal: Thank you. We have with us today the Senior Management Team of Manappuram Finance to discuss the Q3 FY25 Results.

I will briefly introduce the management team. We have with us today, Mr. V. P. Nandakumar - MD & CEO; Dr. Sumitha Nandan - Executive Director; Ms. Bindu A. L. – CFO; Mr. Raju Narayanan – Business Head; Mr. B.N. Raveendra Babu - MD, Asirvad Microfinance; Mr. Rajesh Namboodiripad – CFO, Asirvad Microfinance; Mr. Kamal Parmar – Head, Vehicle and Equipment Finance; Mr. Suveen P.S. – CEO, Manappuram Home Finance; Mr. Robin Karuvvely - CFO, Manappuram Home Finance.

With that brief introduction, I think I will hand it over to Mr. Nandakumar and the senior management team of Manappuram Finance for their opening remarks, post which we will open the floor for Q&A. Thank you and over to you, sir.

V. P. Nandakumar: Thank you. Good evening, ladies and gentlemen. It is always a pleasure to join with this group to share our Company's Periodical Financial Results for the 3rd Quarter of FY25. I wish and my heartfelt thanks to all of you. Before presenting, I wish you the upcoming Holi Festival.

Despite global uncertainties and continuous strengthening of the dollar, the Indian economy remains strong and resilient. In the words of Finance minister, it is on “speedy rebound”.

It is also noteworthy that the NBFC sector has remained stable despite challenges. NBFCs are also actively diversifying their funding sources, including increased issuance of listed non-convertible debentures and foreign currency borrowings. This indicates the resilience of the sector and its ability to stand macroeconomic headwinds.

Quarterly result.

It also gives me great satisfaction to mention that 2025 has started on a positive note for our company with RBI listing the supervisory restrictions on our major subsidiary, Asirvad Microfinance Limited. The remedial actions undertaken by Asirvad have satisfied the RBI. The company has fully revamped its processes and system and is fully committed to adhering to the guidelines.

I am pleased to report that the company has posted a profit after tax, excluding Asirvad of Rs. 467 crores. The company's AUM excluding Asirvad has risen to Rs. 34,204 crores reflecting 18.7% year-on-year growth and 1.9% quarter-on-quarter increase.

For Q3, Asirvad's AUM stood at Rs. 10,013 crores which includes gold loan AUM of Rs. 818 crores and net NPA at 2.48%. Asirvad's profitability has been affected by the collection challenges in the MFI sector due to several factors including climatic disruption, dilution of Joint Liability Group, JLG model, weekend borrower discipline and external influences on microfinance borrowers. Asirvad has undertaken comprehensive remedial measures to rationalize the cost and the disbursement with strict underwriting.

Asirvad suffered a loss of Rs. 188 crores during this quarter. The consolidated profit after tax for the quarter declined to Rs. 278 crores which is down by 51.3% quarter-on-quarter and 51.6% year-on-year.

It is also pertinent to note that with RBI in a circular dated 30th September 24 issued certain directions regarding gold loan practices. We view these regulatory measures as beneficial for the sector stability. Through industry association, we are actively participating in the development of standard practices. We have executed the mandated review policies and implemented necessary enhancements to operations.

The Vehicle Finance business has an AUM of Rs. 5,085 crores recording a 4.9% quarter-on-quarter increase while our Home Loan portfolio has increased an AUM of Rs. 1,778 crores, reflecting 5.1% quarter-on-quarter increase.

A Final Note on Gold Loans

The organized gold loan markets comprising both banks and NBFCs, has experienced significant growth. According to the rating agency graph, the market is projected to reach Rs. 15 trillion by March 2027. Companies have also been steadily increasing their online lending presence and a sustained scale-up to improve their operating leverage and expand their customer base.

Thank you all for your continued support and interests. Our focus will be on fortifying our gold loan business and ensuring continued growth across all the secured lending business. Yes, we capitalize on opportunities created by India's economic resilience and positive reforms. We remain dedicated to our vision of empowering customers and stakeholder's like throughput and sustainable growth and innovation. For a more comprehensive review of our financial performance, I now hand the floor to our CFO, Ms. Bindu A. L.

Bindu A. L.:

Thank you, sir. Good evening, ladies and gentlemen. Thank you for joining us for the discussion on our financial results for the last quarter and 9 months ended December 2024. Our consolidated AUM was Rs. 44,217 crores down by 3.3% sequentially and up 9.5% Y-o-Y. The decline is as explained by sir, is on account of the challenges in our subsidiary Asirvad Microfinance. If we

excluded the Asirvad portfolio, the growth is 1.9% sequentially and 18.7% Y-o-Y growth that also with the help of the growth in the gold loan portfolio.

Profitability Rs. 278 crores for the quarter, which was down by 51%, but if we exclude the Asirvad losses, the Q-on-Q decline is only 2.4%, ROE 8.9% and ROA was 2.2% and our leverage is currently 2.9 times. Our standalone NPA was 2.46% versus 2.42% during the previous quarter. Cash and cash equivalents Rs. 4,592 crores and an undrawn bank line was Rs. 2,524 crores.

CP exposure is 1% in the standalone entity and our subsidiaries do not have CP exposure. Standalone borrowing cost has gone up by 6 basis points during the quarter. We have raised fresh term loans during the quarter and the liquidity position is comfortable.

Gold loan business, the proportion improved to 55.4% of consolidated AUM compared to 53.3%, an improvement of 2% compared to the earlier quarter. Consolidated gold loan AUM Rs. 24,504 crores, 0.6% Q-on-Q, but the standalone entity could achieve a 1.9 % Q-on-Q growth and 18.8% Y-o-Y growth. We were able to add 3.3 lakh new customers, and the outstanding number of customers stood at 24.66 lakhs. LTV at 60%, online book 79% of the total book and the standalone PAT was Rs. 453 crore, which is down sequentially by 4.5% and up by 5.8% Y-o-Y. The decline was on account of a higher provision arising from one of the corporate borrower and a lower DA income compared to the earlier quarter.

Coming to Microfinance business:

AUM at Rs. 10,013 cores including gold loan of Rs. 818 crores down by 17.6% Q-on-Q and 13.4% Y-o-Y. Loss, Rs. 188 crores versus profit of Rs. 75 crores, CRAR at 23 %.

Vehicle Finance AUM of Rs. 5,085 crores which is up by 4.9% Q-on-Q and 41.4% Y-o-Y growth and the GNPA increased to 5.2 %.The Vehicle Finance AUM comprises of commercial vehicle which is 48% and passenger vehicle is 31% and two-wheeler 15 % and farm equipment of 6%.

Home Loan business, Rs. 1,778 crores AUM as on 31st December, which is up by 5.1% Q-on-Q and 25.7% Y-o-Y growth. The number of branches 89 and they reported a profit of Rs. 7 crores during the quarter. GNPA is 3.86% and the Home Finance AUM comprises of Home Loan 71% and LAP of 29%.

Loan to MSME and allied activities at Rs. 3,001 crores with the disbursement of Rs. 356 crores. On-lending AUM at Rs. 653 crore. The disbursement only Rs. 5 crores during the quarter.

Capital position is strong with the CRAR of 29.88% and the company's net worth Rs. 12,776 crore. The book value as on 31st December is Rs. 150.94. 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. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to withdraw yourself from the question queue, you may press '*' and '2'. Participants are requested to please use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. We have the first question from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Hi, Thank you for the opportunity. I have two questions. First is on the growth front, on the gold loan business. So while I understand that the Asirvad bit of gold loan business may have seen some challenges, on our standalone book, our gold loan has slightly slowed this quarter versus the last couple of quarters. How much does it have to do with competition coming back into the space because some of the peers have reported whether in banks or NBFCs have reported much stronger numbers? And what is that outlook on the standalone gold book for the coming quarter or for FY26 as well? That is my first question and on the second question, I wanted to understand what has been the provision coverage on Stage-3, I know you have taken about Rs. 400 crores of technical write-off, but if you can help us with provision coverage on Stage-3 that would be useful? Thank you.

V. P. Nandakumar: The gold loan, the quarter used to be little slow because the festivals, etc. We expect the gold loan to grow at a rate of 15%-20%. That is the expectation for the future. Earlier, we were telling at about 10%-12%, now we believe that around 15%-20% is possible because more and more customers are coming in and we see some increase in the ticket size etc., going forward. So we see the opportunity for gold loan growth. Quarter to quarter, there may be some difference. Regarding the second part, Bindu can answer.

Bindu A. L.: Yes. So the question on the Asirvad provision coverage, Stage-3 will be 59%.

Shreya Shivani: And ma'am, what was it last quarter, this Stage-3?

Bindu A. L.: 55%.

Shreya Shivani: So we have taken about 4% increase over there. And what about the standard asset provision, how much has that moved on Asirvad book?

Bindu A. L.: Standard asset provision Stage-2 will be having 14% and Stage-1 will have 1.2%.

Shreya Shivani: And how much was 14% and 1.2% last quarter?

Bindu A. L.: Similar.

Management: That is similar.

Shreya Shivani: Got it. This answers my question. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Shweta from Elara. Please go ahead.
- Shweta:** Thank you, sir for the opportunity. I have couple of questions. So if I look at gold tonnage, both sequentially and year-on-year, it has declined. So clearly that is the outcome of also gold price increase and festival season in the quarter gone by, but then what gives you confidence going forward to resume growth at 15%-20% because both the branches as well as customers are lurching, so the productivity gains are going to be lower in the interim periods at least, right? That is the first question and just the allied question to that. Sir, what is the RBI communication now in terms of opening of gold branches, so I am not talking about MFI led gold or MFI branches, the standalone gold branches? That is the question. And second, just coming back to the bit of first participant question, so you have technical write-off for Rs. 400 odd crores, right this particular quarter, so just the data keeping question, what was this number, previous quarter and corresponding quarter year ago? Thank you.
- V. P. Nandakumar:** Regarding tonnage growth or decline, all depend on the gold price. See, when the higher amount is available with lower quantity, people will bring only lower quantity. They borrow for meeting their requirement and not because gold value is high or LTV is high, they don't borrow like this. See, one thing which you should appreciate is gold loans without any compulsion, even without sending any SMS or anything, around within 3-4 months, almost 70%-80% of the loans are getting redeemed. When somebody just say their gold, they have some clear anticipation of their upcoming cash flow. Only on the basis of that they borrow. So you will see when the gold price goes down also, you can see growth. Then at that point of time, you can see the tonnage growth is higher. So this is simply because of the function of the LTV gold value. And regarding RBI permission of opening the branches, today, we had a meeting with the regulator RBI in mumbai, larger NBFCs were invited W all had the opportunity to raise this question to the RBI official in the forum, we all had a discussion with the RBI officials. They also wondered why only for gold loan companies this restriction is. And the official told they will examine the branch opening restriction I had the opportunity to discuss it with senior officials and they were positive and they asked us to resubmit application. I hope we will get permission for opening branches without much delay. Then the other part, Bindu can answer.
- Management:** Yes. For this Q2, it was 40 and previous Q3 it was nil. We did not do any write-off in the previous Q3.
- Shweta:** And sir, corresponding quarter last year?
- Management:** Yes, that was nil.
- Shweta:** And as well, in Q2 FY25?
- Bindu A. L.:** 40.
- Shweta:** Sir, coming back, sorry, I am just harping on the same thing. So coming back to the first question, the first point which you made, so it is understandable that in a price rise scenario, tonnage would

look lower and like you rightly pointed out you have been communicating with RBI for acquiring the branch opening approval which is very positive, but in the period as we move ahead say in Q4 and Q1, what brings the confidence to put up our 15%-20% growth? Thank you.

V. P. Nandakumar: See, the annual growth in some quarters because of the demand from the target audience, it grows because, for example, sowing season or school, college admission, etc., then harvest season, etc., it moves down etc., but we believe that 15%-20% is possible and this year also, we expect to get around 15%. So that is the expectation. It is all dependent on the demand only, not because of the gold price as it is mistakenly the impression of the market.

Shweta: Understood, sir, fair point. Thank you so much and best of luck.

V. P. Nandakumar: Thank you.

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

Rajiv Mehta: Hi, good evening. Sir, firstly, you spoke about RBI directions on gold loan practices and then you said that we have also responded and you have done some enhancements in process, in operations, can you elaborate on any specific changes that we would have implemented on the ground from say, December or January?

V. P. Nandakumar: See, there was a discussion point by the major companies in the gold loan sector today with the regulator..

Bindu A. L.: Sir, this is the question on the 30th September circular, can I answer, sir that or?

V. P. Nandakumar: Yes.

Bindu A. L.: So on the 30th September circular two important points, one is the LTV monitoring and the other thing on rolling over of the pledges, the repledge, etc. So on the LTV monitoring at specific LTV ratios, we are sending SMS, letters, etc., and there will be an accelerated auction. That is the one change we have implemented. And during the tenure of gold loan, the rollovers with partial servicing of interest that is also we have introduced. And beyond maturity, repledges only with the full repayment of interest. So these are the changes we have implemented. Then, we are capturing in the communicate more clearly acknowledged by the borrower. These are the three points applicable to NBFCs which we have implemented.

V. P. Nandakumar: On the top of that I want to add few more things. So some of the practical challenges in the proposal have been discussed with the regulatory body and the team today, he said we are consulting with the industry. Then on the basis of this understanding, the practical challenges and the customers face, etc., we will come out with a top guideline.. It appeared that the regulator is very positive.

- Rajiv Mehta:** Got that. In the standalone company, the other off-takes have increased Q-on-Q. Any particular reason why the non-employee expenses have gone up by 7%-8%?
- V. P. Nandakumar:** We have some unsecured loans which we have stopped in the past like digital personal loan, which we have stopped already and some MSME lending, which we have already stopped. So that passed buying up and we have completely moved to secured lending in the standalone entity. About the numbers, Bindu can add.
- Bindu A. L.:** So the OPEX has gone up around Rs. 7- 8 crore because of the employee cost and the other one in the admin expenditure, it is on account of the increased IT costs, the cloud usage, etc., there is some over usage, and we paid some extra amount and lot of automation is also happening. So power change request that expense has also gone up.
- Rajiv Mehta:** Sure. Just one follow up. Bindu ma'am, you spoke about a couple of changes that is implemented in the process for gold loans with regards to LTV monitoring and rollover of loans. Reviewing that it would have quite implemented from December or January, incrementally in January and February, are we seeing any negative impact on growth because of that or are we seeing AUM growing maybe in terms of customer volumes because I think the customer base had declined in Q3 that can be attributable to pledges being released, but in January, February post the implementation of the new discipline, are we seeing that customer base is further going out?
- Bindu A. L.:** Like for any changes there will be resistance. So in the first few days, we have seen some impact. Now, customers also adjusted to that and I think the quarter we expect similar to our last year quarter like.
- Rajiv Mehta:** Thank you. I have more questions. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Kushan Parikh from Morgan Stanley. Please go ahead.
- Kushan Parikh:** Hi, sir. Thanks for taking my question. My question was on Asirvad Microfinance. So given that we have restarted disbursements after the RBI clearance, this would be at a lower interest rate as well as we had alluded to previously. So wanted to get your take on what will be the refreshed strategy for the subsidiary in terms of the growth that you will be pushing for as well as from our margins and ROA perspective for these entities? That is one question. My second question is data keeping question, if you could give us the auction number for the quarter for gold loan?
- V. P. Nandakumar:** So the microfinance industry was reporting a reasonable profit even when there was a cap on the net interest margin, it was 10%. It was a little bit earlier removed, etc. What has happened is with removal, almost all the companies raised the price and thinking that some additional rules can be taken in the pricing, some 2%-3%, etc., so according every company has interest rate and what actually that has led to the indiscriminate lending from all the lenders, so multiple which are earlier the number of lenders were restricted that has gone up and that has led to a situation because of the regulatory changes. Now, all the companies understand that and it will gradually

come. But this transition is definitely little painful because many of the loans are with these changes, the loans was prepaid by using another loan, etc., that source has come down. But now the discipline will come and things will go back to the cost-liberalized environment. Even with that, cost everything contained, etc. I hope the microfinance industry will go to that level where even Asirvad was reporting around nearly 3-4% ROA. So with that discipline and more and more encouragement will be for group meetings etc. So this transition phase for every microfinance company will be little difficult. So I feel like in 2-3 quarters things will come back.

Kushan Parikh: Your auction number Rs 120 cr is the auction amount during this quarter? Sir, if you could just guide on the growth for the MFI business as well going forward?

V. P. Nandakumar: So what we plan to have is to contain the growth and gradually we plan to increase our secured lending business in the overall consolidated book for gold and other non-gold secured business. So in a phased manner, we plan to bring it down to within 18% now or even go down gradually. So other businesses, we will prioritize. We have the opportunities. And we hope we can open branches also that will be greater emphasis in growing gold.

Kushan Parikh: Understood. That is from my side. Thank you.

Moderator: Thank you. The next question is from the line of Love Sharma from JP Morgan. Please go ahead.

Love Sharma: Hi, thanks for taking the question. Just a couple of questions from me. I think more as a follow up on the previous question first on Asirvad, if you could highlight what is the growth you are looking at on AUM side for Asirvad in the next 1-2 years and any sense of how the asset quality is likely to evolve over the next few quarters as well in Asirvad? Another question related to Asirvad again would be given some of the commentary around the Covenant Breaches there, could you just highlight what is the discussions with lenders as of now and any sense in terms of fresh lending or borrowing rates which have gone up within Asirvad especially?

V. P. Nandakumar: So in Asirvad, we have tightened the underwriting process, we have capped maximum number of lenders that we have reduced the loan size also, cycles also at a longer period from one cycle to the next cycle, the increase also is reduced. So this way we have tightened the processes. We are giving loan only to our good customers now, who have a good track record all these years, etc., through branches which are seen safer, etc. So this way we expect the growth segment of Asirvad, the MFI will come down to around 10%-12% annually. I don't expect that to be more and we expect the collection efficiency to go up to around 99% because of the tighter underwriting and we will bring down the employee costs and the other costs by the year. We clearly planned a post-production plan, which is being worked out. Employee productivity has to be improved and the brand size also, brand number also will have to be evaluated, etc. We are working out a strategy and as I said in the next 2 years, we expect a growth of around 10%-12% for MFI with a collection efficiency of 99%.

Love Sharma: And could you just comment on the Covenant side for the Asirvad? Any impact on borrowing costs or fresh lending?

- V. P. Nandakumar:** Rajesh.
- Rajesh Namboodiripad:** Right now, we had some disbursements against which we could not give the asset. So we are on discussion with them. Because of this current situation, which season does this impact as well as the overall microfinance sector issues, we are in discussion with the banks and we are very hopeful that we will get some solution for those.
- Love Sharma:** And do you mean t that is essentially more about higher borrowing cost which banks could lead to for Asirvad or any other impact you see?
- Bindu A. L.:** Not much.
- Love Sharma:** Thanks. That is it for me.
- Moderator:** Thank you. The next question is from the line of Shreal Doshi from Equirus. Please go ahead.
- Shreepal Doshi:** Hi, sir. Good evening and thank you for giving me the opportunity. Sir, my question was on something that Bindu ma'am alluded to her answer to one of the participants when she highlighted that there has been some process policy changes in line with the RBI circular, so ma'am, just like, I just couldn't understand, do you need to say that we will be maintaining 75% LTV throughout the loan tenure or will be closely monitoring it for each of the customers in the gold segment? And also you highlighted something on the auto renewal of the loan. So if you could just explain both these aspect again, please?
- Bindu A. L.:** So on LTV monitoring, we are strictly ensuring that at the time of disbursement, this is within 75% as permitted and then the interest accrual will also be added and we will monitor the LTV position and if it is a small variation, maybe up to 5%, we will not act on those cases, above 5% we will start sending SMS, then we will do at 85% later, 90% auction notice, etc. Like that there will be a continuous monitoring and activities which will ensure a better discipline from the borrowers. That is one point on the LTV monitoring. And second on the rollover of loans, during the tenure within the permissible LTV, borrowers may need additional working capital. So they used to avail the loan, so during the tenure, now, it should be with the cash flow coming in. So the 50% interest should be serviced during the tenure if they are rollover the loan. Then after maturity, they should service 100% of the interest. So these are the few changes we made.
- Shreepal Doshi:** Got it. And just one more point here. So, sir, as you highlighted, you met the regulator recently. So was there any discussion on this regulatory framework front, sir wherein they are highlighting these aspects to be covered in the processes and policies incrementally?
- V. P. Nandakumar:** For the first time, we are getting such a meeting from the regulator, the initiative was taken from the regulator's office. The regulation will be successful only when they understand the regulated NBFC challenges also. So how to do the business, piece of business is really important, and the challenges in each of the business regulatory environment maybe look at it. We are expecting regulators will hold such meetings periodically at national level as well as regional level and

sectoral level and banks also. We believe regulators will understand the stakeholders in ensuring an effective regulation. This was very positive. We were given enough time to raise industry concerns. This is something very positive. regulator.

Shreepal Doshi: Got it, sir. Thank you, sir. Sir, just one last question. So with this like what Bindu ma'am highlighted on the process policy front, so do you see that while we want to implement that and ramp it up, so do you think that can hamper or have some impact on our business momentum, at least from the medium-term perspective?

V. P. Nandakumar: This is what we see We have shared our concern with the regulator, if there is too much of regulation, this is going to benefit the unorganized sector where the major portion of the gold loan is still ruled by them, etc. So the customer's convenience and comfort in this regard has to be taken into consideration, etc., so then he said yes, our people had a discussion with you people and we are claiming a draft. So you can respond to each of these points. Then only we come out with the final. So some of the things which we were asked to implement, if these are found difficult as far as the customer service is concerned, I hope there may be some changes.

Shreepal Doshi: Got it, sir. Thank you, sir, and good luck for the next quarter to the team.

Moderator: Thank you. The next question is from the line of Pranuj from JP Morgan. Please go ahead.

Pranuj: Hello. Thank you for taking my question. So a couple of questions. One is when the cost of funds that continues to inch up for you, so what segment is actually driving the rise over there? And also I think 18% is ECB borrowing, so are these 100% hedged from your end?

Bindu A. L.: Yes, ECB is 100% hedged and on the cost of borrowing, there is a small change in the bank cost of borrowing. It is 6 basis points during the quarter, overall cost of borrowing increase.

Pranuj: Because this is essentially MCLR repricing that led to it?

Bindu A. L.: Yes.

Pranuj: Got it. And second is, if I look at your housing finance and Vehicle Finance GNPA, they have risen quite substantially despite the loan book also displaying a healthy growth. So what segments are actually seeing higher stress in these two particular sub verticals?

Kamal Parmar: Yes. Thank you for the question. We are basically catering to the bottom of the pyramid profile and the recent issues that we have seen in the market at the micro level and also in terms of the weather conditions plus the other challenges that the retail profile has faced, they generally tend to get impacted the earliest, so that is one reason why we have seen this GNPA going up. But from this month, we have started seeing a positive collection, so we are definitely hopeful that things would look better from this quarter onwards.

- Pranuj:** Sir, one follow up. In Vehicle Finance in particular has been a very sharp rise, so within your sub segments of PV series, what is actually driving the higher stress over here?
- Kamal Parmar:** We have faced with higher increase in delinquencies in the two-wheeler and the farm equipment segments. But now there is improvement seen from January onwards.
- Pranuj:** So it is mainly two-wheelers and tractors that have driven the raise?
- Kamal Parmar:** Majorly, yes.
- Pranuj:** Got it. Thank you. That is it from my end.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from Phillip Capital. Please go ahead.
- Shubhranshu Mishra:** Hi, first a few data keeping questions. What are the auctions in this quarter? What was the LTV in rupees and even percentage and what is the interest accrued? Those are the data keeping questions. I will come with the second question after this is answered. Thanks.
- Management:** Rs. 120 crores is the auction number.
- Shubhranshu Mishra:** Not audible, sir. Say that again.
- Management:** Rs. 120 crore.
- Shubhranshu Mishra:** Rs. 120 crores?
- Management:** Yes. The price is taken for LTV of 60%, price is Rs. 7,110 crores.
- Shubhranshu Mishra:** Well, it is not clear. Say again.
- Bindu A. L.:** Rs. 7,110 crores on which 50% is the LTV as on 31st December and Rs. 120 crore auction, interest receivable Rs. 1,094 crores.
- Shubhranshu Mishra:** My next question is on Asirvad. We have seen multiple cycles and there has been management change. There has been some degree of attrition at the branch levels. Do we really intend to build this business for the long term or we want to sell it out after some point in time because clearly we have had multiple issues running this. At a point in time, there was no convergence of gold loans there, I think 4-5 years ago, we were doing barely 2% of the book was gold loans. Then we had management change and we started doing more of gold loans versus MFI. So what do we think of this business? Do we really want to run this in the long term or we want to just do some bit of restructuring and sell it off? Will that make more sense?

- V. P. Nandakumar:** See, we are doing business for planning it long term. So we will do that business with prudent practices and manages cost also very prudently and whatever is the policy with regard to risk based secured and unsecured lending, all these are going by our policies which will evolve from time to time. Now, it is too premature to talk about that.
- Shubhramshu Mishra:** Right. Because we have been speaking about this non-gold loan book when gold loan was not in flavor, now we are talking more of gold loan when it is in flavor, so strategy gets some haywire in an investor's mind, so just wanted to understand what is the clarity there?
- V. P. Nandakumar:** See, gold loan, we have not said at any point of time the gold loan is today our flavor, no we have not told that. What we told is, we also wanted to grow non-gold business. So the non-gold also we have repeatedly said our priority would be secured lending like mortgage based MSME, then Vehicle Finance, etc. So this will be the two segment and earlier also I also told capital allocation will be limited to 10% of the networth, so we plan to contain the MFI book within around 10%-15% of our total AUM going forward, we expect the MFI to grow at around 10%-12% as I mentioned earlier, with our first very strict underwriting, etc. So that is a scenario we expect.
- Shubhramshu Mishra:** Just one last question. Given the fact that in my previous answer it was said that we generally cater to the bottom of the pyramid in vehicle financing, so we are not getting to choose a customer, hence we are always doing a higher risk segment, which could be beneficial when the rates are coming down, but when the rates are hardening, again we will say these kind of issues, right? If we are not able to choose a customer segment or is it a strategy to cater to the bottom of the pyramid all the time?
- V. P. Nandakumar:** See, we are serving the masses through our products like affordable housing, gold loan, commercial vehicle where the ticket size is around 10 lakh, etc. So these are the products used by the common man.
- Shubhramshu Mishra:** Understood. Thanks. I will take the rest of the questions offline. Best of luck for ensuing quarter. Thanks.
- Moderator:** Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.
- Mona Khetan:** Hi. Good evening and thanks for the opportunity. Sir, firstly on the Asirvad book, could I know over the last 9 months, how much of loans have been added to Stage-3? That is the gross additions to Stage-3 over 9 months?
- Bindu A. L.:** We will take up the question offline.
- Mona Khetan:** And do we have PAR-0 in the Asirvad book?
- Bindu A. L.:** PAR-0 is there. It is there in the presentation, slide 25. Stage-1 is 88.3.

- Mona Khetan:** But that will include up to 30 days, right?
- Bindu A. L.:** Yes.
- Mona Khetan:** So are we looking for 1+ DPD or PAR-0 whatever?
- Management:** 16.96%.
- Mona Khetan:** Got it. And on the gold book, can you share the loan mix by ticket size?
- Management:** Yes. Up to 1 lakh 41.7%; 1-2 lakh 22.1%; 2-3 lakh 11.5%; above 3 lakh 24.7%.
- Mona Khetan:** And just finally, sir mentioned at some point about doing some of the unsecured lending, so is it fair to say that apart from MFI incrementally, we are not taking up any of the unsecured lending?
- V. P. Nandakumar:** Absolutely, you are right.
- Mona Khetan:** Got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kushan Parikh from Morgan Stanley. Please go ahead.
- Kushan Parikh:** Thank you for taking my follow up question. My question was around the standalone asset quality. Just trying to understand the Stage-3 provision coverage, we have seen that moving from 15% in 1Q to now less than 10%, while the GNPA numbers have been increasing over the last 2-3 quarters, so just trying to understand why that is the case and also if you could help us with the provisioning policy for the gold loans as well as the non-gold portfolio in the standalone business?
- Bindu A. L.:** So the main business gold loan the credit cost is negligible, and we are following Ind AS and the provisions based on the historical data. So on the gold loan business, the overall provision on the total book is around 0.4%. On the vehicle, MSME, etc., this also again based on the Ind AS working based on historical record. And we are doing based on the segment device, so this is for Vehicle Finance, it is ranging between 15%-25% and for the MSME it is around 27% or put together, secured and unsecured put together it is 27%.
- Kushan Parikh:** This is helpful. If you could just also give some guidance around the standalone credit cost going forward, given that you are seeing improvement in the non-gold asset quality in Jan-Feb?
- Bindu A. L.:** We had the one corporate borrower default. That is the reason it has gone up. Otherwise it would have been in the range of 0.6 %.
- Kushan Parikh:** Understood. Thanks for taking my question.

Moderator: Thank you. Ladies and gentlemen, to ask a question, you may please press ‘*’ and ‘1’. We have the next question from the line of Gaurav from Capital Farming Consultants. Please go ahead.

Gaurav: Good evening and thanks for the opportunity. I hope my voice is audible.

V. P. Nandakumar: Yes.

Gaurav: So my first question is on Asirvad Microfinance, since that seems to be one vertical which has given the maximum pain in this particular quarter, right. So in that I think as per the last concall, the data set was given like almost 10% is in gold loan AUM and rest majority is in the microfinance only, right within the Asirvad book. So if you can just give the updated number that as per Q3 FY25, what is the AUM split between MFI, gold loan and MSME within the Asirvad microfinance book and correspondingly the GNPA and net NPA number for these 3 segments within the Asirvad Microfinance. That is my first question?

Bindu A. L.: In the slide 9, we have given the microfinance AUM split up, so the MFI book is Rs. 9,133 crores and gold loan Rs. 818 crores and MSME is Rs. 61.8 crore of which the maximum NPA coming from microfinance book is around 5.8%. Gold loan is below 2 only.

Gaurav: Second question is like there were some media articles, some talks in the online platforms also that some private equity investor is willing to take some stake in the listed entity, right, Manappuram, so are there any serious discussions where promoters are looking to exit or they want to on board some strategic investors within the listed entity, Manappuram Finance?

V. P. Nandakumar: It is quite common to have discussion, but the discussion doesn't mean that we have reached anywhere.

Gaurav: No, sir. Question or intent behind asking that question was because when we look your nearest peer within the gold finance industry quarter-on-quarter, they are just growing like anything, right and they are establishing yes, we are the market leader and that is what they are doing as a leader vis-a-vis the performance of Manappuram doesn't seem that good, to be very honest, right. Even you will appreciate that fact the performance is not at par what the second largest player must display vis-a-vis the number one player is displaying. So either there is not much interest from the management to grow the business or things are not working in line, or they need some fresh blood, right? Some new generation leaders within the business that they want to operate the business and take it to the height where Manappuram deserve it, right. So that was the intent. Maybe your thoughts on that line if you would like to share will be a great help to the investor community?

V. P. Nandakumar: The pricing there is an advantage as far as the customer is concerned. So there is a pricing difference. We are trying to gradually match that. We can't do that all of a sudden. So gradually it takes some time. So the difference in pricing between them and us, it is getting it actually rolled down. You can see that narrowing down going forward. Even now, you will see gradually.

So that will help us definitely to grow at their rate. It is only a question of time, so whatever is the difference it will narrow down gradually.

Gaurav: Sure. Last question, if you may allow me, considering the intensity of competition like one of the players was again debarred by the RBI has now revised their gold loan lending operations and some of the other NBFCs like Bajaj Finance Group, Aditya Birla Capital, right and recently L&T Finance also acquiring some of the gold loan portfolio from one of the another NBFCs, right. So how do you see the intensity going forward in couple of next quarters, right, specifically, if you look our position at the second largest gold loan provider in the Indian NBFC space?

V. P. Nandakumar: See, whichever sector is seen attractive, there are many players would like to enter. In the past also, there had been many attempts, but only very few who could succeed in that because we have a challenge is, see how to manage the rules, which are entirely different from the other NBFCs. So we need to have the branches, we need to have very skilled, highly skilled people to appraise bond, etc., these are all done physically without any technology support. So it is a highly skilled job. So aggregating everything is the challenge. How much time it will take that was the challenge for the players who intended to start this business even 10 years back.

Gaurav: Thanks a lot. Thank you.

Moderator: Thank you. Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you.

V. P. Nandakumar: Thank you so much for your very good question. We expect that we have answered to your satisfaction. We tried to do that and we look forward for your cooperation and support. Thank you.

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