Date: February 2, 2024

To,

BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Wing,
Rotunda Building,
P.J. Towers, Dalal Street, Mumbai 400 001

Scrip Code: 544055

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai 400 051

Scrip Code: MUTHOOTMF

Dear Madam/Sir,

Sub: Transcript of Investor Conference Call of Muthoot Microfin Limited – Unaudited Financial Results for the quarter and nine months ended December 31, 2023

This is with reference to the intimation dated January 24, 2024, filled with stock exchanges, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, regarding the investor conference call to discuss the financial results for the quarter and nine months ended December 31, 2023, which was scheduled on January 30, 2024.

We are enclosing the transcript of the earning call and the same has been uploaded on the website of the Company and can access on the below mentioned link;

https://muthootmicrofin.com/wp-content/uploads/2024/02/Investor-Call-Trancsript-Q3.pdf

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,
For **Muthoot Microfin Limited**

NEETHU AJAY

Digitally signed by NEETHU AJAY
Date: 2024.02.02 18:44:06 +05'30'

Neethu Ajay
Company Secretary and Chief Compliance Officer
Membership No. A34822

"Muthoot Microfin Limited Q3 FY2024 Earnings Conference Call"

January 30, 2024

ANALYST:	**MR. SAMEER BHISE – JM FINANCIAL SERVICES**
MANAGEMENT:	**MR. THOMAS MUTHOOT – MANAGING DIRECTOR - MUTHOOT MICROFIN LIMITED** **MR. SADAF SAYEED – CHIEF EXECUTIVE OFFICER - MUTHOOT MICROFIN LIMITED** **MR. UDEESH ULLAS – CHIEF OPERATING OFFICER - MUTHOOT MICROFIN LIMITED** **MR. PRAVEEN T – CHIEF FINANCIAL OFFICER - MUTHOOT MICROFIN LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the 3Q FY2024 Earnings Conference Call of Muthoot Microfin Limited hosted by JM Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sameer Bhise from JM Financial. Thank you, and over to you, Sir!

Sameer Bhise: Thank you Muskan. Good morning everyone and welcome to the maiden earnings conference call of Muthoot Microfin Limited. First of all I would like to thank the management team of Muthoot Microfin for giving us the opportunity to host the call. From the management team today we have Mr. Thomas Muthoot, Managing Director, Muthoot Microfin Limited, Mr. Sadaf Sayeed, Chief Executive Officer, Mr. Udeesh Ullas, Chief Operating Officer, and Mr. Praveen T, Chief Financial Officer of Muthoot Microfin. We will have a brief overview on the quarter and the business from the management team post which we will open the floor for Q&A. With that, I would like to hand over to Mr. Sadaf Sayeed for his opening comments. Thank you and over to you Sir.

Sadaf Sayeed: Thank you Sameer. Good morning everyone and welcome to the maiden earnings call of Muthoot Microfin Limited. Let me also inform you that we had a great quarter this financial year. Just to set the context because this is the first earning call, just wanted to introduce the group a little bit. We are a part of Muthoot Pappachan Group. It is a 137 year old conglomerate with 80 years of experience in financial services. The core is the bottom of the pyramid so our flagship company is Muthoot Fincorp. We have another listed company Muthoot Capital Services which focuses on two wheeler finance and we have a Muthoot Housing Finance company also but we are focused on micro finance. Muthoot Microfin is focusing on financial inclusion and digital inclusion of customers. We focus on providing joint liability group loans at the bottom of the pyramid where we form groups of ladies 10 to 15 and we provide loans to them over a period of time. The USP that we bring to the table is that we are a well established business backed by a well known promoter group Muthoot Pappachan Group. Mr Thomas Muthoot who is the managing director is a part of the family, apart from that we have Mr John Muthoot who is the group chairman who is also on our board and Mr George Muthoot who is the non-executive director on our board so all the three members on our board apart from their wealth of experience they bring in the initial capital that has been infused into the company around 342 Crores so far they have infused in the company. Also the USP of all our businesses are focused at the bottom of the pyramid and Muthoot Microfin really focuses on financial inclusion and getting the customer into the formal segment of financial inclusion and we focus at customer household as a life cycle need provider of a customer so we not only provide micro finance but as the customer progress in its financial inclusion journey, we graduate that customers and provide them additional loan like home improvement loan, MSGB loan which is gold backed loan, two wheeler finance if the customer needs. We also provide that. We had a very successful IPO recently where we had 11.5 times subscription of our shares.

We raised around 960 Crores through the IPO in which 760 Crores was primary capital. After the issuance of the capital, Muthoot family and Muthoot Fincorp which is our largest promoter hold around 55.4% stake. GPC who has been our private equity investor before the listing they continue to hold 15.13% stake, Creation which is a Chicago based private equity firm they continue to hold around 7.6% stake and after the IPO we have around 10.2% stake which is hold by non institutions and around 3.18% domestic institutions and around 6.28% by foreign institutions and apart from that there is a 2.03% stake which is held by ESOP trust that is there. We have a strong governance model. We have a strong board. We have a 10 member board in which five independent members are there. Mr TS Vijayan who was earlier with LIC, chairman of LIC is on our board. We have Ms. Bhama Krishnamurthy she is on our board. She was earlier with SIDBI. We have Ms. Pushpy Muricken who is in on our board. We have Mr. Anand Raghavan who was earlier with E&Y who is a qualified chartered accountant he is on our board. We have Mr. Alok Prasad who is an industry veteran earlier with RBI and he is on our board. Apart from that we continue to have representation from GPC and Creation Mr. Akshay Prasad represents GPC on our board and Mr. Tyler Day continues to represent Creation on our board and we have the three promoter brothers Mr Thomas Muthoot, Mr. Thomas John Muthoot and Mr. Thomas George Muthoot on our board so that is the board structure that we have.

In terms of IPO proceeds, we received around 760 Crores of primary capital. The listing happened on 26th of December so we had only limited period in this quarter to utilize that money so a part of that money has been utilized in the quarter that we are talking about, but larger part of that fund has been utilized in the Q4 so as we speak all of that money has already been utilized for our business. Coming to the overall performance of the company. The company has shown great performance in the last quarter. Our asset under management year on year has grown by 38.6%. We have reached around 11,458 Crores of asset under management. In the last quarter we disbursed 2,592 Crores worth of loan which is a 20% growth year on year as compared to last financial year same quarter. In terms of our branch network, our branch network has reached around 1,424 branches. We have already reached the number of branches that we had projected for the full financial year, so all the investment that needed to be put in place for the infrastructure has already been done. The last quarter is absolutely clean for our growth so we are ready for that. In terms of our client base our active client base has reached to around 3.28 million which is a growth of around 26.7% year on year on our client base, the same period last year we were at 2.59 million clients. We have 13,067 employees in our company. Our core which is the strong credit underwriting and strong collection remains intact. Our collection efficiency remains 98.4%. We have seen significant improvement in our portfolio quality. Our GNPAs have come down 120 BPS year on year. It has come down to 2.29%, quarter on quarter also we have seen an improvement of 8 BPS in our GNPA. Our net NPA remains very low, it is around 0.33% and we continue to carry 86% provision coverage on our NPA. In terms of loans, we are at around 4.02 million loans that we have sanctioned so far. In terms of our financial performance, our income has grown by 52.6% year on year to 584 Crores. Our PPOP has increased to around 182 Crores which is a 72% growth year on year from 106 Crores last financial year same quarter. Our PAT has grown to 124 Crores which is a 119.1% growth on year on year and our ROA has reached around 4.5% stand-alone for that quarter and ROE has reached to around 26% for stand-alone for Q3.

All of this is backed by improvement on our NIM. Our NIMS have improved to around 12.7%. Our operating cost is around 6.07% but the larger impact has come on from reduction in the credit cost. Our credit cost has reduced from 3% which was last financial year for the full financial year to around 1.5% for this financial year because of improved underwriting and our ability to ensure that we get collection. Our incremental cost of fund has also reduced to around 10.41. Our overall cost of fund remains at 11.2% which is stable, but our incremental borrowing that we are doing is reduced to 10.41 and we believe that we will continue to ensure that we access cheaper funds and there would be further benefit in terms of borrowing at a cheaper rate. We will decide to pass on some benefit to our borrowers also. We may cut rate but at the same time we will ensure that our net interest margin remains at where they are around 12.7% and as we progress, the portfolio that we have originated earlier at a lower yield is maturing and the portfolio that we have originated at a higher yield is now coming in the balance sheet so our net interest margin will remain where they are.

If you look at our performance year on year and quarter on quarter in terms of our branch expansion, our branches have grown by 30% year on year and as quarter on quarter they have grown at 5.4%. Our total number of staff has grown to 13,067 which is a growth of 34% year on year and around 6% quarter on quarter. Our number of active borrowers have grown 3.28 million which is a growth of 26% year on year and around 2.6% quarter on quarter. Most importantly the AUM has grown to 11,458 Crores which is a growth of 38.6% year on year and 5.4% growth quarter on quarter. After the IPO, our CRAR has improved to 29.6% which is a significant improvement year on year. We have improved around 6.6% year on year and 9.11% quarter on quarter. Our GNPA I have already told it has reduced by 120 BPS. Our GNPA is 2.29% and quarter on quarter 8 BPS reduction has happened. Our total income has improved to 584 Crores so which is a 52.6% year on-year growth and 3.1% quarter on quarter. Our net interest margins have grown by 53.1% year on year. Our PAT has grown to 124 Crores which is 119% growth year on year and around 13.7% growth quarter on quarter and our ROE has improved and our ROA has also improved. If you look at the full financial year for nine months, the ROA is at 4.25% and ROE is at 24.33%. The most important aspect that I would like to highlight that our asset quality has remained strong despite the floods in Tamil Nadu around seven districts of our portfolio were affected because of TN we had excessive rains. Out of that 25,000 clients were impacted but because we have a prudent policy we take a natural calamity insurance for all our customers and because of which we got claims for all these customers who were affected so our portfolio is not affected at all. The collection efficiency has come back in Tamil Nadu to 99% so our portfolio is not affected because of this and we continue to maintain a robust quality of portfolio. Our overall GNPA is 2.29% but if you look at the portfolio that we have originated post COVID which represents almost 97% of our book, the GNPA in that is 1.2% and this has been achieved by use of robust underwriting processes. We use credit scorecard for underwriting where we have developed the scorecard with the help of Equifax where we identify a customer and categorize them into four category based on various demographic information. We categorize them into low risk, very low risk, medium risk, and high risk and we focus on low risk and very low risk customers. This helps us to identify customers which are low risk and ensure that we increase our wallet share into that in underwriting typically as I explained during the IPO that there are two types of error that a lender can make, one is to lend to a wrong customer and second is to deny right amount of loan to a good customer. So this scorecard helps us to identify a good customer and maximize our wallet share there so because of which we have been able to maximize our disbursements in this. This financial year we have already dispersed around 7,700 Crores of loans out of which around 7,500 have gone to very low risk and low risk customers and among very low risk customers, the delinquency is just 0.41% which is really helping us to improve our asset quality, also in the process we have diversified our portfolio. We have expanded as I mentioned we have reached around 1,428 branches. Our distribution network is more diversified. Around 12% of our portfolio is west, around 14% portfolio is in east, around 23% portfolio is in north. Kerala represents only 16% of our portfolio and 9% of our portfolio is in Karnataka, Tamil Nadu represent around 26% of portfolio. So this diversification has also helped. The most unique aspect of our operation is our focus on digital. We have ensured that our digital collection remains as a leadership position in the industry, 28% of our collections continue to be digital that is directly coming from customer wallet or customer bank into our bank account, which ensures that there is more efficiency in collection. The cost of collection also goes down and also there is a lesser risk of theft or a fraud that is there. We have now reached out of the 3.28 million customers around 1.58 million customers have our customer app Mahila Mitra app downloaded and we have added more new to credit customers. Our focus has been on acquiring more customers so around 2.1 lakh customers have been added in the last quarter out of which around 20% of the customers are absolutely new to credit. Our mix of the portfolio remains healthy, 51% of our portfolio represent existing customers and 49% of our portfolio remains new to Muthoot customers. I think with that I will conclude on my comments. The performance of the company remains strong and we have put all the fundamentals in place and with the good amount of capital infusion, the company is at a strong position in terms of continue to grow. We have a strong team. We have a strong underwriting processes. We have put the branch infrastructure in place and we have good capital flow and also support from the banks. In terms of liquidity, we do not have any challenges. We are actually flushed with funds courtesy to IPO as well as the borrowing that is coming. We anticipate that with the infusion of capital and also with the better earnings and better portfolio quality, we should have improvement in our ratings, which will also help us to control our cost of fund. Definitely our incremental cost of fund has gone down but with the improved rating, we can anticipate further reduction in cost of fund and we think that retaining at 12.7% NIM and an ROF of around 4.2 to 4.5 would not be a challenge. We have uploaded our investor presentation on our website as well as on the exchanges for the benefit of all the interested parties. We have also given our guidance for the quarter. I am happy to take any further calls or any queries that are there. Over to you Sameer.

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

Uday: Hello thank you for the opportunity. I just wanted some colour on the Nat Cat insurance that you have taken so could you quantify the amount of benefit received due to it in terms of GNPA or credit cost or in any other manner.

Sadaf Sayeed: So if I quantify that we have received a claim of around 3.2 Crores in the last quarter and subsequent to that in the January month we have further received around 3 Crores of claim around small amount of 75 lakhs is pending which will also come in next couple of days so around 7 Crores of claims we have received which represents two instalments of the customers so if you look at the portfolio which was impacted was 110 Crores of portfolio that was impacted, but because of this Nat Cat insurance that portfolio remains current and in fact in the subsequent month the customer has started paying also and we are reaching a 99% of collection efficiency so hindsight if I can say that 110 Crores could have been impacted if we did not had Nat Cat insurance and that would have gone to zero plus bucket.

Uday: Thank you that was very useful and secondly you have shared a table on slide 15 where I can see some of the district you mentioned that Nat Cat cover is say around 87-95% so this is primarily on account of higher ticket size on this district since your Nat Cat is limited to 50,000 if I am not wrong.

Sadaf Sayeed: Yes correct, so the Nat Cat insurance amount in certain old cases is limited to 50,000 in the new incremental policies we are taking a cover of 1 lakh rupees so that is where the cover is around 87% because that covers the loan up to 50,000, but basically that covers the two instalments that we want that to cover.

Uday: Okay and lastly on the average ticket size that you have mentioned for Q3 can you give the same number for Q2 in terms of very low, low, and medium.

Sadaf Sayeed: Yes in the Q2 the average ticket size was around Rs.48,000 and among the very low customers we were at around 51,000 and among the low customers we were at around 49,000 and among the medium customers we were at around 45,000.

Uday: Okay Sir thank you that is it from my side.

Moderator: Thank you. The next question is from the line of Abhishek Das from Pramerica Life Insurance. Please go ahead.

Abhishek Das: Good morning gentlemen. First of all many congratulations on your listing and congratulations on a very good set of numbers for this quarter as well. I have a couple of questions so the first question is we have seen this improvement or reduction in your cost ratios namely your cost to income as well as opex, so I just wanted to get a sense of how that has happened considering you have been expanding and we have seen your branch expansion increasing by about 31% so where is that improvement mainly coming from.

Sadaf Sayeed: So couple of things have happened over the last couple of years. If you look at our average outstanding per branch which was around 6 Crores during the COVID period if you look at FY22, 6.5 Crores, it has gradually gone to around 8.1 Crores outstanding per branch even though when we have expanded almost around 500 branches in last two financial year so that operating leverage is there. Apart from that we have used lot of technology in underwriting and also sourcing business so we have a app called Mahila Mitra app which is now downloaded by 1.58 million customers so with this app the customer can pay the instalments digitally and also they can check their loan, track record, and even some of the customers who are regularly transacting on that we have offered them a suvidha loan which is a loan that they can draw completely digitally online. We just do the verification which is a one day verification process at the branch just to check the credential of the customers are correct so those efficiencies have really helped us to bring the cost of operation down.

Abhishek Das: So essentially the operating leverage and the use of technology that is primarily effected this and how long do you think it will take for the collection efficiency to sort of exceed that or reach or exceed the 99% levels.

Sadaf Sayeed: So we believe that we can sustainably maintain 99% collection efficiency. I think the industry as an outlook has maintained around 99% collection efficiency since a very long time only baring the events. We feel that we can continue to maintain that, more important point is the credit cost. We have a credit cost of around 1.48% and we had projected a credit cost of around 1.7% so we are much below our projection and we believe that this will continue to remain as the portfolio quality improves and despite that we continue to carry a provision coverage of 86%, which is a healthy provision coverage and currently like we are going we are an Ind AS govern company so we go by ECL model of calculation, as the ECL model progresses into a normal business environment, the default projections will come down so the credit cost will also come down in terms of provision. If you look at currently based on ECL model and based on IRAC norms if you calculate we are providing almost 48 Crores more than what IRAC norm recommendations were.

Abhishek Das: So on the asset quality side I mean it is more or less under control so the last question that I have is essentially I mean going forward we are expected to witness this 38, 39% kind of growth in the asset side? Would that be a sustainable level or would it sort of normalize around the 30, 35 range?

Sadaf Sayeed: See we have a CAGR growth rate of last five quarters if you look at is at around 34% and we believe with the infrastructure we have put in place and the customer acquisition that we are doing we can continue to sustain that growth rate of 34%.

Abhishek Das: Okay all right thanks a lot if I have any further questions I will come back in the queue.

Moderator: Thank you. The next question is from the line of Rahul Misra from RTL Investments. Please go ahead.

Rahul Misra: Thanks for taking question and the phenomenal quarter. I was just trying to wrap my head around the fact that you mentioned that your incremental cost of funds has come off quite a bit and that your yields on advantage will actually get higher as you repay and we heard from some of your competitors that the regulator seems to be keen on passing lower costs of funds to the customer so how should we think about that?

Sadaf Sayeed: No definitely we will pass on some of the benefits of efficiencies to our borrower but at the same time we will continue to maintain the yields that we are currently maintaining in terms of NIM sorry so we have a NIM of around 12.7% and it is on the back of a mixed portfolio which is originated with the older yields and post the new regime, the bulk of the portfolio is originated after the new regime so as most of the portfolio comes in the new regime the yields will improve on the overall portfolio and this will give us an opportunity to pass on some benefits so both on the yield side we have an upside and also on the cost of fund we have a upside, we will continue to maintain our NIM at around 12.7%, 12.8% but at the same time a benefit of our reduction in cost we will pass on to our borrower also. So we are already contemplating in our risk management committee based on our pricing model. We are recommending a 25 basis reduction 25 to 55 basis reduction to our customers who are in the low risk and very low risk category.

Rahul Misra: Thank you and secondly on credit cost and I mean obviously funds are very good and you have done a very good job, but just from a slightly longer period of time how should we think about you know credit cost say over a cycle of three or four years for you?

Sadaf Sayeed: Yes I think that is a very good question. So we are going through a phase which is a purple phase for microfinance industry if you look at across the country, microfinance has really improved since the regulations were liberalized by RBI there are three four things, one is on the freedom of pricing so people have been able to price based on the risk and the credit cost, second is the definition of the household of microfinance which was improved from Rs.1.25 lakh to Rs.3 lakh now so which allows us to focus on customers who are more credit worthy also I think the most critical policy change was bringing in harmonization among all type of lenders in microfinance space so there was a regulatory arbitrage earlier that there were lending norms like two lender norms were applicable to NBFC-MFIs but not applicable to banks or SME but now everybody has to follow the FYR norm and companies like us who are sophisticated in terms of underwriting, we are able to implement that very effectively and ensure that our underwriting is strong which is really helping us to reduce the cost in terms of cost of credit and that is what is helping industry to become much more robust and overall I think the credit cost has come down but I feel that you should build a credit cost of around 1.5 to 2% in this business and that is what our projection is, we have projected around 1.7% credit cost, the ultimate result may be slightly better than that but I think in the long run one should look at around 1.5% to 2% kind of a credit cost in this business.

Rahul Misra: That is very helpful. Thank you very much.

Moderator: Thank you. The next question is from the line of the Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you for the opportunity. How is your state wise distribution, what is your policy in terms of concentration risk?

Sadaf Sayeed: So we have a multi-prong strategy if you look at slide 16 of our presentation, we have outlined our distribution network as in branch per state also and also in terms of our AUM our consideration regulation as per our board direction is that we have actually three levels of check one is that our asset under management on book should not be more than 25% in any state as of now our AUM at Tamil Nadu is 26 but on books is much lesser and second is that less than 5% AUM in any district so if you look at all our branches none of the districts have more than 5% AUM, the highest is only in one district which is around 3% and third one is we have restricted our AUM per branch to around Rs.12 Crores so we believe that unit of risk in this business is a branch so if we ensure that our unit of risk is under certain controls and it does not go out of proportion then we have a greater kind of a control so these are the three concentration risk policy that we have followed. Apart from that we have diversified our portfolio quite a bit so around 12% of our AUM is today in West, 14% of our AUM is in East, 23% of our AUM is in North around 9% % of our AUM is in Karnataka and around 16% of our AUM is in Kerala and 26% is in Tamil Nadu. Kerala and Tamil Nadu as overall portion of the share of the pie is reducing and the North, West and East are gaining so that is how we are controlling the concentration risk.

Tushar Sarda: Okay and are you primarily rural or urban?

Sadaf Sayeed: We are primarily rural, 96% of our branches are in rural area and our growth strategy is also acquisition of more customers rather than leveraging on the same customer and increasing ticket size we are focusing more on acquiring new customer and ensuring that we give the right amount to the right customer.

Tushar Sarda: Okay and what is your policy with respect to securitization or assignment how much of portfolio will be on book, how much will be off book and what do you prefer securitization or assignment?

Sadaf Sayeed: That is a great question again so of course direct assignment and PTC are a very good source of raising funds for us, but at the same time direct assignment with the off balance sheet portfolio kind of creates an income variation when the transaction does not happen so we have made sure that not more than 15% of our AUM we will keep off balance sheet so as per PTC accounting standards it remains the same in terms of our portfolio on balance sheet and accounting perspective in terms of our risk so PTC will continue to do but both put together combined we will not be more than around 20%.

Tushar Sarda: Okay thank you very much for answering my questions.

Moderator: Thank you. The next question is from the line of Shreyas Pimple from JM Financial. Please go ahead.

Shreyas Pimple: Thank you for the opportunity. My question was on actually the yields, what is our product wise yield on the book?

Sadaf Sayeed: So if you look at our portfolio our 96% of our portfolio is income generating loans in that portfolio if you look at our yields range from 22.5% to around 24.95% as of now. It is dependent on the risk profile of the customers and the area that we are operating based on that, but the average yield on that portfolio is around 23%. Our yield on the other portfolios which is Muthoot small and growing business which is a gold backed loan is also around 23% and our yields on individual loans is around 21% that we do which constitutes around 1.8% of our portfolio currently, but in the coming months we may increase that portion.

Shreyas Pimple: Understood so you are saying that depending on the risk in micro loans you offer yields of 22.5 on the lower range and 24.5 on the higher range right?

Sadaf Sayeed: Yes 24.9 at the moment but going forward we might cut our rate from 55 bps to 25 bps based on the risk profile of the customer.

Shreyas Pimple: Understood and the second question was on the expansion strategy I mean we are going into newer geographies what is the expansion strategy, how do you decide branch locations, distributions and the origination of loans in those geographies?

Sadaf Sayeed: So we look at immediate growth so we go continuously to the states wherever we are we go to the neighbouring state but we have a very well established kind of a policy of understanding the market so we have a specific business development team which whatever new geography that we are going does a complete thorough analysis of that geography, they develop a business development report which includes both primary data and secondary data. Primary data they understand what is the population, what is the female population, what is the kind of income generating activities that are happening, what are the kind of loans that are being provided, then we take secondary data from the credit bureau in terms of delinquency, in terms of the past delinquency or is there any other issue in that district or the branch area that we have identified and based on the feedback of that business development report, we identify the pin codes that we want to operate in and that is how we expand and the selection of a state is based on the geographic expansion we decide like for example this financial year we have decided to expand our geography to Andhra and Telangana because those states have opened up for microfinance again so that is how we expand.

Shreyas Pimple: Thank you, thank you so much for answering the questions.

Moderator: Thank you. The next question is from the line of Ganesh Shetty an individual investor, please go ahead.

Ganesh Shetty: Congratulations for good set of numbers, so as NIM is around 12%, can you please mention what is the industry standard for microfinance companies for NIM?

Sadaf Sayeed: So currently if you look at the leading players they are operating in the same range around 12.7 to 12.9% net interest margin. There was a time when some of the leading players were at a higher NIMs but I think around 12% to 12.5% or 12.75% is a sustainable NIM that we can. Definitely we want to also pass on the benefit of reduction in cost to our borrower and I am sure in the industry you will see more and more microfinance companies coming out and cutting cost in terms of their lending rates but I think in a sustainable manner 12.5% NIM is what we can expect in this business.

Ganesh Shetty: So my second question…

Sadaf Sayeed: Those are large scale NBFCs sorry.

Ganesh Shetty: Sir my second question is regarding the average ticket size of our loan to retail investors and also I wish to ask whether we are having planning to tie up with any private sector banks for fund so that you know the cost of funding can reduce to sustainable levels and we can increase our NIM. Thank you and all the best sir.

Sadaf Sayeed: Thank you very much. In terms of our average ticket size the average ticket size has improved for the lower risk category customer we are offering around Rs.54,000 in terms of ticket size which is almost 80% of our lending if you look at blended it is around 53,000 in the ticket size category. In terms of second part of your question we have tied up with Axis bank for co-lending business but that is again a strategy to ensure that we have continuous flow of fund and also we are able to offer better rates to our customers and we are also exploring other co-lending tie ups but at the same time we will continue to grow our own book balance sheet which is growing at 34% CAGR.

Ganesh Shetty: Thank you very much sir, that is all.

Moderator: Thank you. The next question is from the line of Jegadees Sharma an Individual Investor, please go ahead.

Jegadees Sharma: Congratulations for the great set of numbers. I just have one question what is your assessment on the microfinance asset quality at the industry level and what would it be in next two to three years because there is a lot of noise and talk regarding RBI controlling and all this things so what is your take on that.

Sadaf Sayeed: I think one of the things that I want to clear the air on there is a little bit of a wrong understanding on the unsecured loan part that RBI circular on the higher risk weightage which has come out which clearly outlines actually that microfinance does not fall into the category of consumption loans so I think that is very clear and that I think circular is very good, RBI has been prudent regulator and they have done a great job and that will ensure that the unnecessary lending or excessive lending which was happening in that space will not happen in the form of personal loans or loans which were happening in the digital app based loans and other stuff, microfinance is a loan which is for specific income generating purposes so I think that does not fall into the consumption loan category and that circular will have an advantage for microfinance on three parts, one is the excessive lending will stop so the borrower will not become over leveraged and there would be more opportunity for microfinance to lend, second on the higher risk weightage the RBI has not imposed higher risk weightage on microfinance companies as well as any lending which is done by the lender like any bank to microfinance companies that will also ensure that we have more and more flow of funds to NBFC-MFIs for generating microfinance loans so I think from that perspective microfinance is quite insulated and in terms of the credit cost, as I said previously this is a business where you have to build a credit cost of around 1.5% to 2% right now it is a purple patch for microfinance so credit cost for all the companies are very less we are seeing 99% collection on-time and the industry has been very prudent so certain intervention such as like Nat Cat insurance that we have taken and also an FYR based lending will ensure that there is no over leverage and also the RBI policy of uniform underwriting guidelines for all type of lenders the harmonization of the regulation will also ensure that there is no arbitrage of lending and there is no unnecessarily over leveraging so all of that will ensure that the microfinance sector continues to grow in a sustainable manner. The two SROs in the industries are very active. I sit on one of the board of the SROs, I sit on the board of Sagar we are regularly interacting with the regulator and the ministry and the regulator is pretty happy with the contribution that microfinance has made in terms of financial inclusion and now digital inclusion also and they will emphasize on this and I anticipate even in the budget there would be something specific to that microfinance, but I do not see any short-term challenges, but in the long run for any investor for anybody who is analyzing this business you will have to make sure that you build in a credit cost of 1.5% to 2%.

Jegadees Sharma: Okay thanks, so one last question. How would you use IPO money like are you venturing into new sector or like in terms of new division or how are you going to utilize that fund?

Sadaf Sayeed: So those funds are already utilized for lending further so we are utilizing that for augmenting capital base ensuring that we leverage on that and borrow more money and continue to grow our business by lending that money so that money is being deployed for offering further loans to our customers.

Jegadees Sharma: Okay sir. Thanks sir. All the very best.

Moderator: Thank you as that was the last question from the participants I now hand the conference over to Mr Sameer Bhise from JM Financial for closing comments.

Sameer Bhise: Thank you everyone for joining the call today and a big thank you to the management of Muthoot Microfin for giving us the opportunity to host the call. You may now disconnect. Thank you so much.

Moderator: On behalf of JM Financial that concludes this conference. Thank you for joining us and you may now disconnect your lines.