



Muthoot Finance Limited

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June 05, 2024

National Stock Exchange of India Ltd.
Exchange Plaza
Plot No. C/1, G Block, Bandra - Kurla
Complex, Bandra (E), Mumbai - 400 051
Symbol: MUTHOOTFIN

Department of Corporate Services
BSE Limited
P.J. Tower, Dalal Street
Mumbai - 400 001
Scrip Code: 533398

NSE IFSC Limited (NSE IX)
Unit 1201, Brigade, International
Financial Center, 12th Floor, Building
No. 14-A, GIFT SEZ Gandhinagar,
Gujarat 382 355

Dear Sir/Madam,

Sub: Transcript of the Analyst call on Audited Financial Results (Consolidated and Standalone) for the quarter and year ended March 31, 2024.

In continuation of our letter dated May 24, 2024, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the analyst call made on May 30, 2024, on the Audited Financial Results (Consolidated and Standalone) of the Company for the quarter and year ended March 31 2024, is available on the Company's website at <https://www.muthootfinance.com/analyst-call>

Thank You,
For **Muthoot Finance Limited**

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ACHUTHA
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RAJESH ACHUTHA
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Date: 2024.06.05
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Rajesh A
Company Secretary
ICSI Membership No. FCS 7106



“Muthoot Finance Limited
Q4 FY'24 Earnings Conference Call”

May 30, 2024



MANAGEMENT: **MR. GEORGE MUTHOOT – MANAGING DIRECTOR – MUTHOOT FINANCE LIMITED**
MR. ALEXANDER GEORGE – WHOLE-TIME DIRECTOR – MUTHOOT FINANCE LIMITED
MR. GEORGE M. ALEXANDER – WHOLE-TIME DIRECTOR – MUTHOOT FINANCE LIMITED
MR. GEORGE M. GEORGE – WHOLE-TIME DIRECTOR – MUTHOOT FINANCE LIMITED
MR. GEORGE M. JACOB – WHOLE-TIME DIRECTOR – MUTHOOT FINANCE LIMITED
MR. EAPEN ALEXANDER – EXECUTIVE DIRECTOR – MUTHOOT FINANCE LIMITED
MR. K.R. BIJIMON – EXECUTIVE DIRECTOR – MUTHOOT FINANCE LIMITED
MR. OOMMEN MAMMEN – CHIEF FINANCIAL OFFICER – MUTHOOT FINANCE LIMITED

MODERATOR: **MR. SANKET CHHEDA – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Muthoot Finance Limited Q4 FY'24 Earnings Conference Call 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanket Chheda from DAM Capital Advisors. Thank you, and over to you, Mr. Chheda.

Sanket Chheda: Hello, and very good evening to all of you. We have with us the entire management team of Muthoot Finance to discuss their Q4 results and the strategy ahead. So from the management side, we have Mr. George Alexander Muthoot, who is the Managing Director; Mr. Alexander George, who is Whole-Time Director; Mr. George M. Alexander, who is Whole-Time Director; Mr. George M. George, who is also Whole-Time Director; George M. Jacob, Whole-Time Director; Mr. Eapen Alexander, who is ED; and Mr. K.R. Bijimon, who is Executive Director; and Mr. Oommen Mammen, who is the CFO.

Without further ado, I'll hand the call over to MD sir for their opening remarks followed up by question and answers. So over to you, sir.

George Muthoot: Thank you. Good evening to all of you. So we are glad to announce another year of remarkable growth and achievements for the company. Our consolidated loan assets under management crossed the milestone of INR89,000 crores and stand-alone AUM has crossed the milestone of INR75,000 crores.

The consolidated assets under management increased by 25% year-on-year and the stand-alone assets under management increased by 20%. The contribution of subsidiaries on loan assets increased to 15% from 12% last year, reflecting our strategic diversification efforts. The consolidated profit after tax for the financial year '24 increased by 22% year-on-year and stands at INR4,468 crores.

The contribution of subsidiaries in the consolidated profit after tax also increased to 10% from earlier 6%, underlining the resilience of our diversified business model. With a strong focus on Muthoot Finance vision to emerge as a diversified services group, financial year '24 was a year of transformation for us.

Apart from consciously pivoting our efforts towards growing our non-gold loan book, we also focused on strengthening our digital strategies for a transformative growth across our product portfolio. Despite the various industry hiccups, we have continued to maintain our position as leader in the gold loan industry and capitalized on the strong growth opportunities in affordable housing in macro finance, in personal loans, small business loans and vehicle finance. Further, the robust domestic consumption growth growing the middle class segment and rising aspirations provide ample opportunities for future growth.

We embark financial year '25 on a positive note and shall continue our vision to grow the share of gold loan subsidiary -- non-gold loan subsidiaries to 18% to 20% in the next five years. We also take immense pride in achieving a loan growth of 20% as against the guidance of 15% in this financial year.

In Q4, the stand-alone loan assets under management witnessed a historic high of INR75,827 crores, driven by the robust growth in gold loan of 3,657 in that quarter low. The stand-alone profit after tax for the financial year increased by 17% year-on-year and stands at INR4,050 crores. This year, we also achieved the highest ever gold loan advance to new customers of INR16,415 crores, reinforcing our position as a trusted partner in the gold loan industry.

Complementing our core gold loan business, our non-gold loan business offerings continued to gain traction with our micro finance loan, personal loan, above loans paying a pivotal role in diversify our overall loan book. The housing finance arm achieved a disbursement of INR815 crores in the financial year as against INR223 crores in the previous financial year.

The micro finance arm also witnessed upward trend, increased loan assets under management by 62% year-on-year, reaching INR10,023 crores and profit after tax by 161% to INR340 crores. As part of our transformation journey in financial year '24, we also focused on boosting our digital business adapting new technology savvy millennials and general [Zip 0:05:31] customers.

Our physical strategy has yielded positive results with critical infrastructure already in place. We are confident that the impact of regulatory norm of 20,000 cash disbursement limit on our business and volumes be limited since it is an industry-wide move. In alignment with strict talents from regulators on the NBFC industry. We also remain committed to maintaining the highest standards of corporate governance and compliance.

During the year, we raised INR480 crores to the 33rd public issue of secured renewable nonconvertible debentures. We opened 225 new branches by the group in the quarter of 2024 across regions, including Bangalore, Goa, etcetera. We also received multiple industrial recognitions as most trusted bank, great place to work, etcetera, etcetera, so with these words,

I would like to now conclude and open the floor for your questions and answers. Thank you.

Moderator: Thank you very much. We now begin the question-and-answer session. The first question is from the line of Digant Haria from GreenEdge Wealth.

Digant Haria: Congratulations on this strong growth, especially on the gold loan side. Sir, question is that we are seeing two things. One is gold prices strengthening by the month, by the quarter. And on the other hand, this whole cash disbursement and regulatory scrutiny on the sector has slightly gone up. So in that interplay of these two things, how do you see the growth panning out in FY'25?

George Muthoot: And of course, as usual, we would give a guidance of 15% minimum guidance of growth in this year also. Last year, we gave a guidance of 15%, but we were able to achieve almost 20%. So we share also anyway, our guidance would be 15%. We will try our best to better it.

Digant Haria: Sir, gold help you more here. You have to -- gold will help you so much this year, the gold price.

George Muthoot: Let's see sir, this is not -- there is still a lot to come.

Digant Haria: Sir. And then generally, how is the discipline in the sector? And because -- see, 2022 and '23, there was too much of indiscipline by a lot of new entrants and all. Do you see those things especially falling in place now?

George Muthoot: Yes. I think there is something which needs to be seen also. Most of the gold loan companies were based on working out of Kerala. They were working out also all over India, but they were regulated by the Kerala-based or Kerala, Trivandrum regulator. So there was a lot of discipline issues and we -- that we always had good interactions with the regulator here. And I have -- we have never come across any such -- what should I say, indiscipline, as you say, in any of the companies based here.

All this has come because when people see one industry or one sector or one -- a few companies growing well, probably in the gold loan sector, many want to enter, but they don't realize that this is a very operationally intensive business. That is the biggest challenge here, which I have been saying over the last many quarters, just because somebody is just having some funding, etcetera, or things like that, they cannot simply start a gold loan company. The moment they start, initially, it will be good. But the moment they reach 300, 400 branches, etcetera, all these challenges come up. And that is what is happening here.

And as you said, indiscipline has never been the practice in the Kerala-based NBFCs and I'm sure continuing with that also, we will be maintaining that. Now that you have asked about this, I think the regulation about the INR20,000 cash limit is applicable to all, and it has not had any significant effect on any of these disbursements and we see quite good traction even in this year even in this quarter. So we would see good growth coming in spite of all this because all the companies will have to abide by this INR20,000.

Only customers who definitely want cash, etcetera, may go to unorganized sector. But unorganized sector, I don't know whether they have -- they will be able to tackle to all these things. But I'm sure a sense of discipline will come with the NBFCs as well as the with the people. So to answer your question, we see with all these challenges, etcetera, also good NBFCs, well run NBFCs will have great place in this business, and they will continue to.

Digant Haria: Perfect. Sir, second question is on the non-gold business. Like in the last decade, we incubated 3 new businesses The micro finance, home loans and this vehicle finance. Micro finance has grown to a good size. Home loans seem to be turning around. So in this decade, which will be that a large business, which will grow to, say, INR10,000 crores kind of loan book? Because micro finance has now reached that, which could probably be the next one, say, over next 3, 4, 5 years.

George Muthoot: We have also started salaried personal loan and SME loans, etcetera, along with this. The vehicle loan business, probably if you ask me personally, we don't see a very big prospect because the because the sector is very crowded and we don't have much strength their. Of course, it will be

there, but it will be muted. But we see good growth in these probably, as you said, in the micro finance. In the home loan sector, I think we have a new set of team there. They will definitely grow well home loan sector and also in the personal loan sector also. Because in the personal loan sector also, most of these new sectors, we are picking of maybe giving a cross-sell to many of our gold loan customers.

Because whenever we look at our gold loan customers, we realize that they have taken a personal loan or a home loan or a business loan from elsewhere. So why don't we retain that customer, we give the same loan. That is the thought behind this non-gold business. So, as I said, as we were saying, we will reach the 20% maybe between in 3 to 5 years' time. 20% of non-gold loan business.

Digant Haria:

The last question is probably for Oommen. But if you do the same thing this year, you guide 15% and you achieve 20%. What happens on the liability side? Are enough borrowings available at reasonable rate because right now, there's some tightness in the borrowing market.

Oommen Mammen:

So in terms of the borrowing, probably you are aware that we have done a U.S. dollar bond issuance. We raised USD650 million. So that helped in liquidity. Now we are also raising NCDs through tight placement in the domestic market. I think now with the financial results are getting announced, I think the bank borrowings also will happen with the newer opening. So bank funding also will come.

And certainly, the retail institutions also is going to support in terms of the liability requirement. So, of course, when there is a general liquidity tighten, certainly the interest rates will go up so that we are already seeing that. But I don't think that it's going to have a material impact on return on assets or probably we'll decide to pass on to the customers.

Moderator:

Next question is from the line of Maruk Adajania from Nuvama.

Maruk Adajania:

Congratulations. Sir, I have a couple of questions. Firstly, if you could explain the movement in provision for this quarter and Stage 2 loans, because there was a sharp increase. So that's my first question. And sir, my second question is a bit of an extension to what Digant asked that your AUM growth has been good and competitive intensity, especially in the last 4, 5 months has been quite low and there are reports that other than a private company, even PSU banks have been pulled up by FM and they've been asked to check their gold lending processes, etcetera.

So the competitive intensity just now maybe the lowest in the last 2, 2.5 years. And say if -- I mean, if some private sector players get off their band and start relending, will that change in a big way? And will that impact our AUM growth? That's my second question. And my third question related to AUM growth again is that a lot of growth has also come from gold price movement and tonnage and customer ads have contributed relatively lower compared to gold prices. So does that change? I'm not talking about gold prices, but does the customer acquisition change in a big way or tonnage assumptions change going forward? Because that is the basic driver of growth, right so?

Oommen Mammen: Okay. Mahrukh, on the ECL provisions, primarily the increase in provisions have come because of the increase in the loan assets.

Maruk Adajania: Okay.

George Muthoot: Regarding the competitive intensity yes, of course, I'm glad that you feel that the competitive intensity has reigned in the last few months. It's not that it is actually, as I was saying in the first half, it is a very operationally challenging business. So everybody who did or how did, I wouldn't say reckless, but we thought thoughtless gold loan business or thoughtless gold loan growth are now finding some skeletons in their cupboard. So that is what is now, I think, what the regulator is also concerned about.

So when people -- when companies probably should say for houses that we go in a calibrated manner with the decades of experience in this and our growth has always been maybe in the 15%, 20% range. So we should see quality also not being compromised. That is what is happening there. So probably as you said, when regulators and the finance ministry, etcetera, ask the gold loan lending institutions and banks to really check their things.

It is because of lack of what should I say, the awareness of the intensity of the operations of this business. That is what is causing trouble there. I think now that the people take a step back and look into what is all these things. Probably they will also come to realize that this is not that easy and that we need to do many, many things before they think of going forward. going forward in a big manner.

Regarding the gold price impact, the small thing is that all these loans are short term. So suppose somebody has a gold loan today. He takes it off -- probably he bought it at the rate of maybe INR3,000 per gram. So he would -- when he's close to say a loan of INR1 lakh, he would take away 33 grams. But when it comes for the next gold loan of INR1 lakh, he need not bring 33 grams. He will bring only maybe 25 grams.

So that is the reason because this is churning because we cannot prevent our customers from not taking the gold. And we cannot ask a customer to go more gold than what is necessary. So when gold price increases, the tonnage definitely will come down -- will have to come down to because we can insist on more gold, etcetera.

Moderator: Participants, please stay connected while we rejoin the management to the call. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected. Sir, go ahead.

George Muthoot: So where did we stop? The gold price, yes madam?

Maruk Adajania: Yes, yes, I can hear you, sir.

George Muthoot: Where did we stop? When did we get cut?

Maruk Adajania: No, you were talking about the tonnage, sir?

George Muthoot: When new customers come, the prices [inaudible 0:20:22] asking of them to bring more gold. So as what we have seen earlier also when the gold price goes up because these are short-term loans earlier loans get closed and those are higher for them the gold price was lower at that time. So they will have given more gold. But the new process takes the same amount of loan, they give only lower amount of gold. So I think that is a relevance there.

Oommen Mammen: Mahrukh, also if you see, between December and March, the number of loan accounts also has gone up by almost 2 lakh numbers. And a number of customers also has gone up by about 1.2 lakhs. So that is a significant achievement. No, it is not simply a function of a gold price increase. So the price of the gold increase.

We cannot say that no we will not give the relative increase unless there is a serious concern from a risk management point of view. So we are not concerned about the price. We have to naturally give a LTV which market expects. And also, everyone asked whether there is a tonnage increase. This time, the tonnage also increased by about 4 tonnes.

Maruk Adajania: Got it. And just a follow-up question on the whole ECL -- sorry, the Stage 2 loan, they've grown a lot?

Oommen Mammen: So it is about 1,355, of course, there are a couple of factors. As you should we know -- in the gold loan business, there is not a serious concern in terms of overdue accounts. There will be a lot of accounts where we would have collected interest regularly. Some customers would have paid interest regularly. Just that they have not closed the known. We are also not too much concerned because the price of the gold, the security is adequate.

George Muthoot: We're still in the money.

Oommen Mammen: We're still in the money. So we don't mind giving some more extra time to the customer so that he gets time to repay it.

Moderator: Next question is from the line of Jeet from Pinpoint Asset Management Ltd.

Jeet: My question is on your loan growth guidance of 15% for next year. So how much gold price increase have you baked-in in this assumption? So hypothetically, I'm trying to understand the organic ability of the business to grow without any support from gold prices. So just to frame it the other way, if gold prices don't move for the next year, then what would be your loan growth per se?

George Muthoot: I think -- okay, we'll go to historical data. In the last 2 years or maybe 2 years back also, gold prices had not increased as much as this, but still we were able to grow 15%. So I think that should answer that question. Even when the gold price is not moving or going up like this in previous years, we still did 15% to 20% growth year-on-year. So even with gold price rise or not, we were able to grow the 15%.

Jeet: But then if I look at your active customer growth or your tonnage growth over the last 5 years, that's not a great number, right? I mean that is more indicative of the organic ability of the

business to grow without support of gold prices, right? So if I just look at those numbers, then that does not extrapolate to a 15% growth without any support from gold prices.

Oommen Mammen: You cannot compare this lending business with other source of lending business, See, this is a very short-term product. A customer will come and take a loan, we will close it at related time. The same customer will come back again. So not necessary and the ticket size of these loans are also quite wide.

A customer can come and take a INR5,000 loan also. He can come and take a loan INR200,000. He can come and take a INR500,000 loan also. So the customer addition is not really significant because the ticket size is so wide, unlike in the mortgage business, there is the average ticket size, the deviation from the average number will not be so wide. So the number of customers is not a real factor on this.

But for providing more comfort and see how the business is running, we provide this number. In fact, there will be a lot of inactive customers for us who will come and take a loan at different points of time. So just by saying what is the outstanding number of live customers and does not make a meaningful assessment of the business potential.

Jeet: Okay. Sure, sir. Just second question would be what would be your plans for branch expansion for the next couple of years?

George Muthoot: I think we have -- last year, we have grown about -- last quarter, we have grown about 225 branches. So going forward, we will go -- we will grow our branches maybe 150, 200 every year, yes.

Moderator: Next question is from the line of Gao Zhixuan from Schonfeld Strategic Advisors.

Gao Zhixuan: Congratulations on the results. Just one question on the margin. So why did our yield go up so sharply quarter-on-quarter? And is that sustainable going forward in FY'25?

Oommen Mammen: Can you repeat your question?

Moderator: Sorry to interrupt you, but your voice was breaking. Can you come in a better reception area, please?

Gao Zhixuan: Am I audible?

Moderator: Yes, sorry, we can hear you, but your voice is breaking. Can you check if you have a proper reception at your end?

George Muthoot: Anyway, please try, please try to ask.

Gao Zhixuan: Okay, so my question is on the yield. Why did our yield go up so much on a quarter-on-quarter basis? And is that sustainable going forward? How should we think about it by margins?

Oommen Mammen: So in terms of the yield. So in third quarter, the yield was 17.79%. And in the fourth quarter, it is 18.27%. So the differential interest is about 40 basis points. See in gold loan business, as we always say, it is a smaller ticket size loan. We disbursed about 65,000 loans in a day, a similar number comes back also as a collection. And we operate it across the country and different parts, we follow different schemes. And this scheme now carries a higher rate. We keep -- there will always be a fluctuation and changes in the rates.

And sometimes, we regularly offer rebates to the customers when they come and remit the interest. So when there is a delay in the discounts given to the customers is lower. So when you consider all these factors, the 40, 50 basis points variation is quite normal. So for example, in the first quarter, the yield was 18.08%. It came down to 17.65% in the second quarter. Third quarter, it went up to by about 14 basis points to 17.79%. And in the fourth quarter, it is 18.2%. So these fluctuations are quite normal for this kind of a business.

Gao Zhixuan: So when you say that we -- it's partly because of smaller discounts or lower discounts that are given to a customer. Is it a quarterly phenomenon or going forward because of gold price or because of easier competition. Are we going to give a less discounts? How we should think about that?

George Muthoot: No, it is not that we have different schemes. We have a 12% interest scheme. We have 14%, 16%, 18%, 20%, we have all sorts of interest schemes. So if one geography, the interest scheme of 16% is going up. So the yield would be better. So if one quarter [inaudible 0:29:17] And the yield will be lesser. So overall, the geography, there will always be some ups and downs when people take higher rate loan or low interest loans, etcetera. That is why it is because and also a short term, the average tenure is 4 months only. It's not that we give a 5-year loan and 10-year loan and we increase the interest, no it is given for a very short period. The average tenure is only 4 months.

Gao Zhixuan: Got it, sir. And on the cost of funds, how should we think about it? Should we expect further increase and what's our incremental cost of fund?

Oommen Mammen: No, this quarter, the average borrowing cost is somewhere around 8.45%, 8.5%, which is what the number we had discussed of course there is some averaging impact also. I think that cost of borrowings would be somewhere around 8.65%. The incremental cost of borrowing is almost around 8.8% to 9%. So I think in the coming quarters, I think the overall borrowing costs will move towards 9%. But given the fact we have a wide -- larger return on assets, the impact on the impact because of such increased 25, 30 basis points is not material, we can always decide to pass on this incremental cost to the borrowers also.

Moderator: Next question is from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: Sir, congratulations on a good quarter. Sir, first thing is, I mean, in your stand-alone book, the non-gold portion of the book, I mean, I think it's on a very low base, growing very, very fast. So just wanted to understand, I mean, in addition to a salaried personal loans, what other products are we doing there? And what is the yield maturity of these loans? Also, I mean, the product of personal loans that is often bundled with the gold loan, is it also sitting in the stand-alone book?

George Muthoot: Okay. The loans probably the personal loans are 2 years, 3 years product. The home loans are definitely 5 years, 10- year 15-year product. These are all stand-alone. Nothing is bundled with any gold loan. We only get the data of a customer who has been -- who has dealt with us -- a customer who has dealt with us, we know the customer is there. So we offer him -- yes, you have dealt with us with a gold loan, we've taken a hold on earlier, etcetera, why don't we offer because all these customers take the similar loans.

Oommen Mammen: So just to clarify. So it's not that we have started this business, and we are growing aggressively. Personal loan, we have started almost 8 years back or 8 or 10 years back. And we have been gradually building this book, and we have been gradually building the expert, and we have scaled it up in a calibrated manner. So now we have a good team in place to scale up this activity. We have a proper credit assessment process, there's a continuous engagement.

I think we have engaged McKinsey also in terms of refinement of our underwriting process, and in terms of fine-tuning our operational process. So it's not that we are scaling it overnight. It is almost like 8, 10 years of hard work behind this. And there is a committed team working on this business. And also, we have a business loan book of around INR500 crores [inaudible 0:33:11] and we are scaling up.

So it's not that we are -- probably you might feel that we are got off to scale up, but we just started. If you look at our financials in the past, there is always another loan book, which was always there. It is the -- the initial proprietary mode preparation work, which was done in the earlier years. Now we are getting the benefits of those hard work.

Abhijit Tibrewal: Got it. Sir, but almost INR3,000 crores of non-gold book that we have in the stand-alone region that is unsecured, right, largely unsecured?

George Muthoot: Some of it is the housing loans are secured...

Oommen Mammen: Okay. No, there is a INR500 crores loan given to wholly owned subsidiary, group company, wholly owned subsidiary. Other than that, it is almost unsecured.

Abhijit Tibrewal: Second question that I had is, I mean, a lot of discussion has already happened on gold prices and how it can help gold loan growth? Rather than dwelling on that, I just need to understand, I mean, maybe fourth quarter or these 2 months that you have seen, what proportion of our disbursements are in the nature of top-up loans that are happening?

George Muthoot: Okay. So customers have taken a loan, he may close the loan and take a take fresh loan or he may ask for top-up also. So there is a top-up definitely happening because people -- some people were aware that he is able to get some more money certainly he'll come and take it We don't go after the...

Abhijit Tibrewal: Got it. So sir, where I was coming from is, I mean, across the industry since gold prices are up, right? Very often, we hear a lot of players who voluntarily reach out to customers, given that the effective LTV comes down, we are deep in the money. So a lot of players effectively reach out

to customers suggesting that they can pick top-up loans now given that gold prices have moved up is what I was trying to understand.

Oommen Mammen: Even today also, the average LTV on the gold loans is around 63%. So if customer wants certainly he come and take a loan of up to 75%. Then the average LTV should have been 75%. Now the customer is not coming because he may not have a requirement probably the service level people or the branch level people might reach out to our customer and ask them whether they need a loan.

Somebody pledges a chain of 20 grams, he may not need a loan for the entire 20 grams. He might take a loan for INR20,000. And later when he has a requirement he will come and take another INR20,000. So that cannot be treated as the top up. It is just that when his need increases, he will come and take a load. And unlike other lending products, it's so convenient that he can get a loan taken in 5, 10 minutes.

George Muthoot: The most important thing is still our loan to value is only 63%.

Abhijit Tibrewal: Just one last question. Oommen sir you have explained, maybe there's some averaging thing, which is why the cost of borrowings look lower. But from what you were guiding essentially is that over a course of time, cost of borrowings should increase towards 9% which would suggest that going forward, can we look at some margin compression in FY'25?

George Muthoot: If the rates are growing up very slightly, only a few basis points, we try to absorb it. Otherwise, if it is going up, we'll pass it over to the customer because customer will take a loan from elsewhere. If the overall rates are going up whatever loan is taking from any bank etcetera the rates would have and certainly, they will be -- we will justified in charging or base also. So small fluctuations will try to absorb it but if it's higher, pass it on to customer.

Oommen Mammen: And 25, 30 basis points increase. And our return on assets can easily absorb. If we want, we can pass on to the customers also. That is the point.

Moderator: Next question is from the line Raghav Garg from Ambit Capital.

Raghav Garg: I just have one question. So I think this year, the total growth in the customer base has been about 7%. You've added about 3.5 lakh customers. Now going into FY'25 with one of the larger players being out of the market, do you anticipate that your customer base growth could be same in the range of 9%, 10% or higher than 7% what is delivered in '24. That was my only question.

Oommen Mammen: Raghav, we don't give a guidance in terms of customer addition. We reach out to the market, the amount of marketing spend that we have, it's quite significant. So the objective is to reach out to as much as new customers. There is a lot of market potential is there. There is a lot of untapped customer base is there. So we try to reach out to all sorts of marketing mechanism. So we don't want to give a specific number in terms of the customer addition.

George Muthoot: We are giving a guidance of 15%.

- Raghav Garg:** But if I were to see if you were to see or look at your own numbers say it from March onwards up until May, then do you anticipate that your customer base growth could be higher than last year. Sorry, I'm just asking the same question, but I just wanted to get some confidence on that.
- Oommen Mammen:** So of course, as MD sir said, I know what the discipline because of the new NPA guidelines, there is no impact on our disbursements. In fact, our disbursements are certainly at a good level in this current quarter also whether there is more addition, we can't identify the customer, whether that customer was belonging to another player or -- so that we are not spending time on that. The objective is to reach out to the guided growth number.
- Moderator:** Next question is from the line of Nischint Chawathe from Kotak Institutional Equities.
- Nischint Chawathe:** Can you share the auction number for the quarter?
- Oommen Mammen:** It's INR162 crores. Total INR892 crores.
- Nischint Chawathe:** Got it. Got it. And just on -- again, sorry, going back to the margins question. Do you see that with kind of competition reducing a bit. There is slightly more pricing power for you.
- George Muthoot:** It is not that -- we charge what the customer agree -- we charge according to maybe a reasonable sum just because competition is there or not there, we just don't increase our wage, etcetera. But then as we said earlier, we have increased our rates only if the borrowing rate also goes up consistently the way we wouldn't want to be -- we have a decent interest and we would like to come to continue it there.
- Nischint Chawathe:** Change in regulation for the cash disbursements, I think it's, whatever, a few weeks down the line, have you seen any impact or would you want to say that maybe this kind of first quarter had some impact of this? And can we kind of normalize from July, August or so?
- George Muthoot:** No. I think there's nothing -- no significant impact, etcetera at all. Because, first of all, all the players had to third and they are doing it also. And the customers are also very -- not very much inconvenienced. So everybody has taken it in their stride and newer customers and the NBFCs have taken their stride. And we have seen -- even after this in April, May, we have seen a good growth in these months also.
- Moderator:** Next question is from the line of Shubhramshu Mishra from PhillipCapital India Private Limited.
- Shubhramshu Mishra:** So the first question is around the INR20,000 cash clause made. So given the fact that that's the regulation now when we do any FTA or RTPs or UPI disbursement to the customer, this opens up the data to the bank. Do we fear any sort of customer attrition because of this? That's question number one. Second question is from a data point, what is the accrued interest in fourth quarter versus the fourth quarter of last year? And if we can give out the AUM split of less than INR1 lakh -- INR1 lakh to INR3 lakh and more than INR3 lakhs.
- George Muthoot:** So about the INR20,000, there's not been an impact. So when we give this loan through a bank, I think it just goes to the bank -- credit to the bank. And customers have taken a loan from Muthoot, it is all available in the credit report. Everybody's credit report it is there. If he wants

to get it, he can easily get it. There are lot of UPI based transfers also. So we don't see any big issue there. The bank is taking away a customer because we are paying through the bank. So that's the first question. Second was about the...

Oommen Mammen: In terms of the ticket size breakup, you had asked less than INR1 lakh and above INR1 lakh, right?

Shubhranshu Mishra: Less than INR1 lakh, INR1 lakh to INR3 lakh and more than 3 lakhs.

Oommen Mammen: Less than INR1 lakh is 35%; INR1 lakh to INR3 lakh is 37%; and above INR3 lakh is 29%.

Shubhranshu Mishra: 29%?

Oommen Mammen: What was the second question? I didn't get it?

Shubhranshu Mishra: Accrued interest in fourth quarter of this year and accrued versus fourth quarter last year?

Moderator: Shubhranshu, do you have any follow-up questions?

Oommen Mammen: We'll come back to you.

Moderator: Our next question is from the line of Samip Bhansali from Tata Mutual Fund.

Samip Bhansali: Hello, sir. I just wanted to...

Moderator: Samip, sorry to interrupt you. Can you speak with the handset, please?

Samip Bhansali: Yes. Am I audible now?

Moderator: Yes.

Samip Bhansali: I just wanted to check before this regulation of -- on cash disbursement. What was the cash disbursement levels in that category of INR20,000 to INR2 lakh as a percentage?

Management: The majority is online.

Samip Bhansali: Pardon me?

Management: Majority is online.

Oommen Mammen: In terms of accrued interest for March '24, the total interest accrued is INR2,180 crores; March '23 interest accrued is INR1,853 crores, I think Shubhranshu asked for that interest accrued details. Okay. That's all. I think those are two numbers he wanted.

Moderator: Next question is from the line of Shreepal Doshi from Equirus Securities Private Limited.

Shreepal Doshi: Congrats on a good quarter. Just a couple of questions. Firstly, why was the provisioning during the quarter higher?

- Oommen Mammen:** AUM has gone up by almost like INR3,700 crores.
- Shreepal Doshi:** Okay. So just towards that?
- Oommen Mammen:** Correct.
- Shreepal Doshi:** Okay. Okay. Secondly, even the other opex was higher during the quarter. So was it pertaining to the IPL spending? Or if you could just explain that.
- Management:** We do not have any IPL spending.
- Oommen Mammen:** Probably the -- we had a manageable remuneration, incentives etcetera, in the last quarter. So that is in fact of INR50 crores in the fourth quarter. That could be one reason.
- Shreepal Doshi:** Okay, okay. Got it. Just the last question pertaining to the personal loan product. So what is the basic eligibility criteria for the customer to be -- to get the personal loan.
- George Muthoot:** A fact that we will do. They have -- [inaudible 0:48:37] the usual personal loan criteria, nothing different from the market.
- Shreepal Doshi:** Okay. But sir, he has to be a gold loan customer for us, then only he will be easily eligible for the personal loan?
- George Muthoot:** No, no, no. We do from the market also. But what I said is a gold loan customer, we get a good need from the -- because he is a gold loan customer, we have his address KYC. So we can easily offer it to him. That's all. It's more of a need.
- Shreepal Doshi:** There is no comfort that we derive of him having a gold loan with us other than just a track record with us?
- George Muthoot:** No, no, no, gold loan track record is not that great because it's a bullet loan, because all the gold loans are bullet loans. So there is no big track record we can get from that.
- Oommen Mammen:** Personal loan be discussing earlier was with respect to the pure unsecured personal loan, which we have been trying for the last 8 to 10 years. So that is based on proper credit assessment mechanism including CIBIL's credit score. .
- Management:** Our loans are -- simply if the customer is verified for all the other parameters. There are some 10 parameters to be verified.
- Moderator:** Next question is from the line of Bunty Chawla from IDBI Bank Limited.
- Bunty Chawla:** Sorry, if I'm repetitive because I have in late Sir, can you share the gold loan growth during the quarter has been strong. How much portion could be due to one of the entity has been banned by the RBI to disburse the gold loan.
- Oommen Mammen:** The growth in gold loan INR3,657 crores in Q4.

- Bunty Chawla:** No, no, I understand that number, but my -- okay. Okay. Okay. And is it right the guidance for the next year has been still 15%?
- George Muthoot:** It has always been 15% for the last 5 years.
- Bunty Chawla:** Okay. But we believe that we could be having a still same number next year as well?
- George Muthoot:** Yes, that's what I said there is still a lot to come.
- Moderator:** Next question is from the line of Rajiv Mehta from Yes Securities Limited.
- Rajiv Mehta:** Congrats on good number. Can we have the breakup of ECL provision of INR935 crores across stage 1, 2 and 3?
- George Muthoot:** Do you have any other questions?
- Rajiv Mehta:** I just wanted to understand that if we were to resolve the state loan assets by auction in the future, what kind of reversal of provision we can have.
- George Muthoot:** That question I'll answer whatever we have a provision of about INR1,000 crores. The prevail actual provision, which we require is because we have never had a need to have vouchers of provisions for any of our loans. So it is related because we are statutory bound to create the provision Otherwise, the gold is with us. It is fully secured. We are in the money. We actively don't need to keep a provision that we have never had to use the provision. So the INR1,000 crores plus, which we have provisions is actually our reserve.
- Rajiv Mehta:** Yes. And we had a good jump in the employee expenses, about 10% jump in the employee expenses in the gold loan business. So did we run any contest scheme and we had some payouts related to it? Or is it very usual increase?
- George Muthoot:** At least 10% increment would have been there. The business has also gone up also. Incentives are always there. We could extend this to our staff. So if business goes up, there's growth, etcetera, they earned little better insert I didn't look at that number. If you say it only 10%, I don't -- I think it's very reasonable.
- Rajiv Mehta:** And just lastly, have you kind of revised our pricing or rates under any schemes of late in the last 2, 3 months?
- Oommen Mammen:** Lending rates?
- Rajiv Mehta:** Yes, lending rates, pricing, I mean, you say that your pricing is typically scheme specific, market-specific, has there been any upward revision in the last 2, 3 months in any of the schemes.
- Oommen Mammen:** No, we keep the change in the rates, geography wise, scheme wise. So there is a usual fluctuation of around 25 to 50 basis points in terms of the yield just because of that and as well as because of the discounts that the customer pays interest prior to the due date. So that is quite normal in our business. You're asking on the...

- George Muthoot:** Whether we have changed our interest rates in the last 2, 3 months.
- Oommen Mammen:** So it is not -- so we would have changed interest rates frequently.
- George Muthoot:** Or maybe 0.5%, 1%, etcetera.
- Oommen Mammen:** ECL provision of Stage 1, the ECL provision is INR620 crores. Stage 2 is INR28 crores and sales 3, it is INR288 crores.
- Moderator:** Ladies and gentlemen, we'll take that as the last question. I will now hand the conference over to the management for closing comments.
- George Muthoot:** Thank you all for appreciating the company and maybe our business and our results this time. We from our part, will continue to add value to all stakeholders, and that we always will continue to be in the growth part, with all sorts of the best practices.
- So with that, I think you can rest assured that we put no efforts -- We will spare no efforts to see that our company always is the best in the sector and probably live up to the standards of the -- and the values of Muthoot.
- So thank you for a patient hearing, and we will continue to work towards growing the company in all of them. Thank you once again from the management.
- Moderator:** Thank you very much. On behalf of DAM Capital Advisors, that concludes this call conference. Thank you for joining us, and you may now disconnect your lines. Thank you.