



**Muthoot Finance Limited**

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Ref: SEC/MFL/SE/2024/5937

November 20, 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 Unaudited Financial Results (Consolidated and Standalone) for the quarter and half year ended September 30, 2024.**

In continuation of our letter dated November 11, 2024, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the analyst call made on November 14, 2024, on the Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter and half year ended September 30, 2024, has been uploaded on the website of the Company within 5 working days of the conclusion of the call and is available at <https://www.muthootfinance.com/analyst-call>.

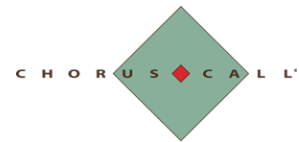
Thank You,  
For **Muthoot Finance Limited**

Rajesh A  
Company Secretary  
ICSI Membership No. FCS 7106



“Muthoot Finance Limited  
Q2 FY '25 Earnings Conference Call”

November 14, 2024



**MANAGEMENT:** **MR. GEORGE A. 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:** **MS. RATI PANDIT – NIRMAL BANG EQUITIES PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good evening, and welcome to the Muthoot Finance Limited Q2 FY '25 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Rati Pandit from Nirmal Bang Equities Private Limited. Thank you. And over to you, ma'am.

**Rati Pandit:** Thank you Sejal. A very good evening to everyone on behalf of Nirmal Bang Institutional Equities, we welcome you all to the 2Q FY '25 Earnings Conference Call of Muthoot Finance Limited.

We are pleased to host the senior management of the company represented by Mr. George Alexander Muthoot, Managing Director; Mr. Alexander George, Whole Time Director; Mr. George M. Alexander, Whole Time Director; Mr. George M. George, Whole Time Director; Mr. George M. Jacob, Whole Time Director; Mr. Eapen Alexander, Executive Director; Mr. K.R. Bijimon, Executive Director; and Mr. Oommen K. Mammen, Chief Financial Officer.

I now hand over the call to MD sir, Mr. George Alexander Muthoot for his opening remarks, post which we can have the floor open for Q&A. Thank you, and over to you, sir.

**George A. Muthoot:** Good evening to all of you. George Alexander Muthoot, Managing Director. I have met the senior team of Muthoot Finance, because we just had our Board meeting. So everybody is around. So once again, good evening to all of you.

Actually, we are pleased to announce that we have achieved the exceptional financial results for the first year of '25. Our stand-alone assets under management has reached INR90,000 crores and the consolidated AUM has crossed INR1 lakh crore. We definitely feel at Muthoot, we are proud that we have crossed the INR1 lakh crore consolidated AUM mark. And definitely, we are happy with that.

The stand-alone assets under management itself has grown to INR90,197 driven by a robust 28% year-on-year growth on our core gold loan portfolio. Our stand-alone profit after tax grew by 18% year-on-year and now stands at INR2,330 for this half year. This half year, we also saw the highest ever gold loan disbursements to new customers of INR10,687 crores that is to 996,000 new customers.

Among the peer NBFC Group, we have the highest average gold loan AUM per branch of INR17.75 crores. During this half year, our gold loan portfolio grew by 18% to 13,285. On the back of these achievements, we wish to revise our earlier guidance for the financial year '25 on gold loan growth from the earlier committed 15% to 25% plus. We are also encouraged by the progress in our non-gold loan portfolio with noticeable growth across the personal loans, home loans and strengthening our position as a diversified financial services conglomerate.

Our branch network for a stand-alone Muthoot Finance, stands at INR4,855. The gold loan outstanding stand-alone stands at INR86,164 and the credit losses is INR28.84 crores and the percentage of credit loss on the gross loan assets under management is 0.03%. As I said earlier, the average gold loan per branch is INR17.75 crores and the number of loan accounts is 97 lakhs. The total weight of gold jewelry is 199 tons. And the average ticket size has moved from 79,000 to 88,000 and the number of employees, almost, let's say, 28,000 to 28,500. The return on average assets has moved up from last quarter of 5.39% to 5.74%, and the return on average equity has also moved up from 17.7% to 19.9%.

Our subsidiaries have also done well. Belstar Microfinance has seen an increase in the loan AUM up 22% year-on-year at INR9,625 crores, and increase in the total revenue, 47% year-on-year to INR1,165 crores. And the increase in profit after tax year-on-year to INR142 crores.

Home Finance also increased its loan AUM and 55% growth year-on-year and now stands at INR2,441 crores. There is also an increase in the loan disbursement of 90% year-on-year at INR529 crores, and the profit after tax has increased to INR17 crores.

Muthoot Money has seen a year-on-year increase in the loan AUM of INR2,265 crores and the increase in the total revenue to INR146 crores. Asia Asset Finance, at Sri Lanka has increased the net profit after tax. Year-on-year increase at LKR30 crores and the branch network has increased now to 91 branches.

The other subsidiaries, the insurance subsidiary, etcetera, has done well. And overall, we feel that the environment is conducive for gold loan growth, and we have been able to take advantage of that, and that is what you see the present scenario.

So with that, I would conclude my opening remarks and leave the floor open for question and answer.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Raghav Garg from Ambit Capital.

**Raghav Garg:** I just wanted to ask what is the auction number for this quarter? And if you can also tell the auction number for the first half?

**George A. Muthoot:** Yes. First quarter, it is INR69 crores. This quarter, it is INR250 crores. So total put together, it will be around INR320 crores.

**Raghav Garg:** And what was it in the same period last year? I'm just trying to get a sense on an understanding of how much it has gone up versus last year.

**George A. Muthoot:** It is definitely much lower. The auctions are much lower. We'll look at the numbers, maybe get back after a while.

**Raghav Garg:** My next question is, I also wanted to understand your auction policy in the sense that how much time do you typically allow this NPA customer for repayment before you auction off their gold.

My understanding is that you allow a substantial amount of time, but if you can get some numbers around that, what is your stated policy? That will be useful.

**George A. Muthoot:** The stated policy is help the customer. That is our stated policy. Try not to auction the gold of the customer. That is our stated policy, so that customer is not unhappy by having to forgo the valuable precious ornaments.

So what we look at is, when customers come to our branch, ask or request our branch managers for more time when they crossed the threshold limit of time, they ask us for more time and if the branch feels that he/she is a genuine customer and there is a chance of him/her releasing the gold after a while, then he gets the request from the customer. And on that basis, we rather grant him more time. And that is how the position works.

And also, it is to be ensured that we are in the money. So if you are in the money and the customer is seeking for time, we don't mind giving you time to repay the loan. And that has always helped us in having more customers taking -- having high regards for Muthoot, because their gold auction is not auctioned very quickly. So that's -- we auctioned about INR347 crores, are almost similar.

**Raghav Garg:** Sir, just on the auction policy, in terms of the time line. Would you say, I mean, do you end up allowing say, about 6 months, 9 months, 1 year? See the reason I'm asking is that, you would be accruing overdue interest on the balance outstanding. Is that understanding correct?

**George A. Muthoot:** It is not the time. We look at whether if you are in the money. And the customer is genuine, we give him time. Whether it is 3 months, 6 months or 9 months is immaterial in that respect.

**Raghav Garg:** Sir, the point that I was trying to understand is that, like I said, that you would be accruing interest. You also mentioned that you need to be in the money. But does it so happen that the outstanding principal and the overdue both cumulative they become more than 75% of the collateral that's available to you. In which case there would be a breach of regulatory norms? Or how do you deal with such situations?

**Oommen Mammen:** So our regulatory requirement is 75% LTV at the time of origination. So we are complying to the LTV regulation. Beyond that, what we look at is the 12 months period. Normally, we do auctions after 12 months. But because the gold price has gone up and because sometimes customers pay interest even before the contractual due date. And we are in the money and customer is unable to pay the principal amount, we give some time provided the customer makes a request.

So in case there is a customer request like that, we hold on to the ornament. We avoid -- try to avoid auction. Because if we re auctioning, customer loses the ornament and it is a destruction of value for the customer. So he'll be really get upset. We simply auction the ornament and try to refund a small portion of the surplus we receive because for him, it's actual investment is lost, because he's almost investing another 20%, 25% in terms of the making charges or the stones in it. So if there is a content on the borrowers, we give him more time so that he is able to retrieve the ornament. During that time, certainly, interest will be accruing.

- Raghav Garg:** Right. And sir, what is the interest accrued outstanding on the balance sheet as of September?
- George A. Muthoot:** It's INR1,740 crores.
- Moderator:** The next question is from the line of Mahrukh from Nuvama Wealth Management.
- Mahrukh:** Congratulations. Sir, I had a few questions. Firstly, that now that one competitor is back, have you seen any changes in your business or in your flows in the recent past? So that's my first question. And secondly, possibly something similar was asked in the previous question also. Then if your LTV goes above the regulatory limit during the course of the loan, what do you do?
- George A. Muthoot:** Is that four questions?
- Mahrukh:** Few questions, I said, not four, sir. So let's make that two now, for now.
- George A. Muthoot:** So actually, we don't look at any competition in particular. There will be competition in business where there is potential. Whichever business has potential for growth, there is a lot of competition, whether 1% or 2%. So that is there. We know we'll see a lot of competitors doing the same thing, similar pace. But this is nothing new to us. Competitor may come, competitor may go, but our business will grow along well.
- The second question is about LTV. I think, Mr. Oommen, definitely answered this question currently. Because it is in the time of giving the loan, the 75% is there. And afterwards, when the interest etcetera grows and again, repeating the same thing which Oommen said.
- Mahrukh:** Okay. Sir, and is there any way to find out how much of your customers would also have NFI loans?
- George A. Muthoot:** We haven't tried that. It may be possible, but we have not tried that.
- Moderator:** The next question is from the line of Shreepal Doshi from Equirus Securities.
- Shreepal Doshi:** Congrats on a good set of quarter. My questions were pertaining to LTV norm or other evidence. As per the new regulation, would we be required to maintain the 75% LTV throughout the loan tenure? Or will it be only applicable to, at the time of origination?
- George A. Muthoot:** What is the new regulation?
- Shreepal Doshi:** Sir, RBI recently had come out and said that you need to follow this set of rules, which were already prevailing. So just wanted a clarity that is it like 75% at the time of origination or 75% throughout the loan tenure?
- George A. Muthoot:** So as far as we are concerned, there's no change in regulation, as far as LTV norms is concerned.

- Shreepal Doshi:** Okay, okay. And then the second part was on the auto renewal. So For our existing customers at the time of maturity of the loan, we have a policy, we auto renew the loan. So on that front also, would there be any regulatory change?
- Oommen Mammen:** We don't do any auto renewal of loans. Probably it has been done by somebody else, but not Muthoot.
- Shreepal Doshi:** Okay. Got it, sir. And just one last question in line with the earlier participant. So since, now the landscape becomes again competitive, and in the last 6 months, we had tweaked our pricing as well as offer it. So would we continue with our strategy on pricing? Or would we relook at it on making it more competitive?
- George A. Muthoot:** What is the competition? We didn't understand what happened to competition and pricing . We didn't understand that.
- Shreepal Doshi:** Sir, like I'm just saying that in the last 6 months, we had rolled back some of our offer rates as well as have also taken some price hikes. So would we continue to stick to that? Or would we look to revisit it, because now one of the largest players is back in the landscape and they might deploy pricing-related strategy.
- George A. Muthoot:** I don't know whether we have made any changes based on some competition. No. I don't think.
- Oommen Mammen:** Pricing changes is something quite normal in our system in different places, different schemes, which is quite normal. We have not done any specific cases in the last 6 months, probably we would have seen some of the pricing based on the increase in the cost of borrowing, but we're not active with anything.
- Shreepal Doshi:** Got it. And incrementally also, will really stick to that thought process?
- George A. Muthoot:** The pricing is depending on the cost of funding. If the cost of funding goes up, we will increase, if the cost of funding is coming down, we will reduce that.
- Moderator:** The next question is from the line of Abhijit Tibrewal from Motilal Oswal Financial Services.
- Abhijit Tibrewal:** Sir, first of all, congratulations on a strong quarter. I also had a few questions that I wanted to ask. Sir, first thing is first, I mean, on 30th September, as you recall, RBI has come up with a circular on gold loans. So just trying to understand, are there any items from that circular which were relevant for us and there you're working with the regulator on some of those items?
- George A. Muthoot:** Yes, yes, we have gone through the regulations, the suggestions they have given for, for gold loan companies, how to do business, etcetera. Generally, it's for all the gold loan companies who are doing business. And for those who are not taking up some practices, they are supposed to do that. That we have discussed it with the regulator.
- Abhijit Tibrewal:** Sir, secondly, just trying to understand earlier on the 5th, one of your gold loan peers had reported their results. And they had also shared in their earnings call that this week, you had a meeting of your gold lending association with the regulator where you were planning to discuss

some of the open items from that circular. So has that meeting happened and any takeaways from that meeting in terms of clarifications from the regulator?

**George A. Muthoot:** I don't think any such meeting has taken place and I don't know. I'm not aware of such meeting.

**Abhijit Tibrewal:** Got it. And sir, lastly, just trying to understand, while you have already said that, I mean, competition will be getting businesses where there is potential for growth. I'm just trying to understand, I mean, then kind of try to infer that there has not been any significant change in the competitive intensity in the last 2 months. And sir, one question for Oommen sir, as well. Sir, I mean, given that our NPAs have gone off in the last time, I think, we went for auctions, so I mean, how are you thinking about that, given that our NPAs are going up, indeed, because we are giving more time to customers to come back, repay and take their gold jewelry. I mean, are there any covenants in place based on which you take these calls?

**George A. Muthoot:** I think we explained that in detail in the first call, the first analyst who asked us. We explained in detail that we give more time to the customer if they request, provided we are in the money. And he has paid some interest, and he is a genuine customer. Genuinely he wants to pay, we give more time. So sometimes the NPA numbers go up, last time it was 3.98. Today it is 4.3. But since we are in the money, and we are not losing any money on that, we are not very much concerned with that. And of course, we will try our best to ask the customers to pay the interest and renew the loan. That will definitely be our side. We'll ask him to pay the interest and maybe close the loan and take a new loan or something like that. We constantly try to do so that we can keep the NPA numbers also reasonable.

**Abhijit Tibrewal:** Got it. Okay. This is useful sir. And Oommen sir, I mean, how are we thinking about our cost of borrowing trajectory now?

**Oommen Mammen:** See, I think for Q2, I think the cost of borrowing is around 9%. I think, it will be more or less remain in that level, because I think, we have already reached the peak. And as a result, there is a lot of talk about further reduction. So I think, we have already reached that peak level. I think, we should see that coming down as the benchmark rates are reduced.

**George A. Muthoot:** Oommen, when you said reached, it is not Muthoot, it is the market.

**Oommen Mammen:** When the benchmark rates are reduced, we will see a reduction in the borrowing cost.

**Moderator:** The next question is from the line of Digant from GreenEdge Wealth Services.

**Digant:** Congratulations to everyone for this spectacular results. And sir, this comes at a time when regulatory is holding one or the other banks every day or every month, so congratulations on that. The first question is actually not on gold loans. On gold loans, we have seen you for maybe 15 years and competition came, they disrupted, then they again withdrew.

You've done very well on gold loans. But sir, even today after 10 years of diversification, 8% of our profits or maybe even lesser comes from the non-gold business. So if I would think of next,



say, next 5, 7 years, which will be our more shining example like gold loans, like will it again be gold loans after 7 years or some other products get that push? Any thoughts on this, sir?

**George A. Muthoot:** As of now, we have gold loans where we are good at, as we have a good portfolio on that. And we see a great potential there. Of course, we will keep trying new businesses. We will try our best to give non-gold loans to our gold loan customers if possible, because we see these people borrowing home loans and vehicle finance, personal finance, LAP, etcetera, what else.

We are trying to see whether we can give that to our customers. But of course, not very easy. And we are in the process of building that only. But our main focus always would be on the gold loan, where we are quite good at it, I think.

**Digant:** Not a question of number one product, I'm talking about the number two. Number one, I understand, that it will always be gold loan.

**George A. Muthoot:** Number two, if you ask number two, it will be the home loan, sir.

**Digant:** Okay, sir. Okay, sir. The second question is, in general, like for the first time, I'm seeing that RBI is more and more holding the banks and less in NBFC. I have not seen this in 15 years of my career, but that's happening now. So we have seen some yield improvement also after a pretty long time. So this whole competitive intensity, has it reduced? Is it the same? Or what do you expect in the next 6 months?

**George A. Muthoot:** See, our yields have always been reasonable, though our maximum rate will be 24%, average yield is around less than 18%. So I think we are very reasonable, because of the rebate scheme, we are offering a better yield to the customers based on repayment. So we are very reasonable in terms of the lending product. I don't think we are charging anything more.

**Digant:** I mean, that was not the question. The question was that, before 3, 6 months in market, there are a lot of products giving loans at 9%, 10%. We just don't see those 9%, 10%, extremely low-yield lending products that, I think, have gone out. And maybe that would have contributed a little bit an improvement. Is that true?

**Oommen Mammen:** Yes. Especially, I know there was some aggressive pricing by banks, etcetera. At that point of time, everybody tried to reduce the rate. Because we knew that those rates are not sustained, which has pulled down the average yield. But now those things are not there. So we are not offering those low-yield lending schemes. You remember the teaser rate, I think you might be asking about the teaser rate. Now it's not required to be offered.

**Digant:** And the last question is that, I also read that a lot of these banks, especially in South India, they have done a lot of mischief in the PSL classification, the priority sector lending classification. Can that become an opportunity for us, like if those loans are not classified as gold loans and eventually, those customers come to us or not, that is not a market, because we are mostly urban. So I would assume that will not be a market for us, but any thoughts on this particular thing?

**George A. Muthoot:** Yes, we have seen some banks trying to do that. But of course, we don't know what to do on that some times. But then, we feel that it is just part of the business. That's all.

**Moderator:** The next question is from the line of Parag Thakkar from Fort Capital.

**Parag Thakkar:** Congratulations for excellent numbers. I just wanted to ask that when you say, you have revised your guidance upwards from 15% to 25%, right? So I would like to ask the key driving factor for that? That is my first question.

And second question is from a regulatory perspective, where you say that you accommodate customer which is right in your business and that you will try your level best that customer will not lose his gold jewelry, but from RBI perspective and from the NPA provision perspective, whether your credit costs will go up because of that, because now the regulator is very, very, I would say, compliant.

And it forces you to be compliant. So, right up till now, you were accommodating your customers by not selling his ornaments. But is it possible to keep your credit cost as low as it was in the past after this regulatory overhang which has come?

**George A. Muthoot:** If you're talking about the credit loss, by keeping these loans in the non-auction, I said earlier also, we are in the money. So we'll get back our money, if not today, after 2 months or 3 months or 6 months. So, we're not in the loss and credit costs did not go up sir. Only thing, provisioning will be there. For that, I think, we have some cushion for provisioning.

**Parag Thakkar:** And sir, just the reason for increasing your guidance from 15% to 25%.

**George A. Muthoot:** Yes, because already, we have crossed 18% growth, I cannot now come and say only 15% growth. We are seeing some good economic indicators, etcetera. Of course, the personal loan sector, the other credits, etcetera, are getting a little more difficult for people as we are also reading in the papers that personal loans, unsecured loans, etcetera is getting difficult. Some of the NBFCs who are doing this fintech loans, etcetera, are not doing business, etcetera.

People need money. And I feel that Muthoot and the other gold loan companies are doing a good service to the society by giving credit to people. It's almost something like which happened during the COVID. During the COVID time, people were not prepared. Institutions, banks and NBFCs were not prepared to give unsecured loans, etcetera. That time, Muthoot was there, we did good business, we did good growth, not only our growth, we did a lot of service. So today also, I think, we feel that we are doing good service to the people by being able to give the money with the collateral they are giving us.

So that their needs can be met. And at the time when they are not able to easily get unsecured loans as they were before. Definitely, there are people who are finding it a little difficult to get unsecured loans, not from banks alone, even from NBFCs. As I said, this fintech companies also has almost stopped maybe.

**Moderator:** The next question is from the line of Shubhranshu Mishra from PhillipCapital.

**Shubhramshu Mishra:** Belated wishes for Onam this year. The first question is around the productivity that we have per branch. Now it's increased to roughly around INR17 crores per branch. The branch would have a particular capacity for gold storage, basis which we can derive the productivity. So what is the maximum capacity at a branch, which we can drive in terms of storage and productivity?

Also, when we have changed our guidance to 25%. That's great. But then how do we decompose this growth number of 25%? How much would be the value growth, how much would be the volume growth, which geographies will be far more productive than the other South geography? If you can give some bit of decomposition and flavor to the growth? And the last question is a data keeping question. If you can give out the mix of the portion of the AUM of less than INR1 lakh, INR1 lakh to INR3 lakh and more than INR3 lakhs?

**George A. Muthoot:** Thank you. I think, you have a right question when you said our average business of INR17 crores, etcetera. We have branches with maybe INR10 crores, INR12 crores, INR17 crores, INR25 crores, INR30 crores and INR40 crores, INR50 crores also. So it only means that a branch can take INR30 crores, INR40 crores also. It's almost double of what we are having now.

So to answer that question, yes, there's nothing like a storage capacity in the approach, which is almost always the same. It's about the strong rooms which are quite large to accommodate money and gold. So you can easily double our business with the existing branch itself. Second question was about.

**Oommen Mammen:** Yes, that I'll come back later, Shubhramshu.

**Moderator:** Mr. Shubhramshu, does that answer your question?

**Shubhramshu Mishra:** There's one more question I think which I asked is still pending. So the growth decomposition, so what is the value volume?

**George A. Muthoot:** We see growth from every aspect. It is not that, it is growing in some geography, etcetera. As I said earlier, we feel that there is more than an opportunity, we feel that we are serving people by being able to give loans. So there is a demand coming from all over the country, everywhere, it's not restricted to Northeast, West, etcetera. So from everywhere, there is a good demand for gold loan business.

**Shubhramshu Mishra:** And what is the value volume split of the growth tonnage growth versus the...

**Oommen Mammen:** I think, our tonnage is 199 tons.

**Shubhramshu Mishra:** How much will it grow in that 25%?

**Oommen Mammen:** We don't give guidance on tonnage. How can we give guidance on tonnage, sir?

**Moderator:** The next question is from the line of Mona from Dolat Capital.

**Mona:** My question was on the stand-alone book. I understand that apart from gold, that is a 4% to 5% of SME and PL book as well as part of the stand-alone book. So what would be the LPA there, if I could understand this quarter versus last quarter?

**Oommen Mammen:** Yes, I'll come back on that.

**Mona:** Okay. And just on the gold loan NPAs as well. I understand you've given a lot of clarity, but if I look at the NPA ratios in the last few quarters, this been a lot higher than what you've seen historically. Though I understand the credit risks are very low. So I'm just trying to understand if some of this rise is coming from the non-gold portfolio? Or is it something that has changed, which is leading to higher NPAs on the ground? Just if you could give some color there?

**Oommen Mammen:** So last quarter, gold loan NPA was INR3,262 crores. This has increased to INR3,686 crores. So that increase is about around INR400 crores plus. That is the primary reason for growth in NPA.

On the non-core and the stand-alone, last quarter, it was INR90 crores. This quarter, it is INR193 crores. So INR100 crores increase in the NPA book of the non-gold and the stand-alone, which is almost 100% provided for.

**Mona:** Got it. And any particular reason why, I understand a lot of the rise in NPA ratio for stand-alone book is coming from gold, but any particular reason why the ratios are much higher than what we have seen historically? Historically if I see, it's sub 3.5%. And today it's been close to 4% over the last couple of quarters. So any color there, if you could highlight?

**Oommen Mammen:** Historically, our peak NPA, I think it was almost 6% plus. That is the highest we have seen in gold loan book. Right now, it is 4.3%. We have explained to the reason why we are keeping these accounts in our books, even though it is an NPA. Just to accommodate the customers, because, one, there is a request from the customers.

Second, there is adequate collateral avail, and we are in the money. And we are doing a great help to the customers if we avoid options and provide them more time so that they can retrieve their ornaments. See, on the NPA book, the LTV is around 55% on the principal value. So you can imagine what customer is going to lose if we auction it.

**Moderator:** The next question is from the line of Rajiv Mehta from Yes Securities.

**Rajiv Mehta:** Congrats on strong numbers. Sir, I heard your comments and replies on various regulatory risk-related questions. So we don't perceive any overhang or risk to any of our practices on the ground. That's the current reading we have?

I'm saying. I heard your comments and reply on various regulatory risk-related questions. And so, it seems that we don't perceive any overhang or risk to any of our practices on the ground at this point in time.

**George A. Muthoot:** Yes. That's always our desire and our hope also. So, I think we should have a positive attitude on that, sir.

**Rajiv Mehta:** Okay. And sir, there's been a significant uptick in new customer acquisition in the past two quarters. Would this hold up and why?

**George A. Muthoot:** Yes. We did quite a bit of marketing and the marketing activities, what should I say, since we also beefed up our call centers. We beefed up our other online platforms, etcetera. And we are getting newer customers today. That's definitely, we have actually engaged a few big agencies also for that.

**Rajiv Mehta:** And just last thing on the second half, you require your gold loan portfolio to grow by 6%, 7% based on your guidance. Sir, this assumes what level of gold price? Because since if there is a sharp correction in the gold price, it can lower our incremental growth. It can also trigger a lot of options. So what have you assumed in terms of gold price for this guidance?

**George A. Muthoot:** So on gold price, actually, we don't assume anything and we don't give any guidance based on gold price, but of course, gold price can be a factor, but it is not a significant factor. See last one week after the U.S. elections, the gold prices, it's come down probably after some time, it will again work.

So we're not very much concerned with that because more so, because our new incremental loans are based on the current gold price. So the price is falling or new loans will be priced at a lower LTV. So that is something which we all know for the past several years. So we don't think we are not very steady calculations on gold pricing. In otherwise, we see good uptick, I said earlier also, non-gold loans or unsecured loans are little difficult these days, in the last 2, 3 months.

And that is definitely an opportunity for gold loan business, we see it as some service which we are giving to the people rather helping them in time of need when they really need money, and it is not forthcoming from unsecured low unsecured area. So we are definitely helping them out.

**Moderator:** The next question is from the line of Bhavik Dave from Nippon Mutual Funds.

**Bhavik Dave:** Sir, two, three questions. One is, on the gold loan itself, I just wanted to understand, after our competitor coming back into the market, have we seen any increase in attrition on the ground in our branches, because they would have maybe gotten aggressive and maybe that was a case earlier where the attrition levels are quite high for other players who were taking away people. How is the attrition rate at the branches of gold loans?

**George A. Muthoot:** Yes, I think, we have got a 25,000 numbers employed in many of these branch, gold loan branch itself. And there's always a pipeline, some people will come, some people go. So to answer your question, we have not seen any significant attrition, etcetera.

**Bhavik Dave:** Sure. And how would that number be? Like what is the kind of attrition rate that we see on the ground, or on the gold loan book?

**George A. Muthoot:** I don't know the number, but we also know there's nothing significant.

**Bhavik Dave:** Sir, second question is on our personal loan book. How big is this book and how are we scaling it up like in the last one year, how would we have grown this business? And is it to existing gold

loan customers who are maturing and maybe taking unsecured? Or is it too new to Muthoot customers?

**George A. Muthoot:** So I think we had today a book of about INR1,200 crores, personal loan. Probably, a year back, it could have been about INR800 crores. And we actually wanted to give only to our core existing gold loan customers only. But of course, we're not able to do that. So a part of it is given to our existing gold loan customers. It's not that when the gold is released, all our gold loan customers, many of them has a personal loan elsewhere. So we are just trying to give the personal loan from Muthoot instead of taking from X, Y, Z. That is the reason for the personal loan.

**Bhavik Dave:** This is not a new business. We have...

**George A. Muthoot:** No, no. This business, we are there for the last 5 years plus -- 8 years.

**Bhavik Dave:** But this is like, we have scaled up from INR800 crores to INR4,200 crores in one year, right? Especially when unsecured has become a big challenge. I'm just trying to understand how is this playing out? And second is because the LTV...

**George A. Muthoot:** That is not because of hard work.

**Bhavik Dave:** I understood. All right. One last question is on your home loan. You mentioned to one of the previous participant, that's a second area where you can maybe scale business up. But when we've seen like last 6, 7 years of business has been around this INR2,000-odd crore range. Any learnings from our past like what went wrong? have we changed the team? Have we done anything different to this time around scale this business up from this INR2,000-odd crores to INR5,000 crores, INR10,000 crores over the next 3, 4 years? What are we doing? What are the investments?

**George A. Muthoot:** We would like to grow it. That's what our desire is to. Growth of gold loan book, gradually, yes, of course, we had a setback due to the COVID. During the COVID time, actually, we went slow and actually we degrew our book also. But now we are back on track. And as you said, we have changed the team also. Maybe just 2 years back we changed the team.

**Bhavik Dave:** Understood. And can we expect this book to be INR5,000-odd crores in the next 2, 3 years time? Like can this double in 3 years?

**George A. Muthoot:** Definitely, we would like it to be there.

**Oommen Mammen:** One-point, earlier Mr. Shubhranshu was asking on the ticket-wise breaker. So about INR3 lakh is 32% of the overall book and INR1 lakh to INR3 lakh is 36percentage, less than INR1 lakh is 32 percentage.

**Moderator:** The next question is from the line of Nischint from Kotak Institutional Equities.

**Nischint Chawathe:** This is, again, going back to the non-gold loans. So what you mentioned is that personal loans are around INR12,000 crores. But I think, as I do the math, the other non-gold is around INR4,000 crores. So what is the balance?

**Oommen Mammen:** So personal loan -- pure personal loan is about INR1,125 crores. We have -- we also give personal loans to gold loan customers who have been dealing with us for a particular period of time. So that's about INR1,015 crores. And we have a business loan of about INR600 crores. And we also have SME loans.

That is both put together, it is INR678 crores. And corporate loans of about INR86 crores and loan to subsidiaries about INR1,100 crores. That's it.

**Nischint Chawathe:** Got it. And the big growth that we can see here is essentially across segments or any special segment that have grown so well in the last couple of quarters?

**George A. Muthoot:** Growth has come from our gold loan. The growth is under gold loan.

**Nischint Chawathe:** I see that. But I'm saying last year, second quarter, this book was around INR1,400 crores, now it's INR4,000 crores.

**George A. Muthoot:** That side comes from the personal loan book.

**Nischint Chawathe:** Okay. And if I understand what you said is that NPAs in this INR4,000 crore book is around INR193 crores in this quarter versus INR90 crores in the first quarter. So that's almost like a closer to 5% NPA in this segment. So how should one think about it?

**Oommen Mammen:** So it is fully provided for it. And the increase has also happened because of the increase in the loan to subsidiaries. That is about INR1,000 crores, which was probably not there last year.

**Nischint Chawathe:** No. But the point is if your NPAs have gone up by almost INR100 crores, I think that's kind of accounting for almost half the credit cost for the quarter, right? So we're just curious how to think about this business?

**Oommen Mammen:** So Nischint, see, finally, we have a very firm policy in terms of writing off. We try to write off loans when it becomes overdue for 180 days. So there is a very standard policy we follow. Irrespective of what is the status we write off. So that is an automatic process, which happens in terms of the personal loan book. That is the reason why it happens and subsequently it gets recovered. So whatever recovery happens, it gets come in the bad debts recovered.

**Nischint Chawathe:** Sure. Got it. And any number you could quantify on the interest income that you could earn after these loans which were sold to ARC are sort of now kind of run down because incrementally it will be early now?

**Oommen Mammen:** This quarter, we have added about INR35 crores.

**Nischint Chawathe:** Okay. And any quantum of how much is there in the pool after this?

**Oommen Mammen:** So principal amount outstanding will be about INR160 crores.

**Moderator:** The next question is from the line of Jigar Jani from B&K Securities.

- Jigar Jani:** Just one question.
- Moderator:** The current participant got disconnected. We'll move on to the next participant. The next question is from the line of Bunty from IDBI Capital.
- Bunty:** Congrats on a good set of numbers. Sir, in the Belstar Microfinance, as we have seen in the industry also, there has been a good amount of increase in the NPA. So need to share your thoughts how the NPA pressure going in Q3, Q4, how is the situation on the ground as well as what we have seen more? How many of our customers have more than four lenders, if you can share some bit of data on that. Any thought process on the MFI portfolio?
- George A. Muthoot:** Well, I don't have that information.
- Bunty:** Okay, sir. So your view on the MFI portfolio because it's NPA's Q-on-Q has increase and how one should see this panning out in Q3 and Q4, how the asset quality has been?
- George A. Muthoot:** Yes. So all the microfinance companies are under stress now. Probably after a while, it should ease out.
- Oommen Mammen:** Even during COVID times, just like everybody faced the challenge, we also faced that challenge. Our profits dipped, then subsequently came back. I think the microfinance business runs like that.
- Moderator:** The next question is from the line of Kamal Mulchandani from Investec Capital Services.
- Kamal Mulchandani:** I just had one question. In a recent con call, one of your competitors said that in an inspection, the regulator had raised concerns about giving personal loan to that existing gold loan customers, but I can see that we have a portfolio of around INR1,500-odd crores, which we have given as personal loans to our existing loan customers. So has there been any interaction with the regulator on this? Or I just wanted to understand if there could be any potential regulatory compliance issue on this?
- George A. Muthoot:** So when we started personal loan also, we give loans to anybody who ask and the data is from the customers who have gold loan with us also, who has earlier taken gold loan. So that's the data. One, we are having its own underwriting norms. If they don't have a gold loan with us, they might have had a gold loan earlier or they might be having a gold loan. That is immaterial with us. It's just the customer data. And these customers all have taken personal loans from elsewhere. It's only based on that, that we give a loan.
- Oommen Mammen:** So the difference is, person loan product, it is sourced from outside. The other loan is based on the track record of our existing customer in this business. No, he need not have an outstanding gold loan book right now.
- Kamal Mulchandani:** Okay. But there can be some overlap that the customer has taken a gold loan from you and a personal loan from you?



- Oommen Mammen:** No, that product is not offered to all the gold loan customers, only it's the creditworthy customers, we assess and we give them. I mean, the product is EMI based. Not a bullet written.
- Kamal Mulchandani:** Okay. Understood. And just to ask like from how many branches are we sourcing personal loans like or -- and what is the proportion of the digital personal loans?
- George A. Muthoot:** Personal loans, we don't source from branches.
- Oommen Mammen:** We don't have digital process.
- George A. Muthoot:** We don't have digital process, first of all. The second, personal loans are not, it is only the customer number they have so that they call them and see, ask whether they need a personal loan. It is only done through 40 branches of personal loan. Personal loan has its own branches. It's on set up. Its own people. Not the Muthoot Finance branch, does not do any gold loan branch. Only personal loans.
- Moderator:** The next question is from the line of Jigar Jani from B&K Securities.
- Jigar Jani:** So congratulations firstly on a great set of numbers. Just one question. What would be our guidance on credit cost, because now over the last 2 quarters, we have seen about a 1% credit cost in the first half significantly higher than what we have seen over several years. So would this continue? Or do you see that kind of normalizing in the second half or...
- George A. Muthoot:** Our credit cost quarter-on-quarter would be around INR30 crores, I think. That's a rough number in my mind.
- Oommen Mammen:** Credit cost. So the write-offs for this quarter is INR16 crores. First quarter it is INR12 crores. The rest is the ECL provisions.
- Jigar Jani:** So if if you continue to give more time to your customers, this elevated ECL, you will maintain the ECL at these levels, which is about 1.4% of the overall gross loan assets. Is that correct?
- George A. Muthoot:** Yes, yes. So on the growth, roughly, it is around 1 percentage. For the NPAs, it will come roughly around 10% on gold loan.
- Moderator:** Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.
- George A. Muthoot:** So good evening, once again, and thank you all for participating in the call. Your support and your cooperation with us keeps us going and as usual, we will do our best to see that all the stakeholders are taken care of, whether it is our customers, whether it is our bank, whether it is our shareholders, whether regulators.
- We'll try our best and keep everybody happy, and we will do everything in our power to see that our shareholders and other stakeholders are benefited by Muthoot. Once again, thank you all, and we wish you a happy Christmas and New Year in advance.



*Muthoot Finance Limited*  
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**Moderator:** On behalf of Nirmal Bang Equities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.