



Muthoot Finance Limited

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August 21, 2024

National Stock Exchange of India Ltd.
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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
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Dear Sir/Madam,

Sub: Transcript of the Analyst Call on Unaudited Financial Results (Consolidated and Standalone) for the quarter ended June 30, 2024.

In continuation of our letter dated August 08, 2024, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the analyst call made on August 13, 2024, on the Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter ended June 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://cdn.muthootfinance.com/sites/default/files/files/2024-08/13+Aug+2024.pdf>

Thank You,
For **Muthoot Finance Limited**

Rajesh A
Company Secretary
ICSI Membership No. FCS 7106



“Muthoot Finance Limited
Q1 FY '25 Earnings Conference Call”

August 13, 2024



MANAGEMENT: MR. GEORGE ALEXANDER 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
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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 the Muthoot Finance Q1 FY '25 Earnings Conference Call hosted by DAM Capital Advisors 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 Mr. Sanket Chheda. Thank you, and over to you.

Sanket Chheda Yes. Hi, all. Good evening. I welcome you all to the Muthoot Finance Q1 FY '25 Conference Call. We have with us the entire Management team today. Mr. George Alexander Muthoot, who is the Managing Director; Alexander George, who is Whole Time Director; George M. Alexander, Whole Time Director; George M. George, Whole Time Director; George M. Jacob, Whole Time Director; Mr. Eapen Alexander, who is our Executive Director; 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 the MD sir. We'll follow that up by -- with question and answers. Over to you, sir.

George Muthoot: Thank you, and good evening. Good evening to all of you. Okay. We're happy. We just add the board meeting this morning, this afternoon. So most of the family directors are here with us. I am George Alexander, Managing Director. I have with me the other directors and also K.R. Bijimon, Executive Director; Mr. Oommen K. Mammen, CFO also along with the directors, they're also here.

So this has been a good quarter for us. The consolidated loan assets under management has crossed INR98,000 crores at the standalone loan assets under management stands at INR84,324 crores. Both historic highest for the growth in gold loan assets of INR14,000 crores in the last one year, with records up to 23% and highest ever standalone profit after tax of INR1,079 crores and highest ever consolidated profit after tax of INR1,196 crores for this quarter.

Other highlight, we have raised 650 million to the global issuance of bonds, open 280 new branches by a group as Muthoot Finance has become the only Indian NBFC selected for the FATF, Financial Action Task Force on-site mutual evaluation report on India, conducted in November where India received outstanding outcome in place, it is a regular follow-up category.

Muthoot Finance also launched two new ad films as part of its Bharosa India Ka brand. The subsidiaries have also done well. The Belstar Microfinance has increased its profits after tax to INR90 crores, and the gross AUM stands at INR9,952 crores compared to INR7,000 crores in the Q1 of last year. Muthoot Home Finance, the loan assets stands at INR2,199 crores against INR1,501 crores in the same quarter last year. Disbursed loan of INR221 crores in Q1 compared to INR109 crores in Q1 of last year.

GNPA stood at 1.75% in Q1 versus 3.97 in Q1 of last year. The NNPA stood at 0.52 in Q1 of this year compared to 1.21% last year. Muthoot Money, the loan assets stands at INR1,657 crores versus INR496 crores in the same quarter last year. The continued decline in NPA through the fiscal collection witnessed consistently throughout the year. The NPA decreased to 1.63 in Q1 to 2.43.

The branch network also increased to 674 from 470 during this quarter. The other subsidiaries, Muthoot insurance brokers have done good business and their premium collection of INR148 crores, and the total revenue stood at INR44 crores. Asia asset finance, the listed subsidiary based in Sri Lanka, where Muthoot hold 72%, and loan portfolio stood at Sri Lankan 2% INR335 crores as against INR2,000 crores in the same quarter of last year.

We have been able to do good business in this quarter and during this -- additionally, the union budget also emphasized many things and that we are sure that the investors given in the union budget also will help us in growing the company further. We see good prospects for the business in the coming years, and we expect to do well in the coming years also.

So with that, I would thank -- I would like to close, and I would like to open the floor for any classifications, doubts or queries. Thank you.

Moderator: Thank you very much. First question is from the line of Maruk from Nuvama. Please go ahead.

Maruk: Hello. Congratulations. Sir, I had a couple of questions. Firstly, on the gold loan growth, if you see last quarter also tonnage growth was around 3%. This quarter also, it's that of course, the total AUM growth is much higher. So going ahead, should you expect the same run rate in tonnage for the next three to four quarters?

And then my next question is on top-up loan. So why is the regulator so worried about top-up loans. First of all, if you could share your top-up loans in terms of what percentage of disbursements were towards top-up? And do you think any segment of competition is doing this aggressively, which has worried RBI? And also in terms of your guidance now for AUM growth for the year, where do you see it settled?

Moderator: Sorry to interrupt you, sir, the lines from your side is not clear. I'll disconnect you and reconnect again. Ladies and gentlemen, wait for a moment. We will connect the management line. Ladies and gentlemen, we have the management connection back on call.

George Muthoot: Hello. If you can hear now, I'll continue. So you had asked three or four questions, one of them about the tonnage. The tonnage is directly proportioned to be with the gold price. The gold price is high on incremental growth. The customer needs to bring only lesser quantity of gold. So the tonnage will definitely be proportionate to the gold price. So if the gold price keeps steady or keep pricing, the tonnage will be in the same proportion. So I think that should answer the first question.

The second question was about your top-up loans, yes. Customers take top-up loans because, it is not actually top-up loans, customer who have taken only INR50,000 earlier. Now we see some

the eligibility for him has gone to INR60,000, he takes more money on that. We have not -- we expect -- we understand the team may take more money on that. But as long as it is within the 75% LTV, we're not concerned. So as far as it is below the LTV cap of 75%, we are not concerned.

And your question about -- we have not heard anything from the RBI about top-up loans, gold loans top-up, I have not heard anything. So of course, RBI cautions many things in the probably -- we have not heard anything about from the RBI about this. Today, as of today, the average loan-to-value for our gold loan is only 63%.

So that means that the customers who have taken loan only 63% of the amount has been taken by them, but is still much below the 70%. One more -- guidance, we had been consistently giving guidance of 15%. So probably, we will continue with that to probably take a call after H1, it is Q1 only. After Q2, we'll see how the things are padding out, and if there is a guidance correction to be weak, we'll do it at H1. Thank you.

Moderator: Thank you. The next question is from the line of Sumit Sarda from Compound Everyday Capital. Please go ahead.

Sumit Sarda: Thank you for the opportunity. Just one question about impairment of financial instruments, there's one line item, which has grown significantly sequentially as well as year-on-year. Can you explain the nature of this and why should it not be included in the cost of fund? Thank you.

George Muthoot: We didn't understand that what we -- can you...

Oommen Mammen: Which item is that?

Sumit Sarda: Impairment of financial instruments. Around INR375 crores.

Oommen Mammen: Okay. So on the impairment, it is nothing but the ECL provision. So as you are aware, we have grown this quarter by about 11%. So that is roughly around INR8,400-odd crores. So we make ECL provision as per the PD and the LGD percentage which we have devised. So generally, we stick the PD and LGD percent in March in the fourth quarter, and we retain that percentage throughout the year, and we review it only at the next year-end. So we calculated the portions based on the PD and LGD accordingly, because there is a growth of INR8,000-odd crores. We know that there is a ECL provision on the growth element.

Now there is also an increase in the Stage 3 assets by about INR1,000 crores, for which we make a provision of about 10%. As you know, on gold loan, the NPAs are technical NPAs, we don't incur any loss because of the collateral. And no, we don't see any loss also coming on that NPA book.

If you look at the average LD of the Stage 3 gold loan assets, it is only around 54% at the principal amount. So -- because it's an accounting requirement as well as the RBI requirement, we had to make ECL provision about 10 percentage. So because of these two, the impairment amount is higher this quarter. But no, we don't incur any cash loss on this impairment provision.

George Muthoot: To keep things a little more in perspective that we usually see it every year, every time is that the NPA which we see is only a technical NPA, because it has crossed the threshold time limit of 12 months plus 90 days. But all these loans, we are in the money. And especially now because the gold price is also high. When customers come and request for time we give them time. That is why you see them as NPA.

We can, of course, be -- if you harsh on the customer and maybe auction the gold and make it in the zero NPA, but then I don't -- we felt that it's not customers interest and also the company's interest to auction the gold even when there is -- we are in the money. So when we are in the money, the customers request a time, we don't mind giving them more time to raise it. That is definitely a customer-friendly approach which has been practicing all around.

Sumit Sarda: Yeah, thank you, sir. Sorry, I think I misunderstood. What I wanted to understand was, is there any impact of foreign exchange transmission on the forex borrowing that you've taken? And RBI also recording it here.

Oommen Mammen: No. So no, the -- so of course, we have done a dollar bond fund raise of about \$650 million in the first quarter. But that will not have an impact in the impairment. Those hedge costs, etc., will come as a part of the finance cost.

Sumit Sarda: Okay. Understood. Very clear. Thank you, sir. All the best.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi. Thanks for the opportunity. Two or three questions. So first is, what is the accrued interest in the quarter? Second is, can you please give us the AUM split of less than 1 lakh, 1 lakh to 3 lakh and more than 3 lakh. And the growth guidance that we are giving of around 16%. What proportion of that would come from south versus north. Thanks.

George Muthoot: Yes. I think the south versus is north, it is growing equally, almost equally, south is today, about 48% and the north is 52%. So proportionate growth will be there for guidance also, that is what we have been doing. And the second question was about the impairment.

Oommen Mammen: Accrued interest. Accrued interest is INR1,980 crores.

George Muthoot: INR1,980 crores is the accrued interest and one more point --1 lakh or 3 lakh? Give me two minutes.

Shubhranshu Mishra: So South and non-south both will grow at 15%, fair understanding here?

George Muthoot: Yes, yes, yes.

Oommen Mammen: Sir 1 lakh is 32%, 1 lakh to 3 lakh is 37%, above 3 lakh is 31%. So 32% to 37%.

Shubhranshu Mishra: Right. Got it. Thanks.

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

Rajiv Mehta: Hi, good evening. Congrats on a very strong set of numbers. Sir, we have seen a clear uptick in new customer acquisition volume, even the fresh loans to inactive customers even that volume has increased. So if you can elaborate on the drivers of this better numbers coming through in this quarter. Is it one of the competitors not being present that has helped us? Or is it some competition moderation from bank or do you see that demand is coming because there is lesser availability of unsecured credit for the borrower?

George Muthoot: I think you answered all the questions. All the three other reasons good enough, maybe -- the credit also -- credit requirement is also going up. So probably, there has been some caution from the bank also with regard to unsecured loans, etc. So probably people are now coming back more to gold loans. That is one. The second, of course, the conversation from the banks, it is probably -- it is always there, you won't say competition, there's always there, but probably it will come down.

So -- but -- as always, we say companies like Muthoot, which are always focused on gold loan, we always have room for good growth in gold loan. So that is what we have been able to do. Muthoot has always been focused very much on gold loan and we have been able to get the advantage of probably the lesser competition or the decreased intensity of competition from banks as well as some other NPAs.

Rajiv Mehta: And sir, what is the reason for holding back revising the guidance upward after this stellar show? Because from March to June, we've already seen 11% growth in the gold loan portfolio. We're still guiding for overall 16% for the year. So I mean, have we seen the trend slightly moderate a bit on the growth side in July and August and if not, then what is holding us back from revising the guidance because out of 15%-odd, 11% is already done in the first quarter.

George Muthoot: I think we didn't want to do a very -- we want to revise the guidance as early as in Q1. So we thought we will do it after Q2. That's all. It's nothing more than...

Rajiv Mehta: Yes. So July, August trends have continued in terms of growth and customer acquisition.

George Muthoot: I think this is continuing just like before.

Rajiv Mehta: Okay, sir, thank you so much.

Moderator: Thank you. The next question is from the line of Ashish from Infinity Alternatives. Please go ahead.

Ashish: Thank you and congratulations. First set of numbers. Couple of questions which I just wanted to understand on the NPA, especially the Stage 3. Now that we have a very large number, do we expect over the next couple of quarters, the NPA number, Stage 3 number to come down? I know you guys started to try and be customer-friendly, but the number is getting very large. And related to that, sir, we had done an ARC transaction, I think, three or four quarters back. So if

you can just update as to how much returns have we got beyond the principle. And if you can help us understand if we are if you're thinking of another ARC transaction on our books.

George Muthoot:

So I think, as you said, we are definitely in the money. We have a stated principle or stated policy of Muthoot, we would like to accommodate the customer wherever possible. So as you also said, if the numbers are going beyond level, then we'll have to take some actions, maybe option little more frequently is that's what we record. But then we would, of course, pursue on the customers to come and close the loan and probably take a new loan. That is something which we are starting to do now also persuading them to close the loan and probably take a new loan that will also change the NPA status, etc. So we are taking steps to that.

Finally, we would like to accommodate the customer as far as possible. Regarding the ARC, which we did six months back, we did transactions for about 80,000 customers. And today, we are so happy that out of the 80,000 more than 80% of them have taken back their gold. So probably, we were able to -- what should I say, prevent auctions or maybe not do auctions in 60,000 cases.

We have 60,000 customers. I'm sure they are definitely ever grateful to us for saving their gold and giving them a little more time, three, four months' time, so that we were able to take back the gold. So to answer your question of the ARC, ARC was done for about INR700 crores. I think about INR200 crores is still outstanding as principal receivable from them.

Ashish:

On the ARC transaction so that we -- as you said, we are in the money -- so we're looking at giving another ARC transaction. And on the ARC transaction, are we expecting any update beyond the principle, because obviously, it was 100% is principle is what I remember.

George Muthoot:

Definitely, we expect upside on principle definitely as soon as this recipient received balance which we are going to receive would be the interest and that will come in their next quarter. So we have not considered doing another ARC at the moment.

Ashish:

Okay, thanks and wish you all the best.

Moderator:

Thank you. The next question is from the line of Pranav from Bernstein. Please go ahead.

Pranav:

Hey, good afternoon. Thanks for taking my question. My question is again on the Stage 3 assets. While I understand there is no cash loss for the company. Can we see this as a decline in the repayment ability of the customers? We are seeing a general pickup in credit costs across various lenders. We see a continuation of that trend. Some colour on that would be really helpful. Thank you.

George Muthoot:

Firstly, I don't think it is that reason because the other option would have been for us to auction the growth. So if you look at our auctions, auctions have been very minimal in this quarter and last quarter also, because we were accommodating customers without auction. So if you look at the overall, the number -- the NPA customers or the Stage 3 customers are almost same. It is just that we thought because we are not auctioning. Many of them are now remaining in our books as Stage 3.

And that's all. Because these are all small, small customers, it is not that there is some trust in the market for these people, etc. And such a small ticket size, the call all around the whole geography of India. We don't see any such stress, etc. But the fact here is that we are able to accommodate them and prevent the options. So if you look at our auctions, auctions should have been much lesser in the last two quarters.

Pranav: Understood. Understood. So just that I understand the slide. So you're saying that the number of customers who have fallen behind on payments has been really changed. Only thing that has changed is lesser number of auctions, which is driving this higher number. Is that fair?

George Muthoot: You're almost right there. Customers also very well aware the value of this collateral he has given. So he can very well request for some extra time. So if we are not giving extra time, we can go to somebody else and about the same amount. So, it is not due to any stress across any particular segment.

It's, just that is postponing that repayment, we send an auction notice, he will come and repay the loan. A majority of them will come and repay the loan. But as a prudent practice, we give some extra time to this customer, especially for the fact that the average LTV on these loans at origination is around 54% at the current price.

Pranav: Understood. Thank you very much. Super helpful. Thank you.

Moderator: Thank you. The next question is from the line of Pavan Kumar from Ratna Traya Capital. Please go ahead.

Pavan Kumar: Sir, can you give me the auction number.

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset?

Pavan Kumar: Is an auction. Can you hear me now?

Moderator: Yes, sir. Please go ahead.

Pavan Kumar: Can you give me the auction numbers for this quarter and last quarter?

Oommen Mammen: So now this quarter is INR68 crores.

Pavan Kumar: And last quarter, how much was it, sir?

Oommen Mammen: Last quarter, just give me a second. Last quarter was about INR162 crores.

Pavan Kumar: Okay. And did I clear why we are saying nothing -- I mean, we are not seeing any kind of difference in the amount of stress we are seeing on the ground on the customer, but it is more because of us doing not much auction that the G&P figure.

George Muthoot: Yes, yes, you're almost right.

Pavan Kumar: And from here on, what is the kind of credit cost we should expect for the rest of the year?

- Oommen Mammen:** So as per ECL calculation -- for gold loan, the PD we have kept is 8.9% and LGD is 9.96%. So this will continue to apply for the growth element. And on the NP assets, the loss given default will be applied for the entire NP assets at 9.96%. So that is an impact. So this is a mathematical formula. No, I can't do much about it till it is revised.
- George Muthoot:** Sir, to clarify something. None of these NPA results in loan loss. That is what we want to do. None of this euro loan loss on this...
- Pavan Kumar:** I do understand that, but I was trying to more figure out why would these customers actually -- I understand you are 54% LTV. But I was just trying to understand why would -- I think is it the testing of the lending segment as a whole that this is happening or why is that NPAs have suddenly gone upside.
- George Muthoot:** I told you because customers know that their gold is worth much more. So the request for little more three months, six months time to maybe to keep it because we just accommodate them. That's all.
- Oommen Mammen:** In fact, compared to last NPA percentage has come down from 4.26% to 3.98%. But it doesn't mean anything as far as we are concerned.
- Pavan Kumar:** Okay, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Gao Zhixuan from Schonfeld. Please go ahead.
- Gao Zhixuan:** Just wanted to understand, post the budget, there's a pretty sharp drop in the domestic gold prices. Are you seeing demand side being impacted post the budget because of that?
- George Muthoot:** Yes. There was a fall in the domestic price by about 8%, 9%. So there was a 9% fall in the customs duty. But of late, if you look at today's price also, the international price has actually gone up, because actually reached \$2,500. So international price is actually covering. And today, the peak decrease in the price compared to pre-budget, it's only about 4%.
- Gao Zhixuan:** Sorry I missed an earlier answer, but in July and August, is the momentum that we saw in the first quarter largely continued so far?
- George Muthoot:** Gold price is still going up only. The momentum, there may be sports of very high growth, very high price pricing one month. But if you look at overall in the last one, two years, the three years, the price has been steadily going up only, mainly probably because of the geopolitical tensions, etc.
- Gao Zhixuan:** No, sorry, I'm referring to our gold AUM growth into all those.
- Oommen Mammen:** So we are continuing to see a good level of disbursement, of course, we can give a quantification for that. But we are seeing a good disbursement as far as gold loan is concerned.
- Gao Zhixuan:** Got it. Thank you.

Moderator: Thank you. The next question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: Yeah. Hi, sir. Sir one question I had that even in South India, which is continued as a matured market for gold, are your so much drop on growth, all the small, small banks, cooperative banks. So this somehow this entire gold loan industry is seeing very, very vibrant growth. Any reason you can point out for this. The gold price is on even, but anything else you can tell us?

George Muthoot: Good to hear your voice once again. And I think what is happening is also companies who are very focused on gold loan. They will continue to grow. The others who come in maybe come here focus after one quarter focus on this after three quarters, reduced their focus for them, the growth may not come as there. So those were focused gold loan place. Probably we can take, I can say only about Muthoot.

We would definitely continue to see growth momentum, whether to south or north, etc., even with regard to, as you say, a mature market. Mature market is also -- there are so many people still who are not definitely made use of the gold loan model, gold loan model for their funding requirements. So the market is very huge. There are so many people still there who have not used this opportunity.

So we see new customers also coming. And in the last several quarters in one year, two years, many of the banks have also been doing well are doing. So doing gold loan well. So the -- what should I say, the knowledge of people that the gold loan is a good fact good borrowing vehicle is also increasing. So more on more people who earlier were not taking gold has or try to take this, in a market also, that are repeat customers.

We always say 80% -- 75%, 80% of our customers are repeat customers. After some time, they came and close the loan after three, four months, they come again. So as long as we are focused there as long as people feel that Muthoot is a reasonable company where they are getting good service and also, of course, always their gold is also safe and not auctioned very quickly, etc., we get a lot of repeat customer.

Digant Haria: Right. Very good that is good to hear. Sir, but in that case, shouldn't you revise our guidance, I know you just said that after H1 you will do, but you start the year with 15% guidance. This year, we started the quarter with 15% growth in just one quarter. So maybe is it time or you just to be cautious because maybe the competition will bounce back again and whatever.

George Muthoot: It's not that because I think if you look back also, all the years, we have always revised only after second quarter, etc. There never waste after the first quarter. So just going by all the precedents only but definitely, we would take the maximum -- we use the maximum opportunity for gold loan growth, we will leave no stone unturned to get the maximum possible gold loan business.

So that is our main focus and wherever there is an opportunity for gold loan growth or AUM growth, we will do it and we will use it to the maximum is. So it's just that we don't want to give a revision after one quarter. Probably next quarter, we will be able to do a better. Or that we see

anything in the horizon that is negative, we don't see anything like that. But we don't want -- we wanted to do it after two quarters. That's all. Nothing more than that.

Digant Haria: Perfect. Sir, and one more thing, which I wanted to ask is that in 2020, '21, '22, when a lot of these banks are getting aggressive, we had to take that trade-off of growth versus lending yields. Now I see at least our lending yields have been stable despite such high growth. So that whole growth versus margin trade-off, do you think that is over now and we should at least get this stable margin, which we have been getting for the last four, five quarters?

George Muthoot: The margins are reasonable now. And of course, we see -- occasionally, we see the borrowing costs also going up slightly. So as the borrowing cost is going up, we will -- whatever we can absorb ourselves, we will do trust, we'll have to pass on to customers. So we take a call on that maybe in the coming months, we'll take a call borrowing costs, etc., incremental borrowing cost is going up. We'll have to take a call on that. Some time, we will try to absorb the cost. But afterwards, we have to take care of our margins also, NIMs also required. We will do a yield evolution also. As far as possible, maximum it till -- we would like to do the best ways to these customers.

Digant Haria: Got it. Got it. Got it, sir. Sir, this is safe to assume that this 20,000 disburse, we disbursed everything in bank accounts. There's more than 20,000. So it was that an operationally very heavy quarter, but as I can see, there is no disruption. So that all that thing went very smoothly this quarter?

George Muthoot: I think yes, there is such a big commotion and confusion, because everybody is carrying cash into 20,000, etc. It was -- most of our customers have bank accounts. They come and they see in the branch, can I give you INR60,000 cash we used to give. But now they say, we can't give, we just transfer it to their account. Everybody has some Google Pay or UPI something is there for everybody. So hopefully, has found it difficult nowadays. No issue has come because of that.

Digant Haria: Right, right. So that's great to know. Thank you so much for the opportunity and I wish you great for this year and the coming years.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: Yes. Hi. So this is Prolin here. Thank you for giving me this opportunity. One, just a bookkeeping kind of question. While I understand that our NPAs are more technical in nature, but this assumption that we changed at the start of the year for LGD and PD, has that changed towards this last year?

Oommen Mammen: So, ever since Indes has implemented, we normally revise the PD, LGD only in March, in March quarter.

Prolin Nandu: So then in March quarter of March of '24, we were revised upward, right? What -- I mean is it -
- I mean, has it changed towards is March 23 quarter, the assumption of LGD and PD.

Oommen Mammen: Yes. Now it has come down a little bit lower compared to March '23.

Prolin Nandu: Which means that the incidents in terms of asset quality is better than what we were building in, am I correct?

Oommen Mammen: Yes.

Prolin Nandu: Right. Okay. Thank you for that clarification. Secondly, sir, just extending Digant's question a little bit further. Now you -- I mean, Muthoot has always been focused on gold loan. And it's like a fair weather -- it's like an all-weather friend for its customer, it's always there, right? I mean, competition comes and go. And you are very optimistic in terms of loan growth also going forward.

So I'm just trying to link the gold loan growth with the margin part. So is it fair to assume that maybe in near past, right, for a couple of years when competition was high, the -- our decision on pricing was not purely based on the cost of the fund, but it was also based on what the competition does. Going ahead, will it purely be based on cost of funds? Is that a fair assumption to make?

George Muthoot: So I think one thing is that we have to look at the customers also. The customers is our first priority. So when customers are presenting for very low interest, we are getting low interest some -- we have to definitely take care of our customers at that cost of probably some profits. But then after sometimes, customers also realized that what they saw is getting a low rate from somewhere is not is having its own difficulties, etc. They started coming back to us. So now today, we have it.

So it's not that now because the customers have started coming back, we can just -- we need to simply increase our vendors. I think we look at the customers first. So that is why -- because any other company, nearest competitor, NBFC, etc., we have much more than 2 times, 3 times their aim, because customers feel that we are a more reasonable of the company. So whenever we have an opportunity, we support the customer, whether it's at our auctions, less frequent auctions or maybe not increasing the rates to -- or increasing the rates only to maintain our limits.

So that adheres customers more to us, because these are mainly walking customers. They have to come back and decide to come to move. That is what is most important here. The repeat customers, the customers have taken a loan closed, it should come back to us on the second loan. And that we are the definitely see. That is where we are able to score over many other people. So to answer your question, now that there is no competition etc., it's not that we want to increase the rates. We will try to maintain our mean, etc., reasonable profit, good profit. And then we will continue with that way.

Prolin Nandu: All right, sir. That's it from my sir. Thank you for the answers and all the best.

Moderator: Thank you. The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

- Jigar Jani:** Yeah, hi. Thanks for taking my question. So just a follow-up on the margin parts. So earlier, our guidance of \$0.11 to \$0.02 kind of NIMs that we'll be maintaining still be maintaining those targets? Or do you think there is an upside or downside risk to this?
- George Muthoot:** Sorry, can you repeat? Can you just -- we did not quite understand your question. We didn't quite understand your question. Jigar, are you there?
- Moderator:** Mr. Jigar, may I request you to please repeat your question.
- Jigar Jani:** Yes. Is this better?
- George Muthoot:** Yes.
- Jigar Jani:** Yes. So what I was asking was on your margin guidance, Earlier we have been guiding for 11 margin rate, but then about 11.5%. So we'll be still sticking to that margin guidance.
- George Muthoot:** No, maybe 0.5%, 1% here and there. We generally try to stick to that, sir.
- Jigar Jani:** Okay. And any risk that you see to this margin given that maybe the -- one of our competitors who will sell embargo -- when they come back, they might revert back to aggressive pricing to regain market share. So what would be our strategy? Would you -- would we still kind of sacrifice on margins to maintain market share or would be like prefer to maintain margins at current levels and grow at a slightly slower pace, because we have seen this play out before in terms of teaser rates. I just want to understand, if a scenario like this comes in, what would be our likely strategy?
- George Muthoot:** Actually, Muthoot Finance, we have our own strategy for business and growth. We are not very much concerned of to take it by what others do. But then we don't want to comment on the other companies, etc. We would like to grow our company in the way we like, and I think we have been able to do that well, and we should -- we will try to stick on to that.
- Jigar Jani:** I think somebody asking the quantum of the top-up loans that we do would give you possible to share?
- Oommen Mammen:** There is nothing like top-up. As we said, the average LTV of the loans is around 63%. Now customers who have taken as a loan earlier, if he has a requirement, he'll come and take an additional loan. If I am not giving that loan -- we can go to somebody else and take a loan. So I don't think theirs is a top-up, it is purely based on his requirement. Top-up really, meaning when I know somebody has taken the maximum amount of a loan. And then on top of that, they are getting up additional loan. Today's environment, especially when the average LTD is only 63%, the question of top-up doesn't arise, it is purely based on his needs at different points of time.
- Jigar Jani:** Okay. So we won't have a separate number on these type of loans that we are giving. And we'll be tracking on how much of a renewal would be where customers are coming and taking an additional loan LTV is available?

- Oommen Mammen:** See, if you look at our customer -- the number of loan accounts is around 91 lakhs, whereas number of active customers is around 59 lakhs. So which means that every customer has maybe more than one loan, which also explains the fact that I mentioned some people -- when they have a requirement, they will come and take an additional loan. So we don't want to call that at the top-up. No, it is a wrong terminology to use for that situations.
- Jigar Jani:** Understood, sir. Thank you so much for answer the question. Thank you.
- Moderator:** Thank you. The next question is from the line of Nischint from Kotak Institutional Equities. Please go ahead.
- Nischint Chawathe:** Thank you. And in Slide 42, you give gold price per gram of INR6,580 in June. What exactly price is this. I mean, is it like a 24-carat 22-carat price, what is it?
- George Muthoot:** Which slide are you referring to?
- Oommen Mammen:** That is 22-carat.
- George Muthoot:** 22-carat. The ornament gold is all 22-carat.
- Nischint Chawathe:** Okay. And what would be the price today? I believe this is also.
- Oommen Mammen:** I think it has come down by around INR6,200 or so, then again, now it is INR6,500.
- George Muthoot:** INR6,500. Just one minute. Today, the prices again just come back. So after the budget -- today price is INR6,565.
- Nischint Chawathe:** 22-carat. And today's loan book in that sense would be greater than the loan book as on July or will it more at a similar level?
- Oommen Mammen:** So no, 1.5 months are past announced in June 30. So the newer loans will be happening at a newer LTV, probably the older loans should have been good, which has happened at lower LTV would have got closed. So I can't comment on the exact LTV at this point of time. So you visualize on that basis. And when we progress, the newer loans will happen at newer LTV. Not necessarily that every customer is going to take at the maximum LTV.
- Nischint Chawathe:** But fair to say that is higher than the INR81,000 crores that we reported in June.
- Oommen Mammen:** No, no, Nischint, don't ask me that question right now. We already discussed the disbursements have been good in the current quarter. So that's all we can explain.
- Nischint Chawathe:** And just LTV on NPAs, I think we mentioned this number, but I'm not verifying...
- Oommen Mammen:** 54%.
- Nischint Chawathe:** And just one last one, and this is actually on the microfinance business, where we have fairly seen fairly sharp price on a sequential basis on Stage 3 loans. So if you have any commentary on that? And how do we see the relation for that?

- George Muthoot:** Yes. The Stage 3, yes, definitely, it is not -- it is -- across the board, across the industry, the Stage 3 has gone up, and we are actually much better off than majority of the similar companies.
- Nischint Chawathe:** Are you planning to put invest selling capital further capital in the micro finance business?
- George Muthoot:** I think they are looking for an IP.
- Nischint Chawathe:** Okay. So nothing from our side.
- Oommen Mammen:** As of now, nothing. Because I think they can manage it. And now there is also an IP with this plan. It all depends on the outcome of that.
- Nischint Chawathe:** Got it. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Pranuj Shah from JP Morgan. Please go ahead.
- Pranuj Shah:** Thank you for the opportunity. Sir, I think earlier in the call, you had mentioned the competition in general is seeing some moderation. On the NBFC front, I can understand that one of the competitors in there. But you also mentioned that bank competition is coming off. So what is driving that?
- George Muthoot:** It's not that bad -- the focus of banks are not maybe not as aggressive as it was maybe six months, eight months back.
- Pranuj Shah:** Okay, understand. In the case like earlier banks are also giving other unsecured loans. So because of the RBI scrutiny increasing on that. I would assume that even the banks will focus more towards that secured gold loans and focus towards these set of loans for smaller ticket sizes. So that is not the case.
- George Muthoot:** I wouldn't want to comment on that because banks have always been doing gold loans and unsecured loans both are always ensure banks get a much higher yield on unsecured loans than the gold loans, some deficiencies, they have take to nothing in our side. What we are seeing is that the competition, the aggressive competition from some banks have actually waned.
- Pranuj Shah:** Understood. Understood. And sir, just one more thing. Sorry, coming back to your auction and your Stage 2 plus 3. Like if I look at the Stage 2 plus 3 book that is higher even on a year-over-year basis by around 80 basis points. So generally, for how long would you wait before you start sending auction notices again to customers, make sure that can help us understand?
- George Muthoot:** We will try to keep that NPA within some limits. So we would have wanted to go very high. But then we are actually taking some efforts to ask the customers to come and close the loan and take a new loan. That's what we are focusing now so that they are able to save their goal. Our focus is mainly to save the gold of the customer. So probably -- we have been having, last year -- last year this quarter on Stage 3 was 4.2%. Last quarter, it was 3.8%. Now it is 3.98%. So if you look at the quarter of -- similar quarters in last year, the Stage 3 was 4.6%, today is only 3.98.

Pranuj Shah: Understood. Actually, I was looking at both Stage 2 plus Stage 3. All right, I get the point. Thanks a lot, sir.

Moderator: Thank you. The next question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Hi. Thanks for the opportunity, sir. Just one question from my side in terms of bank competition, in the past, we've observed that there has been some utilization of the interest subvention subsidiary from banks, which is one of the reasons why they were able to give lower rates on gold loan. Another thing is that also very recently one of the largest PSU banks said that they were turning down on Agri gold loan. So just kind of the two, three things. Is that the reason why banks have toned out their gold loan effort? I think in the past, you have also commented at some point in time that banks were not really playing a fair game. Just some of your observations or commentary on that will be very useful.

George Muthoot: We have been always -- earlier, we were always putting it to the regulator that this is happening, probably they themselves would have realized some of these things can change. I wouldn't want to comment anything on that because we have been always saying that there was something unfair, etc., happening. Probably some of the banks would have give some instructions to do that. I'm not sure about that. What I feel is that aggressiveness has toned down.

Raghav Garg: Understood. And sir, another question, when I look at the data, clearly, you've gained quite a bit of market share in this quarter. Can you provide any insight in terms of what percentage of your customers which were acquired this quarter? They were earlier taking loans from, say, another gold loan lender. Is that a data point that you would have handy?

George Muthoot: So actually, customers don't comment tell us that I have been taking the loan from x company and then bringing it to you. Come with their gold. We don't ask them from whether it's a plastic anywhere else. We don't have any data on from where they have taken this loan, etc. Usually, what happens is somebody takes a loan when he gets the money, he repays that loan, keep the loan -- we keep the gold with him. Next time, he wants, he goes to x company. So usually, what we see is most of our customers come back to us and new customers also come.

So it is not that he is taking gold from x company and giving it to Muthoot. No, nobody does that. They take the gold, they keep it at home, whenever they want because when they get the money only they can repay the loan from the other company. X company, they will repay the loan when they get the money. We'll keep the gold at home. Next time, after one month, two months when they want the money they come back. Instead of going to x company, they all come to us. That's all what's going to happen.

Raghav Garg: Understood. And sir, how much more kind of cost of funds increase from there.

Oommen Mammen: So no, this quarter, it is around 8.75%. I think probably another 25 bps.

Raghav Garg: Understood.

- Oommen Mammen:** We've also taken the equity borrowing where the average cost will be around 9.6% on a monthly basis. So that also will increase the overall funding cost.
- Moderator:** Mr. Raghav, does that answer your question?
- Raghav Garg:** Yes.
- Moderator:** Okay. Thank you. The next question is from the line of Jignesh Shial from InCred Capital.
- Jignesh Shial:** Yes. Sir, just a couple of questions. One, you have been saying that gold prices have been going up and down. So how frequently do you revise your -- the pricing or is it remaining fixed or over a period of time you revise the gold pricing? Or for 1 gram or it is regularly being revised based on day-to-day price moment?
- George Muthoot:** That is your question, any more questions?
- Jignesh Shial:** Yes. Secondly, I also wanted to check your personal loan portfolio is right now around 24 billion, if I'm seeing it correct, how much of would we cross-sell to our existing customer? Or will it be a completely fresh set of customers. That is second. Third, you have guided for 15% growth.
- George Muthoot:** I understand your second question, what is it?
- Jignesh Shial:** So your personal loan portfolio, what kind of customer profile is it? So is it same like gold loan customers additional loans -- your 15%, you're giving a good -- your loan guidance right now, but you're saying south and north would be equal, right? So can you guide us something on the branch expansion side. Are you planning any more branch expansion? And where exactly will it be happening? That is something I wanted to understand. And fourth, lastly, you had given that up to 1 lakh, 1 lakh to 3 lakh and 3 lakh and above percentages for the quarter. Can you give us the same number for last year? Is it possible? That's my four questions.
- George Muthoot:** The LTV rate is everyday dynamically. So it depends on the daily price movement. So everyday, the LTV is fixed. There is based on the price movement. Actually, the price movement is taken last 30 days average. But then every day, it is fixed every day, it moves. 4,900 today. Tomorrow, it may be 4,902 or 4,903. So that is the number one.
- Number two question is about our branch expansion -- yes, we have been growing our branches, yes. We have been growing branches wherever the regional office comes and says there is good potential in this place, we open the branch. So probably last quarter also, we open some branch going forward. This year, we may open another 100, 150 branches this year. Another question you asked us about?
- Jignesh Shial:** Personal and customer profile.
- Oommen Mammen:** The ticket size you have for last year. So last year, up to 1 lakh, it was 35%, 1 lakh to 3 lakh is 38%, and above 3 lakhs, it is 27%.
- George Muthoot:** All 30% range.

- Jignesh Shial:** Yes. So basically, we are seeing that more than 3 lakh customer bases basically has increased Y-o-Y. Is it correct? Or it's almost similar.
- Oommen Mammen:** I'm sorry, 27% to 31%.
- George Muthoot:** People are getting more prosperous.
- Jignesh Shial:** Understood. Okay. And just a follow-up on what you answered. So also, I wanted to check your personal loan customer profile, if you can tell me that one, that will also be used to...
- George Muthoot:** We wanted to do all this personal loan and all to actually give loans to our existing customers because when we looked at the customer profile we found that they were taking home loans, they were taking personal loans. They were taking vehicle loans from elsewhere, we thought we can do that. So of course, to start with, we put into that alone. We wanted open market also. We have an open market probably today, it will be 50-50 or 50%, 60% should be open market and others are cross-sell to our customers. So cross sell just a lead generation customer, who we feel have taken a loan from x company personal loan, we can always ask why don't we take the personal loan from us also. I think all the banks also do the same thing. Close all their gold loans, personal loans, etc., is also tried to do that is.
- Jignesh Shial:** Understood. So just to follow up quickly. Since you are saying branch expansion wherever it is possible you will be doing it up, but I think in north, you will be less penetrated compared to south? Or is my understanding incorrect? So the...
- George Muthoot:** There is a requirement in north or south, we just open it, sir. That's all.
- Jignesh Shial:** Okay. Understood. Understood. Perfect. Understood. And yes, I guess, yes, that's it from my side. And sorry, one last thing. When you are saying it is really 30 days moving average and then based on LTV. So if there is a steep correction in gold prices, then it might happen that LTVs might even inch up, right? That is possible. I mean if gold price moving down suddenly.
- George Muthoot:** It will start moving -- because that is a RBI's instruction. It's not that we do it, it is the Reserve Bank of India's instruction that the Bombay bullion rate average of 30 days should be taken, and that should be the LTV fix every day. The moving average of 30 days.
- Jignesh Shial:** Perfect. Thanks. Thanks a lot, sir. Perfect. That answers my question, sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Bunty Chawla from IDBI Capital. Please go ahead.
- Bunty Chawla:** Thank you, sir. Thank you for giving me the opportunity and congrats on a good set of numbers. Sir, on the Slide 51, as we have seen operational efficiency, in fact, this quarter was the one of the best quarters in terms of sequential growth in the AUM, but still cost to assets or you say operating expense to average loan assets still going inching up in Q1 itself. Is there any one-off in operating expenses or how one should see this number going?

- Oommen Mammen:** No, that reduction is primarily because of the growth on a Q-o-Q basis in AUM. So otherwise, operational expenses continue to increase in absolute amount wise.
- George Muthoot:** Rent goes up, salary goes up, everything goes up.
- Bunty Chawla:** No, no, I was saying that if you have an operational efficiency number, which has inched up from 4.1% to 4.24%. So though there has been an increase in the AUM growth sequentially, but still operating expenses has increased. So any one-off or this number, how should see?
- Oommen Mammen:** Yes. So the operational numbers -- pure operational expenses, which is 3.12% and 1.12% is actually because of the impairment portion. So that increase is actually because of the impairment portion, which we explained it earlier, because of the loan growth, there is an around INR100 crores of impact. And because of the increase in the NPA, there is another inflation of around INR100 crores. So that is the reason why the total percentage, which we have put is slightly higher.
- Bunty Chawla:** Okay. Sir, secondly, in the RBI monetary policy they have asked to be the monitoring of end use of funds to be done by the NBFCs or banks as such. Generally, in gold loan, we generally do focus on the end use where the customer is using. Do we have to now do that thing? Or if -- will it have some bit of impact, how one should see that.
- George Muthoot:** I have not gone through that the requirement to look at that and then come back to you.
- Bunty Chawla:** Okay. Okay. Okay. Then lastly, on Belstar Microfinance, we have already filed the DRHP. So - - and this quarter, it has been slightly harsh for MFI portfolio. We have seen in our portfolio as well. How one should see this IPO time line or how it is going, please?
- George Muthoot:** Don't have any definite guideline, etc., as and when the market is right and when the approvals come, we will go for it. That's all. We don't have any hard and fast food that it should be done in the next month or this month or next quarter, etc., whenever in fact, the approval comes and the market is right, we should go for it.
- Bunty Chawla:** Sir, lastly, on the MFI, this Belstar Microfinance, how the industry -- this quarter, I know it has been hard. How you are seeing this investor any improvement in asset quality or growth, how one should see?
- George Muthoot:** I think overall, the industry is growing -- it will be okay. We also have sometimes ups and downs, elections come from impacting their production. So those are all geographical factors which affect this. Otherwise, the microfinance industry, an industry in itself is a business in itself. They have their own challenges, they have their own deal raises, etc. There is nothing much we can also do in that. It is a -- they are also one around the industry, not the biggest player also reasonable player.
- Bunty Chawla:** Okay. Thank you. Thank you very much, sir. Best of luck.
- Moderator:** Thank you. 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 Muthoot: Thank you. It has always been a pleasure interacting with our investors and our well wishers. I'm sure Muthoot, we on our part, assure you that we will do our best to do the best in all fields of the business, whether it is quality of business, whether it is governance and all said, we will put in our best. We are thankful to our support for all these quarters, all these years, and we would request your support in the coming days also. From our part, we will do our best to keep all our stakeholders happy. Thank you, and good day. Happy Independence Day to everybody.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.