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Dear Madam/Sir

Sub: Concall Transcript of the Q3 Results Conference Call held on February 7,2024

With reference to the above, kindly note that the transcript of Q3 results Conference Call held on February 7,2024 has been uploaded on the website of the Company in the below Link.

<https://www.manappuram.com/investor-call>

We request you to take the same on record.
Thanking You.

For Manappuram Finance Limited

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“Manappuram Finance Limited
Q3 FY’24 Earnings Conference Call”
February 07, 2024



MANAGEMENT: **MR. VP NANDAKUMAR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MANAPPURAM FINANCE LIMITED**
DR. SUMITHA NANDAN – EXECUTIVE DIRECTOR – MANAPPURAM FINANCE LIMITED
MS. BINDU A.L. – CHIEF FINANCIAL OFFICER – MANAPPURAM FINANCE LIMITED
MR. B.N RAVINDRA BABU – MANAGING DIRECTOR, ASIRVAD MICROFINANCE – MANAPPURAM FINANCE LIMITED
MR. RAJESH NAMBOODIRIPAD - CHIEF FINANCIAL OFFICER - ASIRVAD MICROFINANCE LIMITED
MR. BASAVARAJ SHETTY - SENIOR VICE PRESIDENT AND HEAD IR - ASIRVAD MICROFINANCE LIMITED;
MR. KAMAL PARMAR – HEAD, VEHICLE AND EQUIPMENT FINANCE – MANAPPURAM FINANCE LIMITED
MR. SUVEEN P.S. - CHIEF EXECUTIVE OFFICER - MANAPPURAM HOME FINANCE
MR. ROBIN KARUVELY - CHIEF FINANCIAL OFFICER - MANAPPURAM HOME FINANCE

MODERATOR: **MS. RATI PANDIT – NIRMAL BANG**

Moderator: Ladies and gentlemen, good day, and welcome to Manappuram Finance Limited Q3 FY24 Earnings Conference Call hosted by Nirmal Bang Institutional Equities. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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. Thank you, and over to you, ma'am.

Rati Pandit: Yes. Thank you, Nirav. A very good evening to everyone. On behalf of Nirmal Bang Institutional Equities, we welcome you all to the Q3 FY24 earnings conference call of Manappuram Finance Limited. We are pleased to host the senior management of the company represented by Mr. V.P. Nandakumar, MD and CEO; Dr. Sumitha Nandan, Executive Director; Ms. Bindu A.L., CFO; Mr. B.N. Raveendra Babu, MD of Asirvad Microfinance Limited; Mr. Rajesh Namboodiripad, CFO of Asirvad Microfinance Limited; Mr. Basavaraj Shetty, Senior VP and Head IR of Asirvad Microfinance Limited; Mr. Kamal Parmar, Head, Vehicle and Equipment Finance; Mr. Suveen P.S., CEO of Manappuram Home Finance; Mr. Robin Karuvely, CFO of Manappuram Home Finance.

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

V P Nandakumar: Thank you. Good evening, ladies, and gentlemen. It gives me immense pleasure to welcome you all to the conference call to discuss the third quarter FY24 financials. As you know, amidst the challenging geopolitical situation, India is continuing to be in the high-growth trajectory. The just-announced interim budget has also exuded optimism about the future prospects of the Indian economy, promising that the country is well on its way to become a developed nation by 2047. It is in this backdrop that I present our Q3 financial results.

A balanced and prudent growth strategy, which I have been reiterating for many quarters, is now in full swing. While the NBFC sector, as a whole, has grown at a CAGR of 12% in the past five years, our growth has been around 19%. Notably, these growth rates outpace the banking sector, reflecting the strong traction achieved by NBFCs. This quarter, we achieved good growth in both AUM and profitability.

I'm happy to share that we have recorded a net profit of INR 575 crores, which is an improvement of 46% year-on-year, driven primarily by the profitability in gold loans and microfinance business. Gold loan AUM is sequentially flat; however, there's still 2.6% sequential profit growth. Gold

loan AUM stood at INR 20,758 crores, an improvement of 11.5% over the year-ago quarter.

While standalone AUM of the entity, at INR 27,407 crores, grew by 23% year-on-year, the consolidated AUM reached INR 40,385 crores, representing an increase of 27% for the year ago quarter. We posted an ROA of around 5.2% for the quarter, significantly higher than the industry average. The pace of growth in NBFC space, even outpacing banks, owes to the fact that our financial market gives a lot of headroom for a large number of players to co-exist.

The company's microfinance subsidiary, Asirvad, has posted an AUM of INR 11,563 crores, showing a growth of 34% year-on-year and a profit of INR 127 crores in Q3, with a growth of 80% year-on-year. The share of microfinance in the overall profit pie is set to go up in the days to come. We continue to post an excellent growth in Vehicle Finance business, recording 70% increase year-on-year, with an AUM of INR 3,597 crores while maintaining good credit discipline.

The home loans with an AUM of INR 1,415 crores, registering 41% increase over the corresponding quarter in FY23. I'm also pleased to share that our fee-based business is growing nicely. We reported INR 28 crores profit from our fee-based business and see excellent prospects for its growth. I am pleased to inform that the Board of directors declared a dividend of 90 paise, another increase of INR 0.05 this quarter and we remain confident of achieving both

top line and bottom-line growth while maintaining adequate liquidity.

For a more comprehensive review of our financial performance, I hand the floor to our CFO, Ms. Bindu A.L.

A. L. Bindu: Thank you, sir. Good evening, ladies, and gentlemen. Thank you all for joining us today. As you are aware, Asirvad Microfinance filed the DRHP on October 5, 2023. We are not in a position to give more numbers for Asirvad except those, which are in the public domain related to results. We request our participants to restrict their questions on Asirvad to published numbers. Coming to the operational overview, our consolidated AUM for Q3 FY24 was INR 40,385 crores, representing 3.7 percentage sequential growth and 26.7 percentage Y-o-Y growth.

Consolidated profit after tax was INR 575 crores, which was up by 2.6 percentage Q-on-Q and 46 percentage Y-o-Y. ROE on a consolidated basis was 21.2 percentage and ROA was 5.2 percentage for the quarter. Our leverage is currently only 2.9x. Standalone GNPA is at 1.99%, versus 1.56% during the previous quarter. Cash and cash equivalents on hand on a consolidated basis was INR 3,076 crores and undrawn bank line was INR 7,128 crores.

CP exposure is nil and the standalone borrowing cost has gone up by 19 basis points. The Gold Loan business constitutes 51.4 percentage of consolidated AUM, while the remaining 48.6 percentage comprises Microfinance, Vehicle, Housing and MSME Finance. Gold loan AUM consolidated

INR 20,758 crores is stable Q-on-Q and up by 11.5 percentage Y-o-Y. During the quarter, we were able to add 4.03 lakh new customers. Average LTV is at 61 percentage. Online book at 56 percentage. Our standalone profit after tax was INR 428 crores, up by 2.1 percentage sequentially and up by 34.7 percentage Y-o-Y.

Coming to Microfinance business, its share of AUM stands at INR 11,563 crores, including gold loan AUM of INR 828 crores, up by 6% Q-on-Q and by 34% Y-o-Y. PAT for MFI business has increased to INR 127 crores in Q3 FY24 versus INR 118 crores in Q2 FY24. And for nine months, the profit increased to INR 356 crores versus INR 119 crores last year. Net NPA stands at 1.34 percentage. Capital adequacy is 23.16 percentage for Asirvad.

In Vehicle Finance, we reported an AUM of INR 3,597 crores, which is up by 14.5 percentage Q-on-Q and 70 percentage Y-o-Y. Collection efficiency for the quarter was 98 percentage and GNPA 2.6 percentage. Home Loan business saw total AUM at INR1,415 crores, which is up by 8.5 percentage Q-on-Q and up by 40.9 percentage Y-o-Y. And reported a profit of INR 5.1 crores during the quarter. Collection efficiency at 96 percentage and GNPA 2.67 percentage.

In MSME and Allied businesses, the total AUM stood at INR 2,857 crores, with a disbursement of INR 460 crores during the quarter. Collection efficiency was 102 percentage and GNPA 1.5 percentage, excluding digital personal loan. If

we include digital personal loan, it is around 2.3 percentage. Our on-lending AUM stands at INR 1,022 crores and ROA for on-lending business is 5 percentage for the quarter.

The recent RBI circular to raise risk weight on consumer credit exposure of the NBFC lending does not apply to gold loan, vehicle finance, and microfinance; hence, it has not much impact on our balance sheet. Nonetheless, bank lending to NBFCs raised their risk weight to the extent of 25 percentage, which resulted in a sequential increase in the cost of borrowing by 19 basis points. Our capital position is strong and the CRAR at 30.7 percentage for the standalone entity.

The consolidated net worth was at INR 11,063 crores and the book value was INR130.70. Thank you. We can now go for the Q&A session.

Moderator: Thank you very much. We'll now begin the question and answer session. The first question is from the line of from Piran from CLSA.

Piran: Congrats on the quarter. Sorry, I dialled in a bit late, but I heard something that INR 28 crores profit from fee-based business. Can you please elaborate?

V P Nandakumar: Okay. This is through our subsidiary, Manappuram Insurance Brokers. So now insurance companies can pay more because of the liberalised fees, the commission dispensation by the regulator. So, we are getting a higher

payout from them. That is the reason for the INR 28 crores profit from insurance broking business.

Piran: Okay. And sir, what was it, say, Q-o-Q or Y-o-Y if you can give us a sense? And this is a INR 28 crores profit for the quarter or for nine months?

V P Nandakumar: For the quarter.

Piran: Okay. And what was it, say, last quarter or one year ago?

A. L. Bindu: Last quarter was INR 15 crores.

Piran: Okay. And Bindu, the second question for you. You mentioned the 19 bps increase in cost of bank borrowings. So, the full effect has played out in Q3 or should we expect something in Q4 also from this risk weight guideline?

A. L. Bindu: Yes. So, we have to expect a similar increase in Q4 also. Because the circular came in mid-November and that entire rollover is not complete. We are having a lot of undrawn lines. So we hope we will be able to contain the increase.

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

Abhijit Tibrewal: Sir, if you look at the gold loan yields that we report, I think in the last two quarters each, it has gone up by 50 basis points. And just trying to understand, understandably second, third quarter are weak quarters for gold loan growth. But what is it that we are doing, which is leading to this kind of an increase in yields in gold loans?

And maybe a related question, I mean, with this gold loan yields now going up, is it then fair to assume that what we keep sharing in the last few calls that competitive intensity from banks is coming down is indeed playing out?

V P Nandakumar: We are catering to the requirements of the small ticket borrowers primarily because our average ticket size remains around INR 20,000 and the average tenure around three months. What is most important is our availability and our quick service, turnaround time that is most important. So, whatever is the cost increase in borrowing, that we are passing on to these gold loan customers.

Many companies have come in, that is expected because the large chunk of the business still remains with unincorporated bodies. We don't have exact data but the general impression is that they (unorganised sector) do more than 2/3rd of the total business, so it will get translated into the organized sector. So, at this rate, we hope we'll be able to maintain the business. And even though one quarter remained flat, I hope we will reach our target of 8% to 10%.

Abhijit Tibrewal: Got it. Got it. So essentially, 8% to 10% growth in Gold Loan still possible essentially implies that after two quarters of weak gold loan growth, we are now kind of looking at a good gold loan growth coming in the last quarter of the fiscal year?

V P Nandakumar: Yes, there is a season. During that season, we used to get growth. With that growth, we may be able to maintain the rate generally.

Abhijit Tibrewal: Got it. Sir, the other thing I wanted to understand on the Microfinance side, I mean, during the opening remarks, Bindu ma'am said that we can restrict the questions to the published information given the ongoing process of IPO. But just wanted to understand that during this quarter, looking at other MFI peers who have reported, they all highlighted impact from Tamil Nadu floods.

I think for you, Tamil Nadu is close to 14% of your AUM mix. Likewise in Punjab and Haryana, you'll have close to 100 branches and we've been hearing that there are some problems, which are brewing in Punjab. Can you share, I mean, what is it that you are seeing, I mean, in Punjab and Haryana, and what was your experience like in Tamil Nadu? And is that the reason which kind of led to elevated credit scores costs in the Microfinance business during this quarter?

V P Nandakumar: Tamil Nadu because of the cyclone and other things, many people lost their livelihood temporarily and has affected to some extent. And in Punjab, Rajasthan, Haryana, etc, yes, there are some problems. The industry generally is affected. But in these places, our exposure is not that high. Tamil Nadu, we have 14%, yes.

Abhijit Tibrewal: Okay. And sir, just one last data-keeping question for Bindu ma'am. Can you just share, I mean, some of these data points like you typically share in each earnings call? What were the gold loan disbursements? What was the amount, which was auctioned? And lastly, the auction surplus as on December?

A. L. Bindu: Yes. So, auction during the quarter, INR 124 crores. And auction surplus...

Management: It has been reduced to the level of INR 23.5 crores.

Moderator: Next question is from the line of Mona Khetan from Dolat Capital.

Mona Khetan: Yes. So firstly, I wanted to understand this rise in NPAs across many of your portfolios, including home loans or MSME book. Could you give some colour on this? What has led to the sharp rise across, even Vehicle for that matter, these books are growing very fast and the NPAs are on the rise on a sequential basis.

A. L. Bindu: Kamal?

Kamal Parmar: Yes. Our NPA for quarter three stood at 2.6% against 2.5% last quarter. And in fact, it was higher in the first quarter, it was at 2.9%. So, we have actually brought it down and we are holding it stable.

A. L. Bindu: Yes. so during the quarter, the gold loan NPA has gone up. But as you are aware, the credit cost is negligible from that portfolio. We were getting requests from the borrowers to delay the auction for a few of the customers. And that is the reason it has gone up. And the gold price is also in support, and we are honouring the request of the borrowers. So that is the reason it has gone up. But for all other portfolios, like MSME, it's 1.5 percentage, that is also at the similar level. Where we have seen the collection issues are only in the case of digital personal loans where we, again, are restricting the

underwriting norms. Not only MSME book, the whole book, we have seen 1.5 percentage GNPA only. So overall, credit quality has improved. The rate has gone up. But we are not expecting any credit cost out of that.

Mona Khetan: And how about the home loan book? The NPAs are higher by about 90 bps during the quarter.

A. L. Bindu: Yes.

V P Nandakumar: So, in home loans, we have around 200 properties, which are up for sale, which were taken over through Sarfaesi route. And all the efforts are on to sell it, which will bring down the NPA. So, we are expecting a good improvement during the last quarter.

Mona Khetan: Okay. And on the MFI book as well, while your NPAs declined, if I look at the credit cost, they remain extremely high. At over 4% or thereabouts. So, how were the write-offs in this quarter versus how much it was last quarter?

A. L. Bindu: Yes. So, as discussed, we are seeing stress in some of the states and it is leading to delay in collection. So, we did ARC of INR 200 crores, and we did the write-off to that extent.

Mona Khetan: Sorry, INR 200 crores?

A. L. Bindu: INR 200 crores. Out of which, INR 100 crores, we have returned.

Mona Khetan: Okay. And how much was it last quarter?

A. L. Bindu: Last quarter, the write-off, INR 60 crores.

Mona Khetan: Okay. And just finally, when I look at the growth on a consolidated basis, the non-core portfolios are growing very fast and are about to cross 50% of the AUM at this pace. So, what is the thought process on the mix? Could this non-gold share continue to rise or will growth in non-gold portfolio slow down after a point once it reaches 50%? Just wanted to get that perspective.

V P Nandakumar: See, in the standalone book, gold loan portfolio will not come down that easily. So, this is because of the subsidiaries. Subsidiaries are now -- if you take Asirvad, we plan to raise capital from outside for the next phase of growth. Similarly, we do in other subsidiary, Home Finance, where also we will go for borrowing. So, in the standalone book, the gold loan will remain more than 50% for a longer time.

Mona Khetan: Got it. So basically, from a consolidated perspective, the share may continue to rise for the non-gold book even beyond the 50%?

V P Nandakumar: Right.

Moderator: Next question is from the line of Shweta Daptardar from Elara Capital.

Shweta Daptardar: Ma'am, a question for you. So, you did mention that even in the next quarter, we'll see a similar spike in cost of funds. But then be it standalone or control liability mix, why is our term loan borrowings rising each quarter? And you, of

course, did mention you're trying to contain that. But how do you see or perceive this liability mix changing, going forward? And if you could also highlight the high-cost borrowings, which will come for repricing going forward. And I have couple of other questions as well.

A. L. Bindu: Yes. So if you see, we had the dollar bond of around INR 2,000 crores, which we redeemed. So, to maintain the liability tenure, we are taking the term loans. And at the same time, banks also now prefer term loans than working capital. And the CP exposure is nil, so that is the reason our term loan exposure is going up. This will help us maintain the liability tenure. Because in our standalone book also, we are increasing the non-gold businesses, where the life of the loan is slightly higher. So that will help us maintain a mix in a proper manner.

And on the cost, we were expecting a reversal in Q3 or at least a stable position. But by the time the new circular had some impact. But slowly, we are able to reduce the impact. But as 60 percentage of the book, there will be a rollover or reset. That is the reason we are expecting a 15 to 20 basis points increase in the next quarter.

Shweta Daptardar: Okay. Okay. That's a fair point. Secondly, sir did mention that this cost price spike, we are transmitting it through higher yields, and we also saw yields rising for gold loans. But then I wanted to know, so if our gold loan yields are rising and we did admit to the fact that competition persists, especially on the gold loan side. And if I look at the

gold loan net rises, so our AUM per branch has remained steady, then tonnage is slightly lower.

As for the number of borrower count, I understand because few people open the accounts, equal number of people even close, so I'm not arguing that. But going forward, then if this is the scenario and the yields are rising, tonnage slightly lower, then how confident are we or what are the levers to this 8% to 10% growth, which is looking healthy for gold on the gold loan side?

V P Nandakumar: See, the gold tonnage is decreasing because of the price increase. In order to maintain the same AUM, the lower weight is required. That is the reason. So, in the reverse scenario of the gold price going down, the tonnage will go up. And AUM will remain at that level, while the tonnage will grow. That's the usual scenario. And regarding the confidence about 8%-10% growth, I mentioned about the seasons also. Usually, some quarters, it grows. Some quarters, it remains flat. That is usual. So, it has got some seasonal impact.

Now why we are confident is, it has been mentioned that because our average ticket size is lower at around INR 50,000 and average tenure is around three months. So, what is most important here is how quickly you can serve the customer, how fast he/she can the job done because the work day will be lost otherwise. Such customers who are borrowing smaller amounts, small tickets, etc, they prefer to go to places where quick service is available.

Because of our technology, online gold loan and doorstep goal loan, we are able to extend the services to the satisfaction of our customers, where they will not lose the day. So that gives us the confidence and our new customer acquisition remains at a steady level of 5,000 to 8,000 new customers every day.

Moderator: Next question is from the line of Noel Gonsalves from SBI.

Noel Gonsalves: Ma'am was mentioning regarding the marginal hike in the gross NPA due to delayed auctions and also the prices of gold being higher. Is it likely to continue in the present quarter also? That's my first question. My second question is, you mentioned that a critical aspect in any gold loan company is how quickly you can deliver the gold loan. So, what would be your turnaround time and how quick would be the services on an average?

V P Nandakumar: So, the time we take for a new customer is around 15 to 20 minutes. For the existing customers, it would be lower because we have the KYC and all the requirements already in the system. So, our efforts are always to reduce that time, that's why we have pioneered products like online gold loan, doorstep gold loan, etc. But our efforts will continue in digitalizing all these and it will definitely be of help in offering better store service.

A. L. Bindu: Yes. Gold loan NPA is a temporary issue only. We have given extended time to these borrowers and we will be able to reduce before 31st March.

Noel Gonsalves: Thank you, sir. Thank you, ma'am. And all the best for the coming days.

Moderator: Thank you. Next question is from the line of Gao from Schonfeld. Please go ahead.

Gao: Yes. So firstly, on margin. So, cost of funds continues to rise 15, 20 basis points. So, should we expect margins to hold that or it should increase from here or should we expect some margin decline because of the cost of funds? Specifically, should we still expect loan yield to go up?

A. L. Bindu: Yes. On the cost of borrowing, we have seen an increase on account of the new circular. At the same time, if you see, we have seen a 48 basis points increase in the gold loan yield. So, the attempt is to maintain the spread as it is possible. So that is the reason why in the last two quarters, if you see, there is an increase in gold loan yield.

Gao: And the second one is on the Asirvad Microfinance. Can you at least kind of detail us in terms of the trend. Is the situation on the ground stabilizing? Getting better? Or it's still pretty difficult maybe going through this quarter itself?

A. L. Bindu: So, it is not very different, but some of the cyclical impacts will be there, temporary delays, etc. Beyond which, kindly excuse us for further details.

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

Rajiv Mehta: Congrats on good performance. A few questions from my side. Bindu ma'am, what was the stage two for the MFI, for the Asirvad MFI as of December? And can you also share the stage two as of September?

A. L. Bindu: So, that we cannot.

Rajiv Mehta: It can't be?

A. L. Bindu: No.

Rajiv Mehta: Okay. And this if you can, if it's possible, any headway in terms of Asirvad IPO getting delayed? I mean what is the timeline for the IPO that we have right now?

V P Nandakumar: So, we hope there won't be much delay. That is the indication we get through our bankers.

Rajiv Mehta: Okay. Okay. And sir, in terms of gold loan business new customer addition, can you tell us the number of new customers added in this quarter and even in the previous quarter?

V P Nandakumar: So, on a given day, we are getting around 5,000, 5,500 new customers.

A. L. Bindu: So this quarter, we added 400,000 new customers.

Management: 406,000.

V P Nandakumar: There is not much difference over the last, say, over the last five years, it remains more or less the same except during the pandemic.

Rajiv Mehta: So sir, while we have been adding a steady number of new customers, we also see customers closing or going away, and which is why the net-net customer base is not growing for us, it has been pretty steady. So, in a flattish customer base trend, how do we get 18% growth, if the gold price does not increase from here?

V P Nandakumar: See, what I said is not 18% but 8% to 10%. So, year on year growth is 11%. So, there will be some quarters there is good growth. In some quarters, there may not be any growth but we remain optimistic about that. We hope last quarter would be good.

Rajiv Mehta: Okay. Just last question from my side. Have you raised gold loan product rates across LTV and the ticket size in the last three, four months?

V P Nandakumar: See, the LTV is decided on the basis of the price. So we have a formula to decide, which is the formula being used by the Association of Gold Loan Companies, so within the regulatory guidelines. So now the gold prices are remaining steady. And regarding the interest rates, we have not increased that. So, except small increase when there is an upward movement in the borrowing cost, it remains steady.

Rajiv Mehta: Understood. So the increase in the net EVC for the portfolio is essentially because of the shift in customer mix towards low ticket and high-yielding customers?

V P Nandakumar: Right. Right.

Moderator: Next question is from the line of Kushan Parikh from Morgan Stanley.

Kushan Parikh: So I had questions around two sets. One is yield. On the yield part, I just wanted to understand, I mean, since we've been increasing gold loan yields for a couple of quarters now and we expect the cost of fund to increase as well next quarter, will we see another increase in gold loan yields going forward? And also wanted to understand from you if that has any impact on the growth of the gold loan portfolio.

My second question was on the Asirvad MFI yields. Even there, we have consistently seen the yield increasing. Even this quarter, AUM growth was about 6-odd percent Q-o-Q and revenue growth has been about 11% Q-o-Q. A couple of peers have, in fact, reduced their rates in this quarter, so just wanted to understand what are the yields that we are charging? How are they compared to the market? And will we also have to come up with such a reduction going forward?

And thirdly, if you could take one more question was, if you could give some guidance around the credit cost of Asirvad MFI business going forward. I mean given the situation in the various states, will the elevated credit cost persist going forward?

V P Nandakumar: So about the gold loan yield, if the borrowing cost increases, that may be passed on to maintain the net interest margin, we wish to protect that. And regarding the backdown at the growth of the portfolio, I hope there won't

be an impact because it is short term. Even if there's a minor increase, they won't be worried. So what they look for is the quick service, which we are able to give. So, we don't expect that to dampen our targeted growth.

About Microfinance, the pricing, we have a pricing model based on various parameters. So we continue with that pricing formula and we don't need that to change. Regarding the credit cost, we have some limitations. Whatever can be saved, it has been already saved.

Kushan Parikh: Understood. So then if you could just give any indication on the MFI credit cost? If the situation from a collections point of view in the problem states has improved in the January month or it has persisted in January as well?

V P Nandakumar: So yes, in these problem states of Bihar, Rajasthan, etc, the collection has not improved much. We are also shifting to weekly collection mode and employing more people from the locality and we are trying to improve that. The efforts are on and we hope the results will come.

Moderator: Next question is from the line of Jigar from B&K Securities.

Jigar Jani: So just wanted to know the auction surplus status, which is restricting our branch expansion in gold loans. Any headway on that? How much is the outstanding now? And second, we are seeing even in the standalone business, the non-gold business is growing very rapidly, but our PCR on the standalone business remains fairly low. So, do we intend to increase PCR on the standalone business given that more

and more shift is going to happen towards the non-gold side in those businesses?

V P Nandakumar: See, our surplus in auction was around INR 48 crores. Now that has been pushed down to INR 23 crores. We hope it will come down by another INR 1 crores or INR 2 crores soon. And we have been in touch with the regulators and we are submitting the application for new branches. We hope we'll be able to get permission for that. Then your second question is about the rapid increase in non-gold verticals.

In non-gold, our performance in general is improving in the standalone portfolio like vehicle finance or the MSME, etc, except digital personal loan, which we have slowed down the ticket price, etc. So all these will improve. Regarding PCR, we continue with the same old policy whatever is the requirement. We continue without any change in the policy.

A. L. Bindu: Yes. Our PCR is low because the main book is with a negligible credit cost. For other portfolios, we consider the ECL model and enough provision is carried in our financials.

Jigar Jani: Good. But as the proportion of the other businesses increased, your ECL model would require -- on a blended basis -- require higher provisioning on your standalone books...

A. L. Bindu: So, if you see the Vehicle Finance book, that is almost an 8-year-old book. And based on our historical losses, even during COVID, all those things we factored in our ECL model. See, the GNPA itself is 2.6 percentage. On that, if we

apply the LTD, that will be the ultimate credit cost. And 2.6 percentage GNPA is only INR70-80 crores. On that, we are carrying enough provision.

Jigar Jani: Okay. Would you be able to share the NCD on the real basis?

A. L. Bindu: NCD, see, this is very complicated. In the sense, each portfolio, we have done separately. So, this ranges between 20 percentage to 35 percentage. And for the unsecured book, it will be 65 percentage.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Moderator: Shreepal, sorry, but your voice is still breaking. I'll request you to re-join the queue or redial. The next question is from the line of Bunty Chawla from IDBI Capital. Please go ahead.

Bunty Chawla: One data point, if you can share. Sorry, I missed that part. What was the auction of the gold loan during this quarter?

A. L. Bindu: INR 124 crores.

Bunty Chawla: Okay. Secondly, if it is possible, what were the queries from the SEBI on the Asirvad IPO? Has it been completely resolved because of which we have got delayed some part?

V P Nandakumar: So, all the queries from SEBI have been answered, we hope, to their satisfaction. It has been answered and we are awaiting a positive response from them.

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

Abhijit Tibrewal: Bindu ma'am, just kind of circling back to this cost of borrowing question, which has come a couple of times in this earnings call. I think, I mean, what you suggested is that we've already seen almost 19, 20 basis points increase in cost of borrowings. But just trying to understand this cost of borrowing increase, I'm sure this will not be applicable to your HFC businesses or the HFC subsidiaries, right?

So, what I mean is the risk weight circular alone kind of contributing to this cost of borrowing increase and maybe a similar increase as you suggested in the fourth quarter as well? Or are there some other elements or other drivers of the increase in cost of borrowings that you are envisaging in the next quarter?

V P Nandakumar: HFC, we are expecting the cost to remain flat because we are getting funding from NHB. So, we expect that to go up. So that will help us to maintain the rate without any worries.

A. L. Bindu: Yes. On the risk weight circular, on other financials, it will not have much impact because majority of the portfolio is exempt from that. But for the bank lending to NBFCs, irrespective of the rating, it has gone up. So, the immediate impact is increasing cost of borrowing. So that is the reason it has gone up, but things are changing. Availability is not an issue, but costs still not reversed.

Abhijit Tibrewal: But intuitively speaking, given that risk weights have been increased by 25%, I mean, at best, cost of volume should have gone up by 25 basis points only, right, and that, too, on your bank borrowings? So, the actual blended impact on the cost of borrowing should have been lower than 25 basis points. Or is there any other way to look at this?

A. L. Bindu: See, combined with the other unsecured lending or tightening of liquidity. So, I think the lenders will make use of the opportunity to increase the cost. And initial reaction was, at least, I think they started 50 basis points for the rollover. Slowly, it is coming down. And the other thing is we are doing term loans, ECBs and our maturity profile is also improving. That is also a reason. But immediate increase is on account of the circular.

Moderator: Next follow-up question is from the line of Shreepal Doshi from Equirus Securities.

Shreepal Doshi: So, my question pertains to gold loan disbursement. So, I think that number was not mentioned. So, if you can just say that for this quarter and for nine months FY24.

A. L. Bindu: So in this quarter, we did around INR 26,190 crores. And last quarter, we did around INR25,793 crores.

Shreepal Doshi: Okay. And coming back to the earlier participant's question on cost of fund. So, what is the overall cost of fund impact that we are likely to see because of the circular? That is question number one. And question number two is what is the overall impact on the capital adequacy because we also

have vehicle loan as part of the portfolio, so is there any impact on the capital adequacy of the same?

A. L. Bindu: Vehicle loan is also exempted from this. So, the small portion of our personal loan only will have impact and given our higher capital adequacy, this is, I think, less than 50 basis points in that on the CRAR. It's very negligible. Still our CRAR is above 30 percentage. And on the cost of borrowing, one is, this immediate increase on account of the circular. And we are doing ECBs and term loans, the proportion of term loans also increasing and these are the reasons for increasing cost of borrowing.

Shreepal Doshi: But what will be the overall cost of borrowing impact? Like, while this quarter is 19 basis points, next quarter, you said it will be another. But have you done any calculation as to what will be the overall impact? Like, will there be any further or all of it will get re-priced? I understand 52 percentage must be linked to 3-month MCLR or 1-month MCLR on the term loan side.

A. L. Bindu: See, we expected a reduction by the time this circular came, so we are not seeing a reversal trend. So that is the reason our expectation is, a further increase in this quarter, 10 to 20 basis points. In the CP market also, the pricing has not come down.

Moderator: Next question is from the line of Pratik Tandel from Swan Capital.

Pratik Tandel: So I would like to know about the branches. In the FY21, '22, '23, since the number of branches were at 3,524, and we had restrictions. I wanted to go on the visibility of net branch expansion in the coming quarters. So, could you give some guidance on that?

V P Nandakumar: So we have applied for more branches. In the past, one problem we faced was a surplus in auction remaining at around INR 48 crores. They told us to bring it down. Now we have achieved that. It going down and we had some discussions with the regulators and we hope we'll get permission in the near future. So, we had applied for 300 branches and we hope we'll get permission for this.

Moderator: Next question is from the line of Aagam from Flute Aura.

Aagam: Most of my questions were answered. I just have one question. What is our CET1 ratio currently, standalone and of Asirvad?

A. L. Bindu: Which ratio?

Aagam: CET1.

A. L. Bindu: Tier 1 and standalone, it is the full Tier 1 only. And in subsidiary...

Management: 18.5, Tier 1.

A. L. Bindu: 18.5, Tier 1.

Management: And Tier 2 is 14.6.

Moderator: As there are no further questions, I will now hand the conference over to Mr. VP Nandakumar for closing comments.

V P Nandakumar: So, thank you for the support and cooperation. We expect continued support from your side. Any more information what can be revealed, we are happy to share with you. Thank you.

Moderator: Thank you very much. On behalf of Nirmal Bang, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.