



“Manappuram Finance Limited Q2 & FY'26 Earnings Conference Call”

October 30, 2025



Manappuram Finance Limited
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MODERATOR: **MR. ABHIJIT TIBREWAL - MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Manappuram Finance Q2 FY'26 Earnings Conference Call.

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 an assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now would like to hand over the call to Mr. Abhijit Tibrewal from Motilal Oswal Financial Services Limited. Thank you and over to you, sir.

Abhijit Tibrewal: Good evening, everyone. I am Abhijit Tibrewal from Motilal Oswal and it is our pleasure to welcome you all to this Conference Call. Thank you very much for joining us for the Manappuram Finance call to discuss the Q2 FY'26 Earnings.

To discuss the Company's Earnings, I am pleased to welcome Mr. V. P. Nandakumar – CMD, Dr. Sumitha Nandan – Executive Director, Mr. Deepak Reddy – CEO, Ms. Bindu A.L. – CFO, Mr. Raju Narayanan – Business Head, Mr. Manoj Pasangha – Co-CEO, Asirvad Microfinance, Dr. Roy Varghese – Co-CEO, Asirvad Microfinance, Mr. Rajesh Namboodiripad – CFO, Asirvad Microfinance, Mr. Kamal Parmar – Head of Vehicle and Equipment Finance, Mr. Suveen P.S. – CEO, Manappuram Home Finance and Mr. Robin Karuvely – CFO, Manappuram Home Finance.

We will start the call with Mr. Nandakumar, who will share his view on the macroeconomic environment and the financial highlights for the Company, followed by Mr. Deepak Reddy, CEO, who will share his thoughts and priorities for the Company, followed by Ms. Bindu, who will cover the financial performance of the Company in greater detail. Post that, we will open the floor for a Q&A with the participants on this call.

With that introduction, I now hand the call over to Mr. Nandakumar. Thank you and over to you, sir.

V.P. Nandakumar: Thank you, Abhijit. Good evening, ladies and gentlemen. It is a privilege to be with you this evening for our Q2 FY'25-'26 Earnings Conference Call. Your continued engagement and insightful observation help us assess our progress, sharpen our strategic focus, and reinforce our shared vision for sustainable growth. As Chairman and Managing Director of Manappuram Finance Limited, I am pleased to present an overview of our performance for the second quarter, along with perspectives on our strategic direction.

India's macroeconomic outlook remains robust, driven by strong domestic demand, steady policy support and ongoing structural reforms. GDP growth is projected at 6.5% to 6.6% in FY'26, supported by resilient consumption, infrastructure investment, and a broad-based revival in manufacturing. The recent GST reforms, including rate specialization and improved credit flow, are further boosting consumption and will pave room for capital investments. Headline

investor inflation has moderated to 1.5%, rising gold prices overall post-monitoring. Despite external headwinds from global tariffs and global volatility, India's domestic growth momentum, robust FOREX reserves, strong banking balance sheets, underpinned economic resilience and investor confidence. Within the BFSI sector, there is an increasing recognition of the role of NBFCs in enhancing penetration of the financial landscape. For consolidated net profit for Q2 FY'26 increased to Rs. 217 crore from Rs.132 crore for Q1 FY'26. The reduction in the losses of our microfinance subsidies helped us report a higher consolidated profit. Consolidated assets and management stands at Rs. 45,789.42 crores as on 30th September 2025 representing quarter-on-quarter growth of 3.4%. Consolidated gold loan AUM stands at Rs. 31,505 crores as on 30th September 2025, up by 29.3% year-on-year. Share of gold loan in our consolidated AUM increased to 69% in Q2 FY'26, as against 53% in Q2 FY'25.

The gold loan business continues to be primary driver for our growth. AUM per branch has increased, reported by strong collateral base and improved customer retention. We continue to strengthen our loan-to-value management framework and uphold rigorous gold appraisal standards, ensuring prudence in lending and stability in asset quality. Our microfinance subsidiary, Asirvad Microfinance, reported an AUM of Rs. 6,165 crores, including gold loan portfolio of Rs. 1,269 crores. Microfinance portfolio listed a year-on-year decline of 56%.

The board declared an interim dividend of Rs. 0.50 for this quarter.

Now, I will speak about regulatory landscape and industry outlook. Reserve Bank of India's recent initiative to strengthen supervision and standardize gold loan practices are steps we wholeheartedly welcome. We consider the new direction of co-lending as an opportunity to partner with banks and other NBFCs. This direction will help our subsidiaries to originate a higher volume of gold loans in partnership with banks and others, including holding companies. Looking ahead, we remain optimistic about the trajectory of our gold loan business with our responsible lending tools, technology-driven efficiency and customer-centric approach, we are well-positioned to capitalize the next phase of our industry expansion.

Now, I will request Mr. Deepak Reddy – CEO, to share his thoughts on his priorities.

Deepak Reddy:

Thank you, Chairman. Thank you very much. A warm good evening to all of you and thank you for participating in this call. I joined Manappuram Finance three months ago, and it's been a very intense period of learning, connecting with our employees, and understanding the Company better. It has been a very interesting period for me, and it has further propelled my excitement with the opportunities and possibilities of the Company in the coming years. I must however state that I still have a lot to learn. While you can expect me to give you a full strategic roadmap for the Company and firm guidances around Quarter 4 FY26 onwards.

Let me today give you some highlights on what I call my immediate priorities:

- Number one, as Chairman said, accelerating gold is a very key initiative. Even as we continue our path to being a truly diversified NBFC, a path which was started out

many years ago, and it's a fantastic strategy. Even as we do that, we have great opportunity to further accelerate our gold loan business and gold loan growth. We are implementing a lot of quick actions here, including strengthening our branch infrastructure, building on our digital journeys and to go paperless, introducing new best-in-class AI-based security systems at our branches, building on our digital acquisition channels and infrastructure, and leveraging co-lending opportunities.

- Priority two for me at this point of time is to follow a consolidate to grow strategy for our non-gold businesses within MAFL. As you will see in our results, we have to improve on our credit performance and profitability in a few of our non-gold businesses within MAFL. I am not talking about the subsidiaries here, within MAFL. Towards this, we are working on firstly strengthening our collection infrastructure and support systems. A high-impact task force is being put behind the same. Two, we are introducing industry benchmark practices, policies, and controls for each individual product class. Infusing specialized talent where required, improving our operational controls and rationalize our geographic spread for individual product lines and bring in better cost optimization and efficiency.
- Priority three is on organizational effectiveness. The Company today has a very strong and successful career that has been built up over the years. While building on the strengths of being simple, hardworking and forward-focused, I hope to build on by making the Company more agile and operating rigor-focused. Towards this, I am working on A, delayering operational hierarchies and process matrices. This I believe will result in quicker execution ability and teams working with more empowerment while also being held more accountable for outcomes. B, transforming our HR practices to infuse the organization about our ongoing transformation. C, bring in a stronger grounds up orientation in building our practices, processes and planning exercises.
- Priority four, infuse talent is a key priority. We are in the process of onboarding a new group leadership team. This top quality team should start coming in from next month onwards and largely be in place by February-March 2026. While we will continue our focus of building on internal talent, which has been a key priority of the Company over the years, we will also be bringing in external talent where required and in levels in the organization.
- Priority five, is to get ready for the medium to long term, even as my long-term strategy evolves. And as I said, the long-term strategy, I will present by around Quarter 4. But even as we get to them, two priorities we are kicking off which are towards that is one, reviewing our technology, architecture, and platforms. And B, study new products that can be launched, taking advantage of the fantastic branch network that the Company has.
- Priority six, is to further build on our subsidiaries. I am very excited about the possibilities for our subsidiaries, including the housing finance company and microfinance company. We have strong plans for both and we will work with respective companies to build on them and on executing. Asirvad is making good progress in stabilizing the business and putting in building blocks for future growth

and with industry benchmark practices. Emerging opportunities like co-lending will be further accelerated. Accelerating growth in our HFC is also a very key priority and you may expect to hear more from us in the coming quarters.

Lastly, before I end, I commit to transparent and metric-driven communication, risk prudence as our Chairman said, and on leveraging emerging opportunities with agility. You will hear more from me on our performances and strategy in the ensuing quarters.

Thank you all very much and I must say I am very excited and looking forward to interacting with as many of you as I can, getting your guidances and working with you. I am very, very excited about the future of the Company. Thank you very much.

Bindu A.L.:

Thank you, sir. Good evening, ladies and gentlemen. Thank you for joining us.

For Q2 FY'26, we continue to deliver steady financial performance, reflecting our focus on strengthening the goal on business while calibrating the growth in non-gold segments to address the collection challenges. The consolidated profit after tax excluding Asirvad was Rs. 385 crore, which was down by 4.1%, mainly on account of increased provision for the vehicle finance business. Asset quality remains more or less the same, 2.97% GNPA versus 2.96%. Our borrowing mix remains well diversified during the quarter. We were able to raise \$200 million through syndicated ECB routes from Taiwan and Sri Lankan banks. We continue to have a strong liquidity pipeline. Standalone borrowing cost has gone down by 12 basis points during the quarter. The main goal on business, we have seen a customer addition of 3.09 lakh and average LTV remains at 56%, OGL at 87% of total gold loan book. Standalone PAT was Rs. 376 crore and the interest accrued as on 30th September stands at 2.8%.

Coming to vehicle finance:

Because of the higher delinquency, the business disbursement was slow during the quarter. The focus is more on collection and we have increased the provision coverage on vehicle finance to 24%. Strong efforts are underway to enhance the controls across the business. Loan to MSME at Rs. 3,159 crore with a quarterly disbursement of Rs. 354 crore. GNPA at 5% which is less than the previous quarter. Home loan total AUM of Rs. 1,900 crore which is stable Q-on-Q and up by 12.3% YOY. Capital position strong at 28% CRAR and the net worth at Rs. 12,712 crore. We have supported the subsidiary with an infusion of Rs. 500 crore in Q1 to improve the resilience of the balance sheet.

For the remainder of FY26, our approach will remain quality focused through increased growth in goal loan, secured non-gold products and goal loan call ending with other NBFCs including our subsidiaries and to improve the performance of non-gold on vertical on a sustained basis.

Thank you. We can now go for the Q&A session.

- Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Rajiv Mehta from YES Securities. Please go ahead.
- Rajiv Mehta:** Hi, good evening. Thank you for taking my question. So my first question is, what is the management assessment of this strategy of lowering rates in goal loans and how is that kind of improving your growth? Because when I look at the metrics of number of customers, even tonnage, tonnage actually should have improved because you are offering lower rates to high-digit customers. So tonnage should have improved better than customer growth, but that is not happening. And even the new customer addition remains lower Q-on-Q. So while we have reduced the rates so much, but there is no revival in terms of customer growth or the overall tonnage growth. So what is our assessment of this strategy, because we've already kind of reduced the rate by about 250 basis points as the yield of the portfolio?
- V.P. Nandakumar:** So policy is to align the interest rate with the top players in the NBFC sector. So this ensures sustenance of the business. So our rate is more or less similar to the top players now. Regarding tonnage growth, see if the tonnage growth was there, our growth would have been even better. Now, as already told, the average LGV remains around 56%. And new customer addition is happening, but mostly on higher tickets. The good part is now with the rates down, new higher ticket customers are also getting attracted. So we hope with the strategy of reducing interest rates, improving the branch infrastructure, technology, etc. we will be able to have a per branch growth similar to years in the times to come.
- Rajiv Mehta:** So sir, as per the prevailing rates being offered to customer segments and the likely mix towards higher tonnage and higher ticket customers that we would see, where does our Gold Loan portfolio settle finally? I think it's already come down to 19.7%. What is the destination? I mean, should it come down to 18%-18.5%? That's where the larger peers are operating?
- V.P. Nandakumar:** What we target is whether we are able to achieve the net profit the same or more as we have budgeted, and we have achieved that. We will continue to go ahead on our budget with regard to Gold Loan profitability. So we hope for good growth this year. So even though the rate has been reduced similar and made similar to the markets, we expect our profitability on Gold Loan will not go down, it will only go up. Please note that this ensures business sustainability in the era of competition.
- Rajiv Mehta:** And sir, on Vehicle Finance and MSME, I mean, there's again a steep drop in terms of number of customers on QOQ basis, it will be a combination of some write-offs and maybe you're not adding clients, you're not doing much business, new business here. But then what is the overall thought process about these two products? I mean, how long would it take for these products to also come back to growth? Maybe 2 quarters, 4 quarters, what is the thought process here?
- V.P. Nandakumar:** So we were re-strategizing. So we have seen some segments creating problems, challenges in collection like this farm equipment. Then in some areas, in two wheelers, in some states, the commercial vehicles and cars also have faced challenges in collection. So we have re-strategized

everything. We have focused more on collection. So it is stabilizing. As Mr. Deepak has said, we are setting up a strong team for collection also. Along with that, we are strengthening our underwriting team also, and also field team also. So we hope in a few quarters from now, it will show there is a decent growth. So similar is the case with Vehicle Finance. The challenge there is, our average ticket size was hovering around 5 lakhs, where the collateral, even in the event of repossession through SARFEASI, found very difficult to be sold. So we have exited from that area and focusing more around 8 lakhs to 15 lakhs ticket size. So this way we have re-strategized our business. So that's slowly yielding result. So it is improving. So in 1 or 2 quarters, we are sure that the momentum will be picked up.

Rajiv Mehta:

Thank you, sir. That's is it.

Moderator:

Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer:

Hi. Thanks for taking my questions and congratulations, Mr. Reddy, on this new role. I just wanted to understand when we are cutting our gold loan yields, is it done like across all slabs and across all products? Or are we cutting in, let's say, just the higher ticket product by a larger amount to attract more customers while keeping some slabs unchanged?

V.P. Nandakumar:

So we have looked at the rates offered by the top players and we have rationalized the progression in the rate of interest from the third month to the fourth month etc. So we made all these very customer-friendly. So with this, we are able to attract large ticket customers, as I have already told. So the results will be seen during the next quarter, also the third quarter. So you will see a very good impact of that. So the interest rate changes have been done. Changes have been done across all classes to match with the markets. So, of course, higher tickets, the reduction in the rate is higher.

Piran Engineer:

Okay. And so now the matching with the competitors like Muthoot and all is done, or do we have still some more room to go in terms of matching the rates?

V.P. Nandakumar:

Now, we feel like currently our rate is one of the lowest in the NBFC industry as far as gold loan is concerned, and I can assure you, we will definitely meet up with the profitability with a volume term.

Piran Engineer:

Understood, sir. And so secondly on gold loans, how have we changed our incremental LTVs in the last three months?

V.P. Nandakumar:

So we have a policy, especially all the large gold loan NBFCs follow a rate which is within the regulatory guidelines. So the LTV, we take based on a trailing 30-day average price. And we follow the guidelines to assess the market rate, to get the market rate as per the regulatory guidelines. So we do everything within the regulatory guidelines.

- Piran Engineer:** No, of course, I am sure you will do it within the regulations, but I meant now for lower ticket loans, LTV can go up to 85. Earlier it was 75. So where have we gone to? Have we gone to 80, 82 or 78? That's what I meant.
- V.P. Nandakumar:** No, we have not made any changes so far. We have time till 1st of April 2026. So we will go with our leading marketplace. So the strategy is yet to be worked out.
- Piran Engineer:** Understood. And just last question for Bindu, just how should we think about incremental cost of funds or just the trajectory in cost of funds over the next 2-3 quarters?
- Bindu A.L.:** This quarter, we have seen a 12 basis points reduction, and we expect the momentum to continue at least for the next two quarters. As we are seeing a higher growth for gold loan business, of course, I think the borrowings will be more on the recent pricing, which I think will help us to reduce the cost of borrowing.
- Piran Engineer:** So similar 12 bps per quarter run rate, we can expect?
- Bindu A.L.:** Yes.
- Piran Engineer:** Understood. Okay, that answers my question. Thank you and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Shreya Shivani from Nomura. Please go ahead.
- Shreya Shivani:** Hi, thank you for the opportunity. I have three questions. First one is on the MFI Asirvad book. If you can help us understand the trend on stage three, which had sort of gone down and then has slightly started inching up on the GNPA that you can see, if you can give some more color around how has the trend been over there. My second book is on the vehicle book. Can you help us understand which sub segments or geographies or areas are the places where we are seeing some stress or has there been some turnaround in the past two months, September and October? Those are my two questions. My third question is for Mr. Reddy. You've highlighted a lot of strategies on how you plan to move things around as you go ahead. One of the things that we wanted to understand was what do you think would be the first and most critical thing that you'd be moving along with and that you feel could really trigger every other change to follow in your transformation that you're planning to carry out? Thank you.
- V.P. Nandakumar:** The third point, I will answer first, then the rest I will leave to Bindu. So the third point, our strategy, we have already highlighted in opening remarks. We are planning to grow Gold Loan aggressively. We plan to do that through co-lending in our subsidiaries also, so that the branch network can be effectively utilized. So that is going to be very important for us, co-lending, growing the Gold Loan portfolio. So we see good opportunity for Gold Loan growth because now for the unsecured loans, availability has been very much reduced. So this gives a lot of opportunity and also the awareness we created by in Gold Loan that is increasing, even though more players are coming in, this definitely increases awareness that India has a great opportunity. As per the recent observation from some policy makers, India has around 34,000 tons of gold,

which is valued around 2.5 trillion US dollars. So the culture of availing gold loan is slowly increasing and also the shift from the unorganized sector is also happening more rapidly than in the past. So the first focus, immediate focus, will be to grow Gold Loan Portfolio direct as well as through co-lending. So we will start this without much delay, most probably during the first week of next month. The other priority is already, the CEO Deepak Reddy has already mentioned what is going to be the strategy of other non-gold portfolios going forward. He already told that he will bring to that about his plan in another couple of months' time, especially in the next investor call, he will be able to tell that more. But I can definitely tell this non-gold also, we want to grow in a healthy manner.

Shreya Shivani:

Sure, sir.

Bindu A.L.:

The MFI business, we have given the details, page number 25, were out of on-book AUM of 4,501 crores, 4,097 crores, almost 4,100 crores in the stage 1 bucket. And if you see the other buckets also, the volume has come down substantially. So the further slippage, because most of these borrowers serviced the EMI for last one year and the probability of default will be very less from this category of customers, because the recent disbursements when we have that. So that way, we expected the losses to come down further and Q4 at least, I think we should see the financials as green. On vehicle finance business as we have seen, some of the segments like two-wheeler and farm equipment, which alone not able to show profits, and we have done consolidation and in that process, I think the disturbances were slightly higher in this quarter. So once it is settled down and we will have more stronger collection team, so that I think that business will also see an improvement in the collection.

Shreya Shivani:

Got it. So on the vehicle bit, you are saying, which other segments are coming in, which will stabilize the two-wheeler and farm? Sorry, I didn't understand that.

Bindu A.L.:

So the farm equipment and two-wheeler, we have seen a higher delinquency, which we merged with the commercial vehicle finance business. Of course, I think if we do a merger, immediate disturbance will be there. That is the reason we have seen a higher impact in this quarter.

Shreya Shivani:

Got it, understood. And just to follow up on the MFI piece also, what I was trying to understand was, there were certain media commentary which sort of mentioned that while the asset quality trends on ground has been improving, but the liquidity crunch that probably the industry faces right now would stall the improvement that is happening on ground or maybe even worse in it. So I just wanted some color from you. Are we seeing any reversal in the, I mean, are we seeing improvement has sort of plateaued or in fact the improvement has stopped? Has something like that started happening on the ground? Just wanted some color around this media commentary that came.

Bindu A.L.:

See, on the ground, the old book, which is mostly run down and the customers, whoever serviced, I think last one year, etc., we are not expecting further slippage for those customers. And for the new book, we have ensured all guardrail is strictly implemented and we put a lot of controls in

the underwriting. Though the disbursement is low, whatever book we disbursed in the last 5-6 months are showing very good asset quality. So that is our comfort. And the last one year, our disbursement is only around thousand crore, which we are closely monitoring and individual, I think the branches or the senders, based on that only we have done the disbursement. Wherever we have seen stress, we stopped the disbursement in those senders also. So I think with this, we are able to see a better, we will be able to see a better outcome in the coming quarters. Liquidity, see, of course, I think the sector is going through a difficult phase. That is the reason from the parent, we have given Rs. 500 crore equity. But see, as it is almost 100% a subsidiary of Manappuram, they are able to get the sanctions. And so far, they are mostly managed by themselves only.

V.P. Nandakumar: And they have a large amount of gold on, where getting funding is not difficult. This what we are planning. We are planning for colending also, where Asirvad participation would be 10% to 20%.

Shreya Shivani: All right. Understood, sir. Thank you so much. This was very useful and all the best.

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

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity. My question was pertaining to MFI business again. So as a thought process, do we plan to invest more in this franchise and support the overall capital structure and also for the growth of the franchise?

V.P. Nandakumar: So we want to grow that business healthy. So we have enforced strict guardrails without any compromise. So what we have seen is post our recent business order, after our restarting from February onwards, we see the collection as high as 99.83%. So that will be continued. And as I said, we will have more focus on Gold Loan or whatever can be carried in its books will be carried in its books. And whenever we see strain in maintaining qualifying assets, that portion will be done through co-lending. That is going to be the policy. So we are not very aggressive as far as the MFI business is concerned. We will definitely show conservatism with regard to our lending so that in future, we feel like our asset quality will be maintained at a very high level.

Shreepal Doshi: Got it, sir. Second question was pertaining to gold business, since you highlighted that that is our focus area also at standalone entity level as well as at, I think, Asirvad level. So, but there are lots of players entering this landscape with a larger network than ours, as well as better cost of fund as well. So with that, what sort of challenges do we see, especially on the let's say, employee attrition side, as well as on the operational side? So what sort of strategies are we building to contain such issues on attrition, especially employee attrition headcount?

V.P. Nandakumar: In gold loan, you asked about gold loan?

Shreepal Doshi: Yes, sir.

V.P. Nandakumar: Whether in Asirvad or in Manappuram Finance, the attrition level is more or less the same at a comfortable level. And we have adequate human resource to take care of whatever is the attrition. So regarding the borrowing rate, in gold loan, we will be able to bring down, we are already able to bring down the cost of borrowing there, because one major reason is the parent has a good banking relation with almost all banks. So that comfort is there of the creditors. So the pricing in the borrowing is not as high as the borrowing for the other MFIs. So it is much lower than that, particularly for gold loan. So about competition, you asked, you can see the Asirvad also has grown almost at the same rate. We had a cease and desist order, which led to the book shrinking by one third. In spite of that, we have covered that. In the coming quarters, we expect good growth in gold loan with high asset quality. So that portfolio will be built through co-lending also.

Moderator: Thank you. The next question is from the line of Shweta Daptardar. Please go ahead.

Shweta Daptardar: Thank you, sir, for the opportunity. Two questions. So because you emphatically mentioned that gold loan business will consider profitability as its key factor going forward. But if you look at the current scheme of things, so today gold price is largely supportive of volume growth. So you can have the liberty of tweaking the rates. But if I look at the whole modus operandi, the customers have not moved much. Number of customer additions have not moved much. Our branch count has remained static. So what gives you confidence that when the gold price is not supportive, on a sustainable basis what gives you confidence that this business will continue to look higher both on growth and profitability? That's my first question.

V.P. Nandakumar: So you will see the growth rate similar to the leading players in the industry. Yes, this quarter also I believe that we are able to grow at the same rates similar to the leading gold loan NBFCs in gold loan. So the rate has been brought down. Larger ticket size are increasing with the reduction in interest rate. The interest from larger tickets that is increasing. There is some slowdown in small tickets up to 1 lakh etc. But that is the reason for the reduction in the number of customers. But that could be fully met from large tickets. So your question on the gold price and growth, yes, higher gold price is definitely an advantage. But at the same time, I can say that even at lower price, much lower than the current level, the leading gold loan companies have shown a growth of around 25%-30%. So we were also growing at around 15%-18%. So even at a lower price, we hope that we are targeting a CAGR of 20%-25%. Even if the gold price pulls down in the next quarter.

Shweta Daptardar: That is well understood, sir. Sir, second question is on shift of ticket sizes only. Sir, correct me if I am wrong. I thought that with dilution of RBI norms, which are slightly more supportive of smaller ticket size where LTVs have been now raised to 85% odd levels. So I thought that it will become much easier to incrementally grab customers in the smaller ticket segment especially given the kind of brand value and history we carry. So why the need to shift to higher ticket size and then take a hit on yields in the first place?

- V.P. Nandakumar:** The new LTV regime is inclusive of interest for the period for which the loan has been granted. So we can definitely bring down the loan payment. In the past, we were lending for 3 months or 6 months etc. But at the same time, we have to be risk conscious about the price fluctuation. So we will remain conservative in that. So at the same time, from our level with the changes in the interest rate etc., we are confident that whatever I have said, 25% CAGR can be maintained in gold loan in the coming years also.
- Shweta Daptardar:** That's very helpful, sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.
- Riddhesh Gandhi:** Hi, sir. Just wanted to understand internally, given the introduction of the new CEO in the Company, how the equation will work between the MD and the CEO?
- V.P. Nandakumar:** So we have the plan to induct him as the MD and CEO once the Bain transaction approval is received. So we hope that will be through in another one month. So then as the MD and CEO, he will have the full right to control over the Company.
- Deepak Reddy:** Mr. Gandhi, if I can add to that on your question of working together, we already work extremely well and it's going to continue. I don't think there's anything we have to read between the lines there.
- Riddhesh Gandhi:** I understood. That's helpful. And the only other question I had for you, Mr. Reddy, is in terms of just as you come in, if you could just highlight some of the things that have kind of maybe positively surprised you and some of the things which do potentially have negativities surprised you as you sort of entered the Company.
- Deepak Reddy:** So, Mr. Gandhi, when I shared with you the six priorities that we have, I think I covered areas of opportunity and areas where we have to improve. I must say, I am extremely happy with the orientation of people in the Company, the sincerity of people in the Company, the branch network we have, a lot of our capabilities that we have built in here. It's refreshing and I am extremely pleased on that. There are some areas like which we have to improve and that will always be, let me say, even after three years, there will be areas to improve, even after 10 years, there will be areas to improve. But then we do have areas to improve and some of my key focus areas I told you are relating to elements of operating rigor, elements of HR practices and culture and making it more agile. Those are things which we are working on and I laid out what I call priorities. I am not calling them strategies at this point of time. The strategic roadmap will be laid out in the time to come. The Company's infrastructures that have been created are wonderful to be a part of and as I said, it is a great opportunity. The platform is set. It is for the management team to deliver exponentially on the platform.
- Riddhesh Gandhi:** All right. Thank you. That's all for me right now.

- Moderator:** Thank you. The next question is from the line of Ritika Dua from Bandhan. Please go ahead.
- Ritika Dua:** Thank you. Some of my questions might be repetitive because I just, I lined up in between. Sir, one is on the Bain that you were just answering in the previous question. So you will get some clarity in the next, I mean, you are expecting the approval in the next one month. Further to that, could you also highlight that obviously on the eventual stake where is the status also on the open offer? So that's one. Secondly, on the standalone ROE, obviously you had shared that the view that you have taken on reducing the yield. So where is the ROE on the standalone expected to really settle? So are we largely done with our yield correction? That's question two. And question three is actually on the vehicle GNPA. So if you could even highlight like what's the reason for the consistent rise there on the vehicle book? So these are my three and I will come back in between.
- V.P. Nandakumar:** So Bain transaction, whatever queries raised, we have satisfactorily answered. Bain people also have satisfactorily answered. So it is in the final lap. So the about open offer, so the price has gone up. So the issue price to them was around, it was Rs. 236. Now it is over Rs. 270. So whatever is coming up in the open offer may be limited. So the primary, they are getting 9% this year and 9% as fully convertible warrants, which can be converted in another 18 months' time. So when that also is getting converted, they will get around 18% to open offer. Whatever they can get is anybody's guess. Is the price of ruling much higher than the, there are the offer price. So regarding the ROE with GNPA, these questions Bindu can answer.
- Bindu A.L.:** So the standalone ROE, the reduction in name dropped to around 12% level. But the yield mostly done, if you see the other players in the market, we are almost, our price will be the lowest in the industry. So the price correction mostly done. But at the same time, gold loan profitability has not impacted. During this quarter also, if you see the gold loan profitability has gone up, it is higher than that only because of the stress in vehicle finance, the ROE dropped. Otherwise the gold loan ROA, all those numbers remains the level where it was. Vehicle finance, one reason is at least ...
- Ritika Dua:** I am sorry to interrupt here. If at all I am looking at slide number 15, would that be the gold loan numbers only on the ROA, ROE or this is inclusive of others also?
- Bindu A.L.:** Slide 15, it is the standalone.
- Ritika Dua:** Okay. So you are saying that X of the vehicle issue, the standalone ROE, I mean just the gold loan, where is the gold loan ROA/ROE today, after the price correction?
- Bindu A.L.:** Yes. So the gold loan ROA is 6%.
- Ritika Dua:** Okay. And this number may be before the price correction?
- Bindu A.L.:** Yes, it was 6 to 6.5 after the reduction in yield. In the past when we were getting 24% yield, it was the range of 8 percentage. Because almost 100 basis points reduction we got in the OpEx to

AUM. Our branch AUM which used to be around 5.5 crore, now it is over 8 crore now. So we were able to get, that is what we are trying to achieve. So the operational efficiency will be better through high per branch AUM. So that will protect the gold loan profitability. And is it clear, Ritika?

Ritika Dua: Yes, ma'am.

Bindu A.L.: On the vehicle finance, the NPA numbers looks high. One reason is the last six months the disbursement is slow. Then it will be more reflecting on the residual book. And on top of that, the inefficient like the vehicle, the farm equipment, two wheeler, etc., we merged with other verticals. So that also resulted into a higher NPA. And the vehicle repossession in large number will take time. And we are giving some time for the borrowers because we are seeing stress because of increased cost and all these climatic conditions, etc. resulted into a delinquency. So we are also giving some time to the borrowers to service the EMI. But if it is not coming up, every right to repossess sell and we can clear the NPA. But the priority is to give time to the borrowers to service the EMI even with the delay.

Ritika Dua: Ma'am, just on the vehicle bit, are we largely done on the provisioning? That's one. And what have we guided on the MFI piece in terms of credit cost, because I can see the stage 3 at about, it's a reasonable absolute number too. So what have we guided on credit cost for vehicle and also on the MFI piece? Thank you.

Bindu A.L.: So credit cost, see mostly the provisions done, that is the reason we have created a higher provision coverage during the quarter. So vehicle finance, at the same time, I think we have to closely monitor because the changes in collection, etc. we have to closely monitor. But in the case of MFI, if you see in page 25, the stage 3 is only Rs. 235 crore, of which almost 73% is provided. And the current book is almost Rs. 4,100 crore, which was servicing for the last one year. The probability of default is less. So we will see less slippages in the coming months.

Ritika Dua: Thank you, ma'am. I am done.

Moderator: Thank you. The next question is from the line of Bhaskar Basu from Jefferies. Please go ahead.

Bhaskar Basu: I just had two questions. One, clarificatory. So if you look at the standalone net yields, it's still at around 19.5. Just wanted a sense, what is the gold loan yield here?

Bindu A.L.: So it is 19.7.

Bhaskar Basu: So if you compare with the industry players, most of them are in the 18.5, 17-18.5 kind of range. So you're still above the industry level. So do we really see some stabilization here or do we see more cuts here?

V.P. Nandakumar: We expect that to be somewhere around 18.5 similar to the industry. But we will be able to protect our margin because our margin and borrowing cost is coming down, so marginal number.

So we are expecting good growth, better growth in this quarter and coming quarter. And also OpEx to AUM, also the consequent to per-branch AUM growth, the reduction in OpEx is also expected. So even if it is 18.5%, we don't expect a reduction in NIM as the banks are resetting their rates when it is renewed, etc. So we don't have a discomfort of the reduction in NIM, even though the rate may go down by another 50 to 100 basis points. That will be covered with the borrowing cost reduction and also the OpEx to AUM reduction.

Bhaskar Basu: So just to kind of clarify this, so essentially you're saying that yields may go down by about 100 bps and you will offset that by lower cost of fund and lower OpEx. Is that understanding right?

V.P. Nandakumar: Yes. We are closely monitoring our NIM.

Bhaskar Basu: Okay. So you kind of manage and maintain NIMs even though yields kind of go down from here. That's what you're trying to say.

V.P. Nandakumar: Yes.

Bhaskar Basu: The second question is how many gold loan branches do you have right now in Asirvad at this point?

V.P. Nandakumar: 520 now. So gradually the number of gold loan branches will go up. So when we start co-lending with the banks and NBFCs including the parent --

Bhaskar Basu: Right. And so once you hit that thousand branch mark, do you really have any advantage of growing branches in Asirvad or there will still be some advantage because, I mean, if you need approvals for your...

V.P. Nandakumar: So this approval is needed only if the company is classified as gold loan NBFC. See, this gold loan growth is through co-lending. So even though if we co-lend with the banks, our profitability will improve in comparison with the volume in our books. But AUM will go up, including bank AUM.

Bhaskar Basu: No, I understand the co-lending bit, but basically just on the distribution part, what I wanted to understand is like beyond thousand branches in MFI, you don't need to get an approval for further expansion.

V.P. Nandakumar: We will have a need-based increase in the network of branches, but the restriction of thousand branches, if that is in your mind, that restriction is not available for the non-gold companies.

Bhaskar Basu: Understood. So basically there's no approvals needed if you kind of go beyond thousand in the MFI business?

V.P. Nandakumar: Yes.

- Bhaskar Basu:** Okay, thanks. That answers my questions.
- Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.
- Pratik Kothari:** Yes, good afternoon. Just one, given our commentary around asset quality slippage on the MFI and vehicle both, the kind of provisions we have done, the incremental stress that we see, is it fair to assume that, I mean, we will be ramping up disbursements going forward? I am sure slowly and carefully, but is it fair to assume that, I mean, the kind of degrowth that we were seeing is now passed as in first in disbursement and eventually in book, we should start seeing growth?
- V.P. Nandakumar:** So we are not in a hurry. It will be done in a calibrated manner, with an intent to maintain high quality. So better underwriting rules will be maintained. In the MFI, we are strictly following the guardrails set by both the SROs. So from February onwards, we are seeing very good asset quality. So we are not in a hurry to grow the book just for the sake of growing, but maintain highest asset quality. That will be the priority.
- Pratik Kothari:** Correct. So in terms of incremental, we still don't find that comfort enough to kind of accelerate. I mean, we being careful, I think was always assumed and we have always done that.
- V.P. Nandakumar:** So yes, we are tightening our underwriting and ramping up our collection efficiency. So as Mr. Deepak Reddy has said, we are reworking on the incentive programs or dispersal collection etc, to improve upon the growth of these businesses also. And technology, etc. can also help. It may not be immediate, but we are looking forward for improving the asset quality using various better technology platforms also, which will support us in improving our auto underwriting.
- Pratik Kothari:** Sure. Thank you in all the best.
- Moderator:** Thank you. The next question is from the participant Prithviraj Patil from Investec. Please go ahead.
- Prithviraj Patil:** Thanks for the opportunity. So my first question was, what is the gold auction figure for the second quarter?
- Bindu A.L.:** Rs. 229 crores.
- Prithviraj Patil:** Okay. And the second question is, are we looking at simplifying the corporate structure that we have? Because I see that there is a cost of funds difference between the Asirvad entity and the holding company, Manappuram Finance. So there's a cost of funds difference and there's also one notch rating difference there. So are we looking at simplifying the corporate structure going ahead? Because there's also overlap of products here.
- Bindu A.L.:** At this point in time that is not the priority.

- V.P. Nandakumar:** So already Deepak has laid out the program ahead. So we will definitely plan.
- Prithviraj Patil:** Thank you. And if you could just give a sense of what's the difference between a gold loan customer at Asirvad and at Manappuram Finance?
- V.P. Nandakumar:** Similar profile.
- Prithviraj Patil:** Okay, thank you.
- Moderator:** Thank you. The next question is from the participant, Gaurav from Capital Farming Consultants. Please go ahead.
- Gaurav:** Thank you for the opportunity. So my question is to Mr. Reddy. Like he said that he's quite excited. We as an analyst as well as shareholder, we are equally excited to see the transformation that is expected in Manappuram. So my question is, like considering all the activities that we are planning to do, right from the HR to the operation, right? And many other things, where do we see our consolidated AUM, let's say by December 2028, that is three years from now, or by December 2030, that is five years from now, and how that AUM is going to be funded, right? We are expecting fresh additional capital from Bain, maybe 1 quarter or 2 quarter down the line and then they convert their warrant and then they convert. And assuming our capital adequacy ratio is somewhere around 30%, some basis points here and there, but more or less, near about 30%, right? So how this growth is going to be funded, further equity dilution, or it is going to be by further leverage? Thanks.
- Deepak Reddy:** Mr. Gaurav, thank you for your question. As I stated earlier, I'd request your time and patience for another quarter or two before I lay out the strategic roadmap. I mean, that is work in plan right now, and then work in progress with the management team. I, of course, will have to take it to my board before I come and share it at an investor call. And also that's one. Two, we are very highly capitalized as a Company, already close to 30%. Once the new promoters money come in we will be much higher, close to 39%, 40%. And also we are well capitalized. And as we go forward, that's the opportunity we will create. But you want a specific answer, exact answer on this, and on our plan, let's say, where would I be, I can give you off the cuff remark, but I don't want to do that right now. You will have a very rounded strategic plan for me, which will cover all aspects rather than just giving you one top line number. Request your patience, please, for another couple of quarters.
- Gaurav:** Thank you very much. That's all from my side. Thank you.
- Moderator:** Thank you. The next question is from the participant Subranshu Mishra from PhillipCapital. Please go ahead
- Subranshu Mishra:** Right. So I just want to check what is the accrued interest in this particular quarter, and what is the AUM split, less than 1 lakh, 1, 2, 3, and more than 3. And just one observation on Asirvad, the MFI, in the last four quarters, which is including the second quarter, the amount of losses is

more than the accumulated profit that we have earned in the previous 38 quarters. So are we serious about running MFI business or we want to sell it off to a decent investor? So these are the two questions. Thanks.

V.P. Nandakumar: No, we don't have any plan to sell off Asirvad. So we are very confident of running the business with good asset quality within the MFI as well as Gold loan. So that will definitely help to improve the consolidated profitability. Our long-range plan as I said is diversification. So there is no intention to sell it off.

Bindu A.L.: 2.8% is the interest accrued. And ...?

Raju Naraynan: So up to 1 lakh 33%, 1 lakh to 2 lakh 21%, 2 lakhs to 3 lakhs 12% and above 3 lakhs 34%.

Subranshu Mishra: Okay. Sure. If you can also give me the weighted average LTV in rupees?

Bindu A.L.: 56% of current rate.

Raju Naraynan: 9,792 is the gold rate. 5400 is basic.

Subranshu Mishra : Right. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand over the conference over to the management for closing remarks.

V.P. Nandakumar: So thank you so much. I hope we have answered your questions to your satisfaction. And more information, you can contact CFO, Bindu if anybody needs more analytical data. Thank you.

Moderator: On behalf of Motilal Oswal Financial Services Limited and Manappuram Finance that concludes this conference. Thank you for joining us and you may now disconnect your lines.