



**Muthoot Finance Limited**

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Ref: SEC/MFL/SE/2024/5022

February 20, 2024

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

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

Dear Sir/Madam,

**Sub: Transcript of the Analyst Call**

In continuation of our letter dated February 10, 2024 and February 14, 2024, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the analyst call made on February 14, 2024, on the Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter and nine months ended December 31, 2023, has been uploaded on the website of the Company and is available at <https://cdn.muthootfinance.com/sites/default/files/files/2024-02/14-feb-24.pdf>

Thank You,  
For **Muthoot Finance Limited**

Rajesh A  
Company Secretary  
ICSI Membership No. FCS 7106



“Muthoot Finance Limited Q3 FY24 Earnings  
Conference Call”

**February 14, 2024**



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

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Muthoot Finance Limited 3Q FY '24 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Rati Pandit:** Thank you, Rico. A very good evening to everyone. On behalf of Nirmal Bang Institutional Equities, we welcome you all to the 3Q FY '24 Earnings Conference Call of Muthoot Finance Limited.

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

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

**George A. Muthoot:** Good evening to all of you. This is George Alexander Muthoot, Managing Director. Thank you for participating in this Conference Call.

We just concluded our Board meeting and most of the Directors are here in this room itself. And performance highlights for the 9 months which ended on December 31st, we have an increase in the consolidated loan AUM of 27% year-on-year, which now stands at 82,773 crores. As far as the standalone loan assets under management, it has grown by 23% and stands at 71,182 crores.

The gold loan AUM has also increased 22% year-on-year, increased by 12,397 crores. The consolidated profit after tax has also increased by 23% year-on-year and now stands at 3,285 crores for the 9-month period. The stand-alone profit after tax has also increased 16% year-on-year and for the 9 months stands at 2,993 crores.

As far as the subsidiaries are concerned, Belstar increased its AUM by 65% year-on-year, which now stands at INR 8,835 crores. The loan disbursement has also been, for the year-on-year, it has gone up by 85% and it stands at 6,776 crores. The profit after tax has shown an increase of 382% year-on-year, which now stands at 235 crores for the 9-month period.

Muthoot Home Finance has increase in loan assets under management of 26% year-on-year and now stands at 1,783 crores. The loan disbursement has also increased by 493 crores. There is an increase in the profit after tax, which is now 13 crores for the 9-month period.

Muthoot Money has shown an increase in the loan assets under management, 179% year-on-year, which now stands at 818 crores. The total revenue has also gone up to 82 crores, and the profit after tax is 3 crores as against a loss of 3 crores last year.

Asia Asset Finance, Sri Lankan subsidiary, has shown an increase in profit after tax and now stands at Sri Lankan Rs. 9.7 crores, and the branch network has also increased to 80 branches.

We have opened 487 new branches by the group in the 9-month period. We have raised 480 crores through the 33rd Public Issue of Secured Redeemable Non-Convertible Debentures this quarter. And the Company and the group have received multiple industry recognitions too in this period.

I think with that opening remarks, I would like to conclude here and open the house for questions and answers and clarifications.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajiv Mehta from YES Securities.

**Rajiv Mehta:** So, my first question is on gold loan yields. So, there is a marginal uptick of 15 basis points on sequential basis. So, is it completely driven by NPL reduction or is there any positive impact of some change in customer segment mix or any product rate increases taken in the quarter?

**Oommen K. Mammen:** Being a short-term loan, it is quite usual for such fluctuations.

**George A. Muthoot:** It's not a substantial uptick. As you said, it's only 15 basis points.

**Rajiv Mehta:** And could you share the quantum of auctions and quantum of settlements done in the quarter?

**Oommen K. Mammen:** Auctions will be about 360 crores for the quarter. 381 crores for the quarter.

**George A. Muthoot:** 381 crores for the quarter.

**Rajiv Mehta:** And any settlement that we would have...

**George A. Muthoot:** We don't do any settlements.

**Rajiv Mehta:** And just last thing. We see a slight dip in new customer addition and old customer reactivation on sequential basis. That number is slightly dipped in this quarter. I see that as a seasonal feature also, but is it also the impact of the reduced advertisement and publicity expenses in the quarter?

- George A. Muthoot:** No, I don't think it is because of that. Some of these things are seasonal also, but there has been an increase in customer addition. But probably, as you said, the...
- Oommen K. Mammen:** Again, the number is not that significant. You know, September quarter, the number was 3,60,000. This quarter, it is 3,34,000. So, it's quite usual when there is a huge churn in the portfolio. So, we deal with about 55 lakh customers. So, it is quite usual for such fluctuations.
- Moderator:** Thank you. The next question is from the line of Mona Khetan from Dolat Capital.
- Mona Khetan:** So, firstly, just referring to the ARC sale we had last quarter, so you had mentioned about 200 crores to 300 crores of recovery during Q3 itself when the last call happened. So, where does it reflect in the P&L?
- Oommen K. Mammen:** So, when we do an ARC sale, we invest in a security receipt in the proportion of 85% and 15%. So, they won't be invested in security receipt. It's coming as a part of investments.
- Mona Khetan:** So, the recoveries that you had will now be reflected in interest income as...
- Oommen K. Mammen:** No, in the investments. It comes as a reduction in the investments. And once it is exhausted comes as an interest income.
- George A. Muthoot:** Whatever is coming more than the investment will come as interest. Whatever is get more than the investment will come as interest.
- Mona Khetan:** It will come in the interest income. So, some of it is reflected in the interest income itself.
- Oommen K. Mammen:** No, that's not what we said. So, when the investment, when the security receipt completely becomes zero, whatever we get over and above the security receipt, we have to treat that as income. Till that time, we cannot treat this as an income.
- Mona Khetan:** So, we have not had any income from that in this quarter or how?
- Oommen K. Mammen:** Yes.
- George A. Muthoot:** You are right.
- Mona Khetan:** But is anything expected in the coming quarters or something?
- Oommen K. Mammen:** Definitely. Definitely.
- George A. Muthoot:** We have around 280 crores outstanding. We hope to recover that in this quarter. If it is completely recovered, then probably we might see an income. Otherwise, it might come in the first quarter of next year.

- Mona Khetan:** That's clear. Because limited amount was recovered, it could not be, only the deduction has happened from investment books and nothing, no benefits in the P&L?
- George A. Muthoot:** Yes.
- Mona Khetan:** Secondly, can you share the breakup of your loan book based on ticket size less than 1 lakh and above 3 lakhs?
- Oommen K. Mammen:** So, there is not material change in the proportion. I think above 3 lakh continues to be 27%. Between 1 lakh and 3 lakh continues to be 38%. And the rest 35% is less than 1 lakh.
- Mona Khetan:** And just one more thing. So, if I have to understand the attrition levels at Muthoot, could you give some color as to what is it today? And what was it, say, a few years back, maybe 3 to 4 years back?
- George A. Muthoot:** Attrition, maybe after the COVID, etc., or during the COVID, attrition was fine. Prior to that, it was low. Now, I think we are almost getting back to the pre-COVID level.
- Mona Khetan:** So, it's back to the normalized levels pre-COVID?
- George A. Muthoot:** Yes, almost normal, almost.
- Moderator:** Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Sir, first question is on this ARC receipt transaction that you have done. In the notes to your financial statements, you have said that the outstanding revenue of the SR receipts have declined from 595 crores last quarter to about 228 crores or 230 crores as on December.
- So, sir, if you could just explain, I mean, how is this working? I mean, essentially, when the ARC goes ahead and does the auctions or when you do the auctions, it will reflect as a decline in the SR receipts, is it?
- Oommen K. Mammen:** Yes. So, the collections we get goes to reduce the SRs. And finally, when the SRs become zero, any amount collected after that becomes an income for us, but the collections are not actually coming through auctions. Primarily, it is coming through repayment of loans by customers.
- George A. Muthoot:** Not through auctions.
- Abhijit Tibrewal:** So, sir, this decline from 595 crores of SRs in last quarter to about 230 crores of SR as on December is predominantly coming from collections or basically customers coming and repaying their loans?

**Oommen K. Mammen:** It is predominantly done to help the customers to give them little more time to redeem their gold. Now as you said, 200 crores of security receipts of customers came back, redeemed their gold, and they were saved from auction. That's the biggest advantage of the ARC transaction. Otherwise, we should have to auction those gold. So, customers are separately happy, very much beneficial also.

**Abhijit Tibrewal:** Oommen sir, like you said, whenever these outstanding SR receipts become zero, at that point in time, whatever extra is collected will be classified as income. Because from what I recall, this ARC transaction last quarter was done at par. So, you have received the entire principal.

**Oommen K. Mammen:** Yes.

**Abhijit Tibrewal:** Sir, one more question that I had was on the borrowing cost. This quarter around, given that you had also raised from public NCDs, I think, the cost of borrowings have not gone up, but otherwise, this risk weight circular that came in, I mean, most of the other gold lenders seemed to suggest that banks are reaching out and increasing the costs, the lending rates, at least on the incremental lending that they are doing.

This quarter, I see our bank term loans have actually declined sequentially. So, maybe it's not impacted as much. Going forward, how are you looking at the cost of borrowings, particularly, I mean, borrowings from banks?

**Oommen K. Mammen:** So, right now, the borrowing cost as of December quarter, it is around 8.55%. I think we are more heading towards 9%. So, probably, in the next 6 months, I think we might see moving towards 9%, unless there is some decline happening in the general interest rate scenario.

**Abhijit Tibrewal:** So, actually bank borrowing cost can convert from 8.55% now towards 9%, which is the incremental cost of borrowing.

**Oommen K. Mammen:** Yes, but it can happen maybe only over the next 3 to 4 months.

**Abhijit Tibrewal:** And sir, my last question was again on Belstar. I mean, very good growth, very strong growth, I would say, that we are seeing in Belstar today. So, two things. I mean, looking at the environment today, I mean, are you not a little anxious about such strong growth, 65% kind of a Y-o-Y growth, not on a very small base? That is the first part of the question.

And the other one is, I mean, last maybe 4 quarters, you were seeing a continuous improvement in asset quality. This time, there is a minor deterioration of about 40 basis points sequentially. So, any geographies where you have seen this deterioration in asset quality?

**George A. Muthoot:** No. I think, see, our base was low. That is why you see the higher percentage, etc. Compared to the total balance sheet side or asset side of Muthoot Finance, the Belstar investments or Belstar loans are not significant for us. So, not that significant. 65% is because the base...

- Oommen K. Mammen:** We have opened branches.
- George A. Muthoot:** We have opened branches.
- Oommen K. Mammen:** 240 branches.
- George A. Muthoot:** As far as the NPA is concerned, we have not seen any particular geographies or something. This is just part of 0.4% this way or that way. It will definitely keep on happening.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.
- Shubhranshu Mishra:** The first question is around the loan book proportion you gave out what is less than 1 lakh, but within that, what is less than 50,000? That's the first question.
- Second is, what is the accrued interest?
- Third is in the PPT, sir, I saw that you do use Paytm as our payment services for loan repayment. I know we are using other Fintech companies also. But what is our dependence on Paytm? And do we plan to stop it or alter that relationship?
- George A. Muthoot:** I forgot the first one. Can you just remind the first one?
- Shubhranshu Mishra:** What is the proportion of AUM less than 50,000, sir?
- George A. Muthoot:** 16%. The second one was Paytm. We also have some of others, Paytm also. I don't think it is impacting.
- Oommen K. Mammen:** No, no, we don't have any impact.
- Company Executive:** I don't think we are depending on any technology.
- George A. Muthoot:** No, no, we are not depending on this Paytm.
- Oommen K. Mammen:** We don't have any impact from that Paytm.
- Shubhranshu Mishra:** Accrued interest, sir?
- Oommen K. Mammen:** Yes, 1,921.
- Moderator:** The next question is from the line of Raghav Garg from Ambit Capital.
- Raghav Garg:** Just two questions from my side. One is, so we have seen that there has been a lot of chatter about stress increasing in small ticket personal loans. Are you witnessing any such trends where

customers who may have taken such loans are now coming back because they aren't able to get those unsecured loans anymore as easily as before? And so, yes, should I ask my other questions or?

**George A. Muthoot:** Just because they are not getting a personal loan, we don't see any significant offtake of the gold loan. Is that what you meant?

**Raghav Garg:** Yes, that's what I meant. So, generally, what we see is that...

**George A. Muthoot:** Probably, we have to wait some more time. If it is really going to dry us, like during the COVID, then there will be a big demand. During COVID, personal loans sector initially dried up fully. So, we had a good demand for gold loan at that time. Probably, we will have to wait for some more time. If it is really drying up, then people will come with gold. More people will come with gold.

**Raghav Garg:** Second question is, cash and investments have been increasing. So, I see that in Q1 as a percentage of borrowings, that was, I think, 10%, 12%, then 16% in Q2, has increased to about 18%. What is the comfortable level that you would like to keep? And would you also look to utilize some of this balance for growth in the next quarter or would you borrow more?

**George A. Muthoot:** No, I think a certain percentage, I have always been saying that we keep a certain percentage of cash, etc., because we are a reputed NBFC. We have a large borrowing book. So, our total borrowing is around 60,000 crores.

So, we have to keep a good amount of cash. Probably, some of it, maybe 1,000 crores, 2,000 crores can seem to be excessive, but then it is always safer or more prudent to keep little extra cash. We know it has a negative carry, but still maybe 2%, 3% carry is there, but still it gives more comfort to us.

And your final question, yes, as you have seen, we are seeing growth in many sectors now and keeping little more cash with us and also increasing the borrowing, not depending only on the cash. That would be our policy also. So, we will continue to borrow, and we also continue to have maybe a little, maybe a little extra cash with us.

**Raghav Garg:** Sir, my last question. In 4Q, how are you looking at the OPEX ratios? Where I am coming from is that typically, this quarter is when you see the management remuneration also coming into the OPEX line item. So, any levers we have to mitigate that? Or how would you look at...

**George A. Muthoot:** It will be same as any other fourth quarter.

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

- Shweta Daptardar:** Sir, just two questions. One is, so this question was asked initially. So, is my observation correct that this time you have seen a very strong gold AUM growth? Of course, it's come on a little lower base of last year, but this has come despite your LTVs dropping from 70% to 65%. So, that is very commendable. But is it that reason why the new or fresh customers have dipped or the fresh renewals have not come by?
- George A. Muthoot:** You have put too many assumptions in this. Anyway, growth has come. Actually, LTV is going low because of the increase in the gold price. So, whenever the gold price increases, the LTV on the book definitely will come down from 75% to 70% to 68% to 60%. That's the reason for the LTV growth. Yes, new customers are coming. And what was the next thing you asked?
- Shweta Daptardar:** No. So, even the fresh collateral has also dipped. So, new loans by fresh collaterals...
- George A. Muthoot:** I think, when the gold price goes up, people need to be brought only lesser gold for the same amount of loans.
- Oommen K. Mammen:** I think tonnage remains the same, 194 tons, no?
- Shweta Daptardar:** Yes.
- George A. Muthoot:** Because when the gold price goes up, the new loans, instead of bringing 50 grams, they will bring only 48 grams.
- Shweta Daptardar:** Correct.
- George A. Muthoot:** That's it for the new one and this is churning so fast that the old one, 50 grams fellow will go out and the 47 grams fellow will come inside. I think you got the point.
- Shweta Daptardar:** Right. So, basically, the gold price has driven the gold growth largely for this quarter?
- George A. Muthoot:** You don't need to summarize like that. I said the tonnage difference is what I explained.
- Shweta Daptardar:** Right. Also the tonnage has been steady, right. So, then how does the outlook look like in terms of competitive dynamics as on today? Because we have not seen much material improvement in yields as well. So, the going look in similar fashion, like is it going to be as healthy as on today going forward?
- George A. Muthoot:** Yes. See, we have given a guidance of 15% growth for the full year for the gold loan. I think we should be able to achieve that for the full year. I think to that extent that will be there. Competition is always there as I have been always saying. After a while, some of these banks, etc., fatigue will set in and then probably the focus on gold loan will come back. So, we have been always keeping our business focused on gold loan. We will continue to do that. And probably, we will see continued growth also in the same 15% fashion.

- Shweta Daptardar:** And my second question is pertaining to Belstar. Sir, with this kind of strong growth again on the AUM front, so at what IRRs are we operating? So, we have seen the top players calibrating interest rates on the MFI side, on the MFI business front. So, how are we placed on the yields front and any such calibration we are looking forward to?
- George A. Muthoot:** See, the industry actually acts as a group actually. As a whole, the industry has taken a decision to recalibrate the interest and people have started doing it. We have also started doing it. What the other industries, the leaders in the industries are such like that, we will also be doing. I think they will also be doing.
- Oommen K. Mammen:** The SRO for microfinance is very strong. Actually, they have a good control on the members, and they also instruct what to do and I think 25% to 30%.
- George A. Muthoot:** Self-regulatory organization in the microfinance is quite effective and strong. So, I think everybody works in tandem.
- Oommen K. Mammen:** Yes.
- Moderator:** Thank you. The next question is from the line of Pratik Tandel from Swan Capital. Please go ahead.
- Pratik Tandel:** Congratulations on a healthy growth in your gold AUM this quarter. So, my question was, can you give some guidance on the growth coming in the next few quarters, let's say, FY '25, '26, maybe?
- Also, I would like to understand the competitive environment. So, from the banks and other gold lending NBFCs, are we gaining market share from them, or we are benefiting from the sector getting slowly organized?
- George A. Muthoot:** Yes, you said it right. So, first of all, the growth, we had guided for a growth of 15% in gold loan for the full year. I think we should be able to reasonably achieve that by the end of the year. Going forward also, last several years, we have always been giving guidance of 15%. We will continue to do that in the coming years also. The first part of the question. Second was about, what was it, second part?
- Pratik Tandel:** So, are we gaining market share from banks and gold lending NBFCs, or we are getting benefited from the sector getting slowly organized?
- George A. Muthoot:** Yes, it's not sector organizing. More and more customers are now going to, it is not that we are taking any customers from the bank or the bank is taking customers from us. See, the overall market for gold loan has also increased. Definitely, it's increasing because some of the banks are also at not the same pace, they are also growing their gold loan book. We are also growing the gold loan book. So, it only means that the market is improving.

**Moderator:** Thank you. The next question is from the line of Vikram Subramanian from MWAM. Please go ahead.

**Vikram Subramanian:** I have a couple of questions. First on margins, specifically yields. So, we have reported about close to 13, 14 bps of yield expansion Q-o-Q. But as I remember, last quarter, due to ARC sale and the GNPA increase, we had interest reversal and we had cited that as one of the reasons to have impacted yields. So, is this just a reversal of that? Or how should we read this? Or is 17.5% to 17.75%, is this the new normal of yields?

**George A. Muthoot:** No, I think, see, 17.5%, 17.8%, 18% is what we have been having yield over the last 5 quarters. So, it will still be around that only. 10, 15 bps here and there, it's just because of the short-term tenure of the loan, very short-term tenure. So, sometimes 15, 20% bps here and there. So, last year, it was 17.65%. Now it is 17.79%. Previously, it was 18.08%. So, some small change here and there just because of the very short-term nature of the loans.

**Vikram Subramanian:** So, my next question is on growth. So, specifically on the operational parameters. So, if I notice, I mean, gold price Q-o-Q had increased about 9%. Even on an average basis, it has increased about 4% between 2Q and 3Q. Our gold loan growth is still trailing at 2.5% Q-o-Q. And this also seems to be largely value driven, and which is what we have been having value-driven loan growth for almost the entire year. Our customer addition is still trailing at 1% or lesser. Even if I look at average ticket size of gold loans on a per loan account basis, that is up 15% Y-o-Y. So, most of our growth has come from this.

I look at it the other way. LTV is now down to 65%. But if I adjust for the gold price increase, end of period increase, LTV has actually gone up to 71%, 71.5%. So, almost the entirety of our gold loan growth still comes from price movement. So, how should we look at this going forward? Because we seem to be completely at the vagaries of gold loan price is what is moving us.

**George A. Muthoot:** No, I think you are doing such a lot of statistics and figures, 5, 6, 7 or 10 parameters of growth this way, that way, etc. Anyway, our gold loan business is growing. Our new customer additions is happening. The AUM has gone up. We have given a guidance of 15% for the year. I think we will touch that.

You have made so many statistics and parameters and deductions and inferences you have done. I don't know which is all correct and which is not correct. Anyway, we are looking at the growth. Our interest comes from the growth. Our interest and income comes from the AUM only not because of the disbursal, etc. If our AUM grows, our interest will be higher; our profit will be higher. I think we are almost trying to stick to that.

**Vikram Subramanian:** And that's 15% growth, sir?

**George A. Muthoot:** I think last two questions I have answered like that only.

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

**Shreepal Doshi:** So, my first question was pertaining to the new customer acquisition run rate. So, what is it that we have in mind or that we are targeting in order to add on a monthly basis in the new customer acquisition landscape?

**George A. Muthoot:** I think, we are doing a lot of road activities. We call it BTL activities. BTL activities we are doing here, everywhere we are doing, and that is actually growing our customers also because the customer churn is definitely higher, because the loans are very short period.

So, it's like a treadmill. So, new customers come. They take back their gold. We have to get new customers. And that's an ongoing process for us, ongoing process for us, because the tenure is very short. But then the advantage of a short tenure is that our yield, our returns, our NPAs, etc., will not be there.

So, we are always in the market with activities, with advertisements also. We do advertisements also for maybe branding, etc. And local activities is there on all the 5,000 brands. So, that is how we keep the new customer growth.

**Shreepal Doshi:** So, sir, just a follow-up question on that. Have we tried to relook at or revisit the key responsibility area of our employees so that this momentum on new customer acquisition can also be sort of improved, or the leakage that we have of the customer in terms of renewal of or maturity of loans that can be curtailed? So, have we looked at or revisited the KRAs of our employees?

**George A. Muthoot:** Yes, I think this is a very operationally challenging business. The staff, etc., need to be at the branch to take custody of the gold, control of the gold, safety and security. They have to be in the branch. At other times, we expect them to go out and do business also.

But we don't expect them to be always outside because every day there are such a lot of walk-ins coming to the branch for new pledges, interest payment, release, etc. So, staff has to be in the branch also. Security, safety also is there. But not disturbing that, we have a marketing team, and occasionally, the branch people also accompany them for marketing activities.

So, KRA is mainly their growth in the business in the branch, and there are some of them also to do marketing. And we have tele-calling, etc., at the branch level itself for our customers to ask them for new business, ask them for interest, ask them for renewals, etc.

**Shreepal Doshi:** Sir, just one last question on the Muthoot Money franchise. So, if you look at the branch network has doubled in the last 12 months and also the AUM. Just wanted to get a sense with respect to what does the loan book mix look like in this subsidiary of ours?

**George A. Muthoot:** The loan book today is about 800 crores. So, the branches have also increased. Their loan book is also increasing.

- Shreepal Doshi:** Loan mix, like of gold loan and vehicle loan in that book?
- George A. Muthoot:** We have a healthy mix of gold loan and vehicle loan. We are normally a vehicle loan Company, but we have also started gold loan because gold gives better income also and shows a better quality. So, we do a mix of both.
- Moderator:** Thank you. Our next question is from the line of Kushan Parikh from Morgan Stanley.
- Kushan Parikh:** I just had a couple of questions. One, just a data keeping question. Could you tell us what the auctions were for the September quarter, the auction amount? And also, if I could just put my second question as well. Basically, how should we think about loan spreads and margins going forward given that we are saying that cost of funds could increase from 8.55% to 9% over the next 1, 2 quarters? I mean, will we be increasing our yields to also sustain our margins?
- George A. Muthoot:** Yes, the yield has been hovering around 18%. So, 18% plus or minus 15 bps, 20 bps is what we have been seeing in the last 5 quarters. So, the yield may remain like that. Although the CFO said that the cost of funds will go, that is for incremental cost of borrowing. But overall, probably we may not expect it to reach near 9%. Just a little more only. It will be nearer to, not up to 9%. So, some of it probably we will be able to make up with better operational cost reduction, etc. But probably, we may not be thinking of increasing our rates, etc., unless the cost of borrowing goes up substantially. We will be able to maintain our NIM and yield etc.
- Kushan Parikh:** And the auction for September quarter, the auction number?
- Oommen K. Mammen:** For December quarter, it is 381.
- George A. Muthoot:** December, 381.
- Kushan Parikh:** And the September quarter, sir?
- Oommen K. Mammen:** 236 crores.
- Moderator:** Thank you. The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.
- Jigar Jani:** Just one clarification. The incremental cost of borrowing, bank borrowing is 9%, right? That is what you mentioned, right?
- Oommen K. Mammen:** It can come up to 9%.
- Jigar Jani:** And currently, it is, on a blended basis, what would be the incremental cost of borrowing?
- Oommen K. Mammen:** That's what 8.55 for December quarter.

- Jigar Jani:** So, 8.55 is the blended as well as incremental cost of borrowing. And sir, can you just repeat the accrued interest number. Sorry, I missed it.
- Oommen K. Mammen:** 1,921 crores.
- Jigar Jani:** 1,921 crores. And sir, just corresponding to the previous participant, you had earlier guided for a 9% to 10% kind of spread range. Is that maintained overall, the guidance?
- Oommen K. Mammen:** Yes, I think this quarter, it is 9.24%, right?
- George A. Muthoot:** 9.24.
- Jigar Jani:** Yes. So, we will be near within this range even after the rate increase, the cost of borrowing increase that we might anticipate.
- Oommen K. Mammen:** Yes. We will try to maintain that.
- Moderator:** The next question is from the line of Rajiv Mehta from YES Securities.
- Rajiv Mehta:** Sir, just two questions on Belstar. Can you give some outlook on Belstar's credit cost? And if you can also share the Stage-2 number for Belstar as of December and as of September?
- George A. Muthoot:** Stage-2 or Stage-3?
- Oommen K. Mammen:** Belstar Stage-3 is 1.9%.
- Rajiv Mehta:** Stage-2?
- Oommen K. Mammen:** Stage-2 is 1%. 1.03%.
- Rajiv Mehta:** And what is the outlook on credit cost? Because we have seen a sharp jump in par 1990, I mean, Stage-3 numbers and provisioning has also gone up. Do you expect it to stabilize in this quarter or normalize a bit?
- George A. Muthoot:** In fact, Stage-3 has come down compared to last year.
- Rajiv Mehta:** On Q-on-Q basis?
- George A. Muthoot:** No, not on Q-on-Q basis.
- Oommen K. Mammen:** Yes, I think it is stabilizing.
- George A. Muthoot:** Stabilizing in January. So, that is better.
- Oommen K. Mammen:** Cost of funds or credit cost.

- Rajiv Mehta:** So, in Q4, the early trends are that it is stabilizing, right?
- George A. Muthoot:** Yes, stabilizing.
- Moderator:** Thank you. The next question is from the line of Vasu Jain from Marcellus Investment Managers Private Limited. Please go ahead.
- Vasu Jain:** Sir, can you tell us something about the branch openings that we have done. We can see 30 branches have been opened in standalone business. And can you share something on what is the RBI saying on further branch openings?
- George A. Muthoot:** So, for the last year, year '22-'23, we opened 150 branches. Thereafter, we approached RBI. They gave us permission to open another 114 branches. I think that's almost complete by this March or maybe early April, we should be able to open that also.
- Further, we will again approach another set of branches and that is an ongoing process. 100, 160 branches a year is what we have been doing now. I think, it will be an ongoing process.
- Vasu Jain:** And we do not see any problem in obtaining the approval?
- George A. Muthoot:** We have to convince the RBI. That is what our job is to see that they are convinced about the Company and its operations. And of course, if that is so, we don't see any issues there.
- Moderator:** Thank you. The next question is from the line of Ashish from Infinity. Please go ahead.
- Ashish:** Sir, I had one question in relation to the insurance brokers entity. We have seen the operating expenses jump up significantly. Any specific reason? Or is there a one-off?
- Oommen K. Mammen:** I think it should be a one-off.
- Ashish:** And what would have been nature of, sir?
- George A. Muthoot:** I don't remember it.
- Ashish:** Maybe we can get it off-line from you, sir.
- Moderator:** Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.
- Piran Engineer:** Just a couple of clarifications on previously asked questions. Firstly, our SR book of 230 crores, if we recover, let's say, 300 crores out of it, the extra 70 go to the ARC or to us?
- Oommen K. Mammen:** No, so the collections are divided. So, the investment in SRs is in the proportion of 85% and 15%. And the collections also are a portion on the same basis. And collections over and above

the SRs gets allocated in the form of 85% and 15%. Of course, there is a certain cap which is there for the ARC.

**Piran Engineer:** That explains it. Secondly, did we have any interest reversals in this quarter or any write-backs? Last quarter, it was a 100-crore reversal, if I remember correctly.

**Oommen K. Mammen:** So, if you look at the numbers from September 30 and compared with December 31, I think, the NPAs have declined. So, there is no need for interest reversal. So, that is why there is a provision reversal, because the ECL provisions have come down.

**Piran Engineer:** So, is it fair to say that the 100 crores reversal we had in September quarter, we did not have in December quarter? That is fair to say?

**Oommen K. Mammen:** So, now if you go deeper into it, there is always a reversal, because it's not the same set of NPAs which get declared. It could be a new set of customer who is now showing as an NPA compared to September quarter. So, the September quarter, NPAs would have maybe closed or a major portion would have got closed. Then a new set of customers. So, at a low level, there could be reversals.

**Piran Engineer:** And just lastly, on Belstar, we have seen this slight increase in NPLs. Is that because of the floods in Tamil Nadu? Or how do we read this? And also, what are the key states for Belstar?

**George A. Muthoot:** Belstar I think, Tamil Nadu is about...

**Oommen K. Mammen:** Tamil Nadu is the majority. 50% in Tamil Nadu.

**George A. Muthoot:** 50% it is Tamil Nadu. The rest are South Indian and probably...

**Oommen K. Mammen:** Yes, I think floods have got a small impact, but it got corrected in the month of January. That's what we understand.

**Piran Engineer:** So, did I hear that bulk of the book is in South India and half of the book is in Tamil Nadu state alone?

**George A. Muthoot:** Yes.

**Oommen K. Mammen:** Predominantly, it's a South Indian Company.

**George A. Muthoot:** South Indian Company.

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

**Shubhramshu Mishra:** Just wanted a clarification on the branch opening for '24 and '25. And do we get any incentives to open up branches in leftwing extremist districts? That is first.

Second is, sir, as to my understanding, we can't do assignments of gold loans, because they are bullet loans. But if we take monthly interest, can we do the gold loan, sir?

**George A. Muthoot:** So, first question was about what the branch is opening in...

**Oommen K. Mammen:** Special incentive.

**George A. Muthoot:** Incentive for branch opening in which place, sir?

**Shubhramshu Mishra:** Leftwing extremist districts, sir, LWED.

**George A. Muthoot:** We have not talked about such things.

**Oommen K. Mammen:** Leftwing extremist districts. First of all, I don't know what states?

**George A. Muthoot:** Which are the states?

**Shubhramshu Mishra:** Because some districts would fall into Telangana as well, sir, which could have large quantities.

**George A. Muthoot:** No, I don't think there is any incentive for us there.

**Oommen K. Mammen:** Anyway, before opening a branch, we do a risk assessment, etc.

**George A. Muthoot:** Second one was about monthly interest, what are you saying, sir? I did not understand.

**Shubhramshu Mishra:** Sir, as the gold loans are on monthly interest, can we do assignment transactions for our gold loans?

**Oommen K. Mammen:** I think so. EMIs and monthly interest, we will be able to.

**George A. Muthoot:** Yes.

**Shubhramshu Mishra:** But that would be yield dilutive, right, sir, if we do monthly interest on gold loans?

**George A. Muthoot:** That will be?

**Shubhramshu Mishra:** Yield dilutive.

**George A. Muthoot:** Yield dilutive.

**Oommen K. Mammen:** So, whether it's gold loan as a product source monthly payment is doubtful. So, not sure how far.

**George A. Muthoot:** Our loans are all bullet repayment and there is no EMI and monthly commitment for the customer. It's all EMIs. It's all bullet loan and bullet repayment. That is why customers come and take a gold loan.

**Oommen K. Mammen:** Anyway, it is a short-term product, no? So, asking customers to pay on a monthly basis, how far it is accepted, we are not sure.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**George A. Muthoot:** So, from the management, very happy that we were able to present a good set of numbers, and extremely happy that we had quite a few interesting questions and clarifications, and we hope that we have been able to clarify your questions. And from our side, we will ensure that the Company does well and does well for all stakeholders, whether it's our shareholders, lenders, regulators, everybody. That is our priority. So, thank you very much for participating. And God bless you all. Thank you.

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