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Dalal Street,
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National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051, Maharashtra

Trading Symbol - MUTHOOTCAP

Dear Sir / Ma'am,

Sub: Transcript of Conference Call pertaining to Unaudited Financial Results of Muthoot Capital Services Limited ("the Company") for the Quarter and Half Year ended September 30, 2025

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a copy of the transcript of the Conference Call with Investors on the Unaudited Financial Results of the Company for the Quarter and Half Year ended September 30, 2025, held on Thursday, October 16, 2025.

The same is also uploaded on the website of the Company and can be accessed through the following weblink:

<https://admin.muthootcap.com/uploads/Investor Meet Con Call Transcript Q2 FY 25 26 7087a768b0.pdf>

This is for your kind information and records.

Thanking You,

Yours Faithfully,
For **Muthoot Capital Services Limited**

Deepa G
Company Secretary and Compliance Officer
Membership No.: A68790

Encl: as above



“Muthoot Capital Services Limited
Q2 FY '26 Earnings Conference Call”

October 16, 2025



MANAGEMENT: **MS. TINA MUTHOOT – EXECUTIVE DIRECTOR –
MUTHOOT CAPITAL SERVICES LIMITED
MR. MATHEWS MARKOSE – CHIEF EXECUTIVE
OFFICER – MUTHOOT CAPITAL SERVICES LIMITED
MR. RAMANDEEP GILL – CHIEF FINANCIAL OFFICER –
MUTHOOT CAPITAL SERVICES LIMITED**

MODERATOR: **MR. MOHIT OZA – ELARA SECURITIES PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Muthoot Capital Services Q2 FY '26 Earnings Conference Call hosted by Elara Securities. 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 touch-tone phone.

I now hand the conference over to Mr. Mohit Oza from Elara Securities. Thank you, and over to you, sir.

Mohit Oza: Yes. Thank you, Ikram. Good morning, everyone. On behalf of Elara Securities, we welcome you all to Q2 FY '26 Earnings Conference Call of Muthoot Capital Services Limited. From the esteemed management, we have with us today Ms. Tina Muthoot, Executive Director; Mr. Mathews Markose, CEO; Mr. Ramandeep Gill, CFO. We express our gratitude towards the esteemed management of Muthoot Capital to provide us with the opportunity to host this conference call.

Without further ado, I now hand over the call to Mr. Mathews Markose, CEO, for his opening remarks, post which we can open the floor for Q&A. Thank you, and over to you, sir.

Mathews Markose: Thank you, Mohit. Am I audible? Can you confirm?

Mohit Oza: Yes, sir, you are.

Mathews Markose: Okay. Thank you. Good morning, everyone, and thanks for joining the earnings call of Muthoot Capital. Our Q2 was a mixed bag for us. When I say mixed bag, the reason why I call it a mixed bag is because while we were able to reverse the trend of loss that we had done in Q1 and get back into profits, many of the macro fundamentals were not so conducive for business. So I'll cover it one by one.

Overall, in Q1, the retail vehicle sales, and I talk about 2-wheelers here because that's our principal business. So that overall retail sales in Q1 was 48.12 lakhs, which fell down drastically to 40.16 lakhs, which is a 16% drop in overall numbers in Q2. And that mirrored our numbers as well. So we had the total disbursement of INR623 crores in Q1, which came down to INR521 crores in Q2, which is exactly 16%. However, the silver lining on this was that our own MCSL business was down only 12% from INR504 crores to INR442 crores.

In fact, it was a dip in our co-lending share from INR119 crores to INR79 crores, which was 34%, which led to a larger dip. And that dip is because we have now sequentially reducing the number of partners. Now we operate with only two partners. And that's a conscious decision that we had taken because of our own business growing and now being at a sustainable level.

So that was a dip in the overall numbers. Another fundamental that was not so conducive was that across Q2 and across most of the country and especially in northern part, there were heavy rains, monsoon continued unabated and there were floods across a lot of the important markets in the country like UP, etcetera, and even in the East and Rajasthan.

But having said that, we were able to improve or reduce our slippage -- fresh slippage by 6%, but more importantly, increase our collection and normalization from the NPA pool by about 69%. I'll leave Raman to give you the larger details of these numbers. But our issue which we had seen in Q1 of having a not so good collection was addressed totally in the Q2.

So -- coming to the other initiatives that we did. So company almost ticked all the right boxes in Q2. So as I had mentioned in the Q1 earnings call, we had made changes in our credit policy. We did dealer categorization and location categorization based on delinquency and perceived risk and all that.

And we categorized locations into A, B, C, D and E categories, E being severe risk, where we completely stopped business and the other categories where we had kept restrictions. So the A and B category where the delinquencies and the portfolio was behaving very, very well. We continued with our normal credit norms, whereas in the C and D category, we made certain restrictions, certain changes, some additional documents, etcetera.

So we were expecting a slight dip in the numbers. However, the impact has not been as much. So the impact has been as per the market going down only. We have, in fact, been able to improve our market share slightly from 2.36% in Q1 to 2.47% in Q2. This is on the overall pan-India numbers.

However, in the locations that we are present, our market share dipped slightly from about 7.67% to 7.24% in Q2. So -- and that is something which we had factored into in our business. On some of the other initiatives on digital, I think one significant change that has happened or movement that is positive movement that has happened is that our eNACH penetration has jumped from the 75%, 80 % levels to 92% level.

So now for the last 2 months, we are clocking 92% eNACH penetration. And this has consequently had an impact on our overall collections also. So today, we have collected about 77% of our overall collections come through digital mode and only 23% happens through cash collection by the collection agents or executives and through MFL branches.

Also on the average IRR or the yield, we have seen slightly -- some slight improvement in the average yield. Looking forward, I think we also did a comparison on -- because of the impact of GST or the customers who were waiting for the GST announcement, September has been highly muted. Overall numbers came down to 12 lakhs units in September. And of course, that saw some impact on our overall disbursements in September as well.

But the last part of September, which is from 22nd when the Navratri started, we did a comparison of last Navratri versus this Navratri and our numbers have been up 26% Y-o-Y during the same 9 days period. And that trend is continuing. We are seeing very good momentum in October, and we see Q2 to be a very good Q3. That's the estimate.

So -- we made two kinds of projections on an aggressive note. We hope to -- if things go right, continue to be -- as the trend is showing in the first 15 days of the month, we should end up disbursing anything around INR1,100 crores in Q3, which would be fairly close to what we had budgeted for. However, if this trend is not retained for long after Diwali, maybe we will have a

conservative number of about INR800 crores, INR850 crores in Q3. But we still look poised to meet our overall commitment that we had given for the year. So I think that is broadly from my side.

I'll request Raman to give further details on the detailed presentation on the Q2 numbers. Over to you, Raman.

Ramandeep Gill:

Thank you, Mathews sir. Very good morning, everybody. So we'll take you through a few numbers and the analysis part of it, and then we can move on to questions. In this quarter, we did -- as far as the sourcing is concerned, the new business, we have closed this quarter with INR535 crores of business, while acquiring 51,288 as our new customers. This has taken our customer base to 570,000 plus now.

And this has also taken our AUM to INR3,284 crores, marking a year-on-year growth of 40 percentage to our AUM. This has helped the company to take the total balance sheet size to INR3,731 crores now. The overall GNPA and the NNPA we will talk.

So we have splitted this GNPA and NNPA first time into two parts now. One is basically on the POS. Second is with the interest accrual. On POS, we are -- we have reported a GNPA of 5.94 percentage, whereas with interest accrual, we have reported a 6.46 percentage. While the NNPA is concerned, on POS, we have reported 2.46 percentage, whereas interest accrual -- with interest accrual, we have reported 3.07 percentage.

The PCR remains the highest, which is 60 percentage. It remains intact. Whereas the CRAR of the company, we reported 22.02 percentage, debt to equity is at 4.56x. The profitability of the company, which we have explained and which we are -- which we'll be explaining now is now INR3.31 crores, which is PAT, profit after tax, for this -- for Q2 alone.

Yes, we did have a bad Q1, but now we have been able to overcome in many ways, specifically as far as the recoveries of the NPAs are concerned. The borrowings of the company stood at INR2,995 crores. The positive part which we have received from our rating agencies that A+ stable has become A+ with a positive outlook now. So which means that it's met with the 1 or 2 quarters ahead with good results to go, we will be able to increase our rating size from -- by a notch up.

As far as the portfolio is concerned, product-wise portfolio of the company, if we compare the 2-wheeler portfolio of the company, which was INR2,173 crores in last year has been moved to INR2,936 crores, marking a growth of 40 percentage, whereas 4-wheeler used car has been grown from INR51 crores to INR118 crores.

The CV portfolio, which was last year at the same time was INR8.70 crores, that has been drastically moved to INR140.12 crores, whereas loyalty loan, which we are doing, that has moved from INR11 crores to INR44 crores. The overall growth in the AUM as compared to the Q1, it remains flattish. It has just grown by 1 percentage, but year-on-year, it has grown by 40 percentage.

Talking about the portfolio analysis now, the -- as I said, the GNPA inclusive of interest, it comes at 6.46 percentage, which is INR212 crores is there in the NPA, inclusive of interest, INR191 crores in terms of the principal outstanding of those cases. The standard pool of the company stood at 93.54 percentage.

As far as the breakup of this is concerned, the 2-wheeler has contributed 7.10 percentage from this NPA, whereas dealer channel out of it contributed 8.84 percentage with alternate channel 7.7 percentage and others are contributing 0.30 percentage. The GNPA on my 4-wheeler portfolio is 1.72 percentage, whereas on my CV portfolio, it's coming at 0.31 percentage. Talking about the slippages, which Mathews sir has told, I would like to take you in deep here.

There -- in last quarter, as far as the slippages are concerned, the total slippages when we say additions to the NPA was INR46 crores in Q1. That has been dropped down to INR42 crores, whereas the book has also been increased, but by a small margin. The slippages, which used to be 0.991 percentage of my standard pool has now been dropped down to 0.67 percentage of my standard pool, number one.

Number two, -- the recoveries, which used to be in -- for recoveries from this pool, which used to be around INR3 crores, INR5 crores and INR6 crores, that has been substantially gone up in Q2, which is INR8 crores and INR7.73 crores, respectively, for the 3 months of Q2.

So therein, the companies are -- the company has been able to bring down its slippages and companies have been able to uptick its recoveries from the NPA in this quarter, which is a good sign, and we are expecting a good trend to follow in Q3 as well. Talking about this -- as we have already said, the PCR of the company, it is at 60 percentage. And this asset quality of the company is concerned that I have already told.

The impairment cost of the company, which was 3.43 percentage in Q1 on a very higher side and 3.2 percentage in Q4. That has been brought down to 2.05 percentage, so -- which we are expecting to be in the same range or lower than that in quarters to come. The company is following an ECL methodology as far as in order to compute the impairment.

Therein, we -- if we compare our ECL versus the IRAC provisioning norms that has been submitted by the RBI, we are still carrying a INR64.02 crores as an excess impairment in our books, which brings our ECL to 4.14 percentage as compared to the requirement of 2.2 percentage from the IRAC norms.

The good part about this Q2 is that our total yield, which was 19.64 percentage, which we used to call as an interest income in Q1, that has been grown to 20.32% in Q2. Rest of the factors, we have been able to bring good results in my impairment, which was 3.44 percentage that has been brought down to 2.05 percentage. There is an increase in the finance cost as an absolute expense as we have planned to do higher numbers in this quarter. But unfortunately, we're not able to do in the month of September.

The company -- as far as the NII of the company, we have seen upticks as far as the quarter 1 is concerned, right from the interest income, which has grown by 6 percentage to my NII, which

has grown by 3 percentage as well. So we are expecting the same trend to continue in this interest income as well. And as far as the Q3 business is concerned, it would be a higher number.

We are expecting around INR800 crores to INR850-odd crores, which will automatically help us in amortizing so many costs, plus at the same time, my total NII and the top line will grow at a faster rate. The specific yields, so company at a blended yield was operating at 20.35 percentage till Q2. Whereas only from the quarter 2, the overall yield of the company has increased from -- as far as 2-wheelers are concerned, this yield has gone up by 22 percentage, whereas loyalty loan yields has gone up to 25 percentage.

CV is operating at 18 percentage so as used car. So we are expecting some 1 to 1.5 percentage of yield increment starting Q3. The average LTVs, which company was operating at 84%, 85% till Q1, that is now we are operating at 80.22 percentage.

Now talking about the funding side of the company. In terms of my co-lending business, the company is still carrying the co-lending business with four parties: Manba, Credit Wise Capital, Wheels and EVFin, whereas we are operational more with WheelsEMI and EVFin as we speak. The promoter shareholding has continued to be at 62.62 percentage whereas 28 percentage of this chunk -- sorry, of the remaining chunk has been with the retail.

The bankers and the funders have continued to show the interest wherein we have been able to receive a lot of interest in the form of term loans, in the form of NCDs, securitization in CP markets as well. The good part about this Q1 and Q2 is that we have been able to attract more term loans from the banks, which the company was taking NCDs from the market at a higher cost the last year.

So that we have been able to bring it down and more term loan, we have been able to attract. When we say this the additional facility of the companies, which we have taken in Q2, it stood at INR504 crores, wherein the overall cost, which used to be 9.94 percentage has been brought down as an ROA percentage to 9.69 percentage. So which means that there is an overall rate advantage from the banks and from the other funders, which the company has been able to receive.

In NCD market, the company has been able to bring down its rate to 0.24 percentage whereas in CP market, the rates have been bring down to 0.12 percentage. Whereas as far as the working capital demand loan or the term loan from the banks, the rate has been brought down by 0.24 percentage.

The fixed deposit book of the company has started to increase now. We are at INR46.07 crores. The company has been able to take new fixed deposits at -- new fixed deposit of INR7.52 crores in Q2, whereas renewals stood at INR2.91 crores.

So that's it from the overall analysis and the overall numbers of the company. Happy to take questions now.

Mathews Markose: One thing which I missed mentioning is the fact that during the quarter, CRISIL has given -- upgraded our outlook on rating from stable to positive while maintaining the rating at A+. So that's a positive thing, which I missed mentioning, Raman.

Yes. Over to you Mohit.

Moderator: Thank you very much. The first question is from the line of Maitri Shah from Sapphire Capital.

Maitri Shah: Am I audible?

Moderator: Yes, you are audible.

Maitri Shah: I have a few questions. Firstly, on the co-lending side. So, we mentioned that now we are reducing our partners. Any sort of reason for that? Why are we taking that step going forward?

Mathews Markose: Yes. Maitri?

Maitri Shah: Yes.

Mathews Markose: Yes. So yes, this is Mathews here. Thanks for the question. The reason why we are doing it is because the yield on the co-lending has been low, and we thought that it was not a very good effective use of our capital. So that's the conscious call. However, we continue to engage with partners on the EV side where our own business is not that high, and we've been able to generate borrowings in form of bonds and other means for impact funding for EV and anything related to green funding.

So therefore, we continue the partnerships on the EV side, but our partnerships on the ICE have been consciously reduced as a result of not being a very effective use of capital.

Maitri Shah: Going forward, are we going to see a more larger dip quarter-on-quarter happening on the co-lending side or it's going to stabilize right now where it is?

Mathews Markose: It will be stabilized to the extent that whatever reduction is happening on the ICE is more or less getting occupied by -- covered by the EV side of the business. However, month-on-month there will be a reduction in the portfolio because the runoff -- this entire book of co-lending has been or largely has been 2-wheeler and the runoffs are fairly high. So since the disbursements -- current disbursements don't match up to that, the book will slow down.

Maitri Shah: Secondly, so we are expecting a 1% to 1.5% increment. Is that going to happen quarter-on-quarter? And will that start from the next quarter like quarter 3? Or are we expecting that to happen over...?

Mathews Markose: 1% to 1.5%, what? I didn't understand the question.

Maitri Shah: Yield increment. I think you mentioned that.

Mathews Markose: Yield increment, we've already seen an uptick in the yield. And Q3 will definitely see 100 bps increase in the yield.

Maitri Shah: And majorly, where is this yield kind of helping? What sort of loans are helping us with the yield increment happening from now?

Mathews Markose: So, two things. One is that our share of the used vehicle business is going up, which is both car and CV is increasing. Two, we applied risk-based pricing on our 2-wheeler portfolio, wherein we are able to price high-risk customers differently earlier. We have a business model where 50% of our customers are new to credit. And they invariably fall in the slightly higher risk bucket.

We were -- previously when we were in a scheme-based model, we would price everybody same irrespective of the risk profile. But now with the implementation of risk-based pricing, we are able to differently price the low-risk customer from a medium or a higher-risk customer. And therefore, that will see an uptick in the yield. Going forward, I think by November, we should be able to launch our used 2-wheeler business also, which will then again help us increase our yield.

We were supposed to launch to used 2-wheeler by September. But because of some other priorities, we had to -- which was largely due to the change in credit policy, etcetera, we had to make those changes in the BRE. So, we had to approach the vendor for that. It's the same vendor who does that. So, we postponed the 2-wheeler, used 2-wheeler development to the end of Q3. And that's why it did not take off. But otherwise, we should have launched used 2-wheeler.

So once that gets launched sometime in November or December, then Q4 will see another increase in the yield because of that business growing. Q4 maybe the impact may be very small because the business will still take time, but going forward, it will improve.

Maitri Shah: Okay. So, a 100 bps improvement in 3Q and then maybe a 50 sort of bps improvement in 4Q. Is that what we're expecting?

Mathews Markose: Yes.

Maitri Shah: Okay. And how confident are we on disbursing the INR1,100 crores in the third quarter because...

Mathews Markose: 1,100 crores is a very aggressive number. It will depend on various factors like the industry playing out the way we expect. But I think that's why I gave you two numbers, anything between INR800 crores to INR850 crores on the conservative side and INR1,100 crores is our -- is a wishful number, which based on the projections because usually, festive season is a bonanza. But this time, festive season is clubbed with the GST impact. So, OEMs are pretty bullish.

You've seen huge uptick in numbers of Maruti and all that, but that will not impact us because we are not into the new vehicle space. Every uptick in the OEMs on 2-wheelers will definitely impact our overall numbers. So, we need to see it under that light. So, I think INR800 crores, INR850 crores on the conservative side and INR1,000 crores, INR1,100 crores on the...

Maitri Shah: Also, are we including in the aggressive number the new 2-wheeler used loans as well that we're going to be launching...

- Mathews Markose:** No, will not be used, as I said. No, used will not contribute in Q3. And for used 2-wheeler, there's no festive season boom as such. So, we'll just be able to put up the products by Q3.
- Maitri Shah:** Makes sense. Any sort of guidance on the AUM growth that we're expecting this year and also FY '27?
- Mathews Markose:** So, we had initially given a guidance about INR4,000 crores, INR4,200 crores. So we will reach close to the INR4,000 crores number.
- Maitri Shah:** And then the ROE...
- Mathews Markose:** We fall slightly short in the light of a very subdued Q2 and some of the credit collections, but we're still hopeful on close -- reaching close to that INR4,000 crores number.
- Maitri Shah:** Okay. And what sort of target ROA or ROE do we have for the next 1 or 2 years, if that's possible?
- Mathews Markose:** Raman, you want to take that question?
- Ramandeep Gill:** So, target ROE that we have taken as an internal as a three year targets, we want to operate at 4 percentage. As far as next one, one and a half years, we are expecting -- first target is to reach to 2 percentage to 2.5 percentage, which we want to be there in the next 12 months. And then after that, we want to scale it up from 2.5 percentage to 3.25 percentage after that. So that's -- it's the kind of plan we want to follow.
- Maitri Shah:** And what are like the plans that we are taking to grow this ROE like quality...
- Ramandeep Gill:** Yes, yes. So, as we said, as our CEO has already answered and I would like to emphasize as well, the kind of yields that we are increasing, as I told in Q2 also, we are expecting some -- our yields have started to increase. It's a very good sign. Second thing is my impairment cost is going down. So these 2 factors will help us in reaching and help us in achieving a number of 2.5 percentage first.
- Then there are various factors like cross-selling and all, which we have just started from this financial year, right? And that insurance income as we are also an agent -- corporate agent as well. So that -- so these incomes will also form part of my ROA, but that the effect of this income will come when the business will start scaling. So therein, we also expect a good number from this.
- Moderator:** Thank you. The next question is from the line of Prakash, an Individual Investor.
- Prakash:** This is Prakash. Am I audible?
- Mathews Markose:** Yes, Mr. Prakash, you are.
- Prakash:** It looks like a good set of numbers compared to Q1. I had a question on opex. So opex in Q1 -- Q2 is higher than opex in Q1. So is anything being done to reduce opex? And can you share some details on what is being done?

Ramandeep Gill:

Sorry, I was on mute. So, I'll take it. So, there are two components through which we can say that the opex of the company has gone up. One is basically the incentive, which is we call it a sourcing incentive that we know that business -- the season is going to come. So, there are various incentive schemes, which we have already launched in Q2, wherein we are expecting good numbers from that. So, from those -- so that has gone up by around -- we can say around 40 percentage as compared to the Q1. So that is forming the major part. This is number one.

Number two, there are -- this is -- I'll not say there are other things and -- but this -- and then our cost of agencies, wherein -- if you see my agencies recoveries till Q1, it used to be in the range of INR16 crores. That has been increased to INR21 crores in Q2 on that. So yes, we have launched these incentive schemes to agencies. That has actually helped us in bringing down the NPA.

The effect will come in the next quarter, and it has also come now in the form of impairment cost. So it is basically the shifting of cost from opex to impairment, we can say like that because once we have been able to save our impairment because INR5 crores have been increased from INR16 crores to -- from INR16 crores in Q1, and that has gone up by INR5 crores in Q2. So therefore, the agency cost that has been increased. So, these were the two specific reasons for the increase in the opex.

Prakash:

Right. But is anything being done on opex reduction because that was one of the things talked about in Q1 con call.

Ramandeep Gill:

Yes. Sir, we are expecting productivity in terms of Q3 onwards in order to increase so that by the -- the same margin which the opex is growing. So that at least at the same margin or 2x, our top line will also grow because we know that all the hirings that we have done in the Q2, the results of it will come from Q3 onwards.

So therein in Q2 opex, it might seem to be on the higher side. But yes, it will be able to amortize itself while the top line of the company will start getting increased from the Q3 as we are able to -- we will be able to scale from Q3 onwards in terms of business numbers.

Prakash:

Right. Sir, do you have any guidance for credit cost for the entire year, FY '26?

Ramandeep Gill:

So, we'll start with Q3, sir, as of now. We are expecting on a very conservative side, as our CEO, sir, has already told, we are expecting INR800 crores to INR850-odd crores, which is already 50 percentage higher than the Q2 in terms of business number. But we want to touch INR1,000 crores mark in Q3.

If we are able to do that, then all our incomes with the yields, which has already been on the higher side now and with the cross-sell income. So, we are expecting a good number by the end of Q4 from this Q3 business. So, this is where we will be able to comment more on that once we are able to see our Q3 numbers, sir.

Prakash:

No, no. My question was on credit cost. For the entire year?

Ramandeep Gill: Sorry, sir, I missed it. I've taken it to some other side. So, credit cost, as of now, it is 2.05 percentage expecting the same number in Q3 or lower than that. Why I'm saying lower? Because we have seen the higher agency recoveries in Q2. And that is not something which is -- which I'm comparing only from the Q1. I have the data from last 5 quarters, and this is the highest number that we have been able to push.

So we are expecting the same numbers there. And credit cost, though from -- as far as the computation of ROA is concerned, I will be taking the same number for Q3 onwards -- for Q3 also, which is approximately in the range of 2% to 2.10%.

Prakash: Right. And so, what do you expect the ROA for the entire year to be? For the full year?

Ramandeep Gill: Yes, yes. For the full year, we are -- so right now, I'm expecting since the scaling of the business will be done from now onwards in the next six months, I am expecting somewhere around 2 percentage sir. On a very conservative side.

Prakash: Right, right. So that would translate to about a total profit of INR60 crores or something for the year?

Ramandeep Gill: Yes, yes, yes.

Prakash: Okay. That would mean that you have to do INR30 crores in the next 2 quarters, profit...

Ramandeep Gill: Definitely why not -- and also, yes, I'll tell you one more thing. So 2 things which we wanted to do. We are also exploring DA transaction, which we were very active from -- till two and a half years, three years back. And now we wanted to -- just now we wanted to increase our AUM. So, we stopped exploring those as well. So right now, we are on the verge of closing those pools as well with the large investors, which will help in exponentially increasing my top line. So basis of those numbers, I have told this number of around 2 percentage.

Prakash: Right, right. But when you do a DA deal, I think your AUM would go down as well, right?

Ramandeep Gill: Yes, I know Yes, sir. Yes, sir. So we -- that is the reason, sir, we -- the AUM target, if we are able to do, say, INR1,000-odd crores still where we'll be able to grow. So as far as the year-end AUM projections, which we have provided, so that will be met for sure. So we are not going to say like INR500 crores, INR600 crores of DA. We are just expecting INR100 crores to INR200 crores. That would be split between two quarters.

Prakash: Right. So, the full year AUM target is still about INR4,200 crores?

Ramandeep Gill: Yes, yes, yes. As of now yes.

Prakash: Right, right. And one more question. So you had a plan to raise capital sometime in Q3 or Q4. Any updates on that?

Ramandeep Gill: Yes. So, in Q2, we have already closed on sub debt capital in the form of Tier 2, right, that we have closed with PhillipCapital, right? So as of now, if you see my CRAR, it's quite good, right?

And then by increasing the reserves and surplus by doing transactions of DAs and all, it will help -- it will help in bringing down my overall debt to equity, which is around 4.5x.

So we will be operating somewhere around 4 to 4.25x. If we are able to meet our plan in Q3, then I think we should not go till Q4 as far as the raising of new capital is concerned, and then we can have a plan by Q1.

Prakash: Right, right. You were saying that if we can do the DA deals in Q3, then we can push the raising of new capital to Q1, right?

Ramandeep Gill: Yes, yes, yes. Because that will automatically increase the reserves and surplus, and we'll be able to leverage more on the existing capital there. And that will be an advantage for everybody then. It will have an ultimate effect on the ROA and ROE.

Moderator: Thank you. The next question is from the line of Pranay Zaveri from J&J Holdings.

Pranay Zaveri: Thank you for this opportunity. I just have a broader question in terms of basically since Tina is also available on the call from the promoter's family. So, what is their vision in terms of this company? Because this being a very large group and the listed company is a very small among the group, which is there. So, what is the vision for this company going forward? Because when I see from last three, four, five years, we are pretty languishing in terms of our requirement or our profitability. So if you can just throw some light, that would be very, very helpful.

Mathews Markose: Okay. I'll take that question. So the longer-term vision, if you have read our motto, we say turning wheels and changing lives. So our vision is to be able to do eventually everything on wheels -- to be able to finance everything on wheels, from -- 2 years back, we were just a 2-wheeler loan company.

From there, we today already have a series of products like we have a used car, we have used commercial vehicles. We are launching construction equipment's this month. By October end, we would have launched construction equipment. And by December, we would have launched used 2-wheeler. We have an unsecured product called loyalty loan.

So the number of product lines, we have increased over the last 1 year, and we wish to be a company which does everything on wheels. As we have mentioned very explicitly in our strategic objectives, we want to be a INR10,000 crore AUM company by 2028. And that's the direction which we are moving into.

I take your point about languishing on AUM. But if you look at our last year performance, we grew our AUM by 50% from INR2,000 crores to INR3,000 crores. We exited March by at INR3,000 crores. We are already at INR3,300-odd crores now. A brief setback happened because of Q2 where both business was slow as well as we made some changes in the credit policy, but we are on track on our overall growth perspective.

We will continue to scale up on products, scale up on services, scale up on the offerings. So Muthoot Capital Services will be one of the very, very strong constituents of the overall MPG Group, which itself is a very, very diversified conglomerate offering, everything between -- from

gold to microfinance products to housing and LAP and vehicles. So we will continue to play a very, very significant role in the overall growth of the group.

On the profitability side, yes, we agree that we've not been able to meet the ROA targets over the last couple of quarters. But as a part of our strategic objective, again, our objective is to when we hit that INR10,000 crores mark, we want to be at 4% ROA. How will we reach that number? There are multiple things. There are certain set of tangibles, certain set of intangibles. Tangibles, of course, are the things which we already mentioned and at the risk of being repetitive, I will again repeat.

Our yields are going up by virtue of various initiatives. One major factor which was pulling our yield down was the fact that last year, 50 % of my book was co-lending. Now it has come down to 20%, 25%. And sequentially, as we go, it is coming down. So that will be one impact, which will increase my yield.

Two, the application of risk-based pricing, which has already seen a positive impact in the net yield. And going forward, it will continue to impact the yield positively. Three, the introduction of used 2-wheeler and we are not looking at very small numbers. We are looking at fairly decent numbers, which will be close to about anything between 30% to 40% of the overall new 2-wheeler numbers. So that will significantly impact on the yield side.

One of the other reasons why our ROA has been subdued is because you need to appreciate the fact that over the last 2 years, we have made a huge amount of investment on technology, on people. So all the new lines of businesses that we have added, which is used car, CV, construction equipment, all that is being subsidized by our core product, which is 2-wheeler.

They are not making profit stand-alone. None of these businesses that we have started are making standalone profit. So 2-wheeler is doing the heavy lifting and subsidizing all those products. And therefore, our opex seems to be -- and it not seems to be, it is actually, in fact, higher.

If you look at the number of interventions that we have done on the digital side, that's huge compared to a company of our size for a INR2,000 crores company when we started making those investments. And even today, we are just a INR3,300-odd crores company.

The amount of investments that we have made on the digital space is today comparable to any large NBFC in its space. And that I can say with a great deal of confidence. So our LOSs on both 2-wheeler and the CV used car side are state-of-the-art and can be comparable with the best-in-class. The BREs that we apply on the respective LOSs are comparable with the best-in-class.

We are setting up a data lake platform through EY, which will again be best-in-class, which will give us a lot of analytics, all the interventions on the origination side, which is CoreCard, on the collection side in form of bot-based calling. We've signed up with one platform called Resolve to have a strategy around collection.

Until now, collection strategy used to be defined by the collection team. From hence forth, this will move to a platform which is digitally run. We participated in the GFF recently, and we've got several use cases that we will be implementing over the next 6 to 12 months on that.

All of this is eating into my profitability, but I don't see it as a cost. I see it as an investment, which will be required for me to hit those -- that 4% when I reach that INR10,000 crores. So it's like that bamboo story, which is like growing deep inside and not coming up much on the top, but it's growing strong and that I'm very confident of the fact that we are doing it.

As a part of my data lake, when I said we have tangibles and intangibles. On the intangible, what I want to say is, today, a P&L is made at the enterprise level, okay? But -- so the people who contribute don't have much visibility on their P&L.

And therefore, when they ask something from head office to deliver, whether it is in terms of payouts or incentives or whatever outflow, they are not cognizant of what they are asking and how it is going to impact. With the implementation of data lake, an ASM or RSM or the frontline guy would be able to see his P&L and then he will be conscious of what he's asking.

He's going to ask a higher payout or a collection guy is asking for a higher agency payout. He will look at his P&L and then ask. So wherever his P&L doesn't support, we will not be able -- we will not be entertaining those. So those are the intangibles, which will then eventually contribute.

So in my previous teams, we have run this model very, very successfully, where until the grassroots level guy knows what his P&L looks like, he will not be able to contribute and he will continue to ask for whatever -- he will look at what competition is doing and start asking the same thing as long as he is not aware of what his P&L is looking like.

So as of now, we have this handicap where it is at an enterprise level and people don't know how it looks like, and therefore, they start asking all that. So when we do implement this data lake and then people have access, then they will know what they are asking for, there will be restrictions.

They will have their ROA target. So this 4% doesn't happen with me and Raman working towards that. 4% will happen when the last mile starts looking at a 4% ROA, and that's what we want to drive as a culture down the organization.

Pranay Zaveri: That was quite elaborate. So basically to reach to the 10,000...

Moderator: Sorry to interrupt, if you have a follow-up question, then please rejoin the queue again.

Pranay Zaveri: Okay, thank you.

Mathews Markose: No, he may ask. No problem. We are happy to connect with you even offline on anything if you want to have.

Moderator: The next question is from the line of Raaj from Arjav Partners.

- Raaj:** Sir, I just skipped a point on the figure, you said about INR800 crores to INR850 crores. So what exactly is that?
- Mathews Markose:** Disbursement in new business.
- Raaj:** Disbursement of INR800 crores to INR850 crores you are expecting all right?
- Mathews Markose:** Q3, yes.
- Raaj:** Q3 onwards, all right. Is there any other figure?
- Mathews Markose:** No. So I said we are talking about 2 numbers, an aggressive number of about INR1,000 crores, INR1,100 crores because we don't know how the season is going to pan out. But otherwise, on a conservative note, we should drop INR800 crores to INR850 crores.
- Moderator:** The next question is from the line of Tejas Khandelwal from Prudent Equity.
- Tejas Khandelwal:** So sir, what I'm not able to understand is that how come are you expecting INR30 crore quarterly PAT for coming quarters when you are expecting around 2% credit cost?
- Ramandeep Gill:** Okay. I'll just like to tell a few numbers now. First of all, I'm expecting -- I was expecting for the whole year to operate on a 2 percentage ROA, which is the minimum basic requirement, right? Then second thing is in order to operate that, the basic number is that, yes, we have to achieve a PAT of around INR60-odd crores, okay? This is second.
- Third thing is when our credit cost, which used to eat more chunk, right, if you see INR24 crores was my -- sorry, INR26 crores was my impairment cost as a stand-alone cost in Q2. That has been brought down to INR16 crores in Q3 -- sorry, in Q2. In Q1, it was INR26 crores. And in Q2, it is INR16 crores, right? This is one.
- Second thing is that we are expecting 1 percentage of the overall yield has also been increased, and we are expecting at least 50 percentage of the business to go up from Q3 onwards as compared to the Q2.
- Third thing, in light of my DA transactions, which we are going to do, we are expecting income to be booked upside from that. So these are 3 cumulative reasons wherein we are expecting some good numbers to follow, which is my operational numbers and then followed by the lower impairment cost, which we have already started to see the reflections from Q2 onwards.
- And third, yes, we want to do DA as well now for the company in order to bring down -- sorry, in order to bring up my top line. So these are the 3 numbers on which we will be relying, and there is no other thing wherein -- this is the basic math on which I will be working on from Q3 onwards.
- Tejas Khandelwal:** Okay. Got it. And sir, second question was on this asset quality side. So sir, from -- since last 2 couple of -- since last couple of quarters, so our asset quality keep on worsening. And in each con call, you were confident about asset quality. So when can we expect some meaningful profits and improvement in asset quality? So our GNPA and net NPAs are very high right now?

Ramandeep Gill:

Okay. So I'll tell you -- so there are 2 ways to answer this question. One, you're talking about the GNPA and NNPA. GNPA and NNPA, if you see, yes, this has increased. But if you see the AUM has also been flattish from Q1 to Q2. So the denominator effect has not come to my GNPA and NNPA. And then there is another way to answer this question, wherein I will be specifically talking about the asset quality.

The slippages from the -- from Q1 to Q2 has been reduced by at least INR4 crores, number one. And the recoveries from the slippages have been gone up by INR6 crores, INR7 crores in Q2. So which means that the -- once the NPA flow is going down, second, the recovery from the NPA is going up.

So asset quality -- and third thing, which I already told in percentage terms, on my standard AUM, the slippages was 0.91 percentage till Q1. That has been brought down to 0.67 percentage in Q2. So yes, as far as the asset quality is concerned, we can see an improvement, but we are not happy with that.

As compared to the Q1, it's a very good improvement that we have seen in Q2. Definitely, this improvement is going to be big in Q3 and in the Q4. Then on the GNPA and the NNPA side, I hope I have already answered because of the asset side, the AUM remains flattish. That's the reason the dominator effect has not come in order to compute the GNPA percentage of the company.

Moderator:

The next question is from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra:

Sir, I just wanted to fundamentally understand that our gross slippage number seems quite high, and we're growing at a really fast pace. So what is giving us the comfort at such high gross slippages? Why are we growing at such a high rate? Are we comfortable with the quality of underwriting that we are doing?

Mathews Markose:

I will take that question. So I think this is exactly what Raman was explaining the gross slippages have reduced in Q2 over Q1, and Q1 was an aberration. So Q1 was a clear aberration and Q2, we have been able to recover. Q3 and Q4, generally, as an industry trend, slippages reduce and collections improve, and we are hopeful that it will continue.

Anant Mundra:

Sir, if I look at it as a percentage still, see, it's about INR42 crores is a gross slippage on an AUM of about INR3,200 crores, of which I think about 25% is co-lending. So the direct book is about INR2,400 crores. So the annualized gross slippage number is about INR160 crores on INR2,400 crores, which is about 6.5%, 7%. So that number still seems quite high. I'm not sure if this is what is there as per our model and I mean this is how we modeled our business model. So just wanted to understand on this better...

Mathews Markose:

Our slippages month-on-month over the last 24 months. About 24 months back, our slippages used to be a monthly basis used to be about 1% of the AUM, which has come down to about 0.6%, 0.65% currently. And Q1 was an aberration where it jumped to about 0.85 %, 0.87%.

And Q1 was clearly also the time when our collection from the pool was lower. And both of this coupled together resulted in that loss which we had in Q1. But since then, we've been able to

bring down the slippages month-on-month again to that 0.6 % level. Raman, if you want to add on that?

Ramandeep Gill:

Yes. On the same page, sir. And as far as the slippages are concerned, sir, we do have a trend of slippages right from 2 to 2.5 years back, wherein we have completed our slippages on my standard AUM. The percentage of the slippages on the standard AUM, it remains the same. Yes, quantum-wise, we may say that because our AUM has increased.

The slippages amount is showing as an increased amount, but as a model, the business model, we are on the same path where we were 2 years back itself. Yes, the recoveries were slowed down on that, we have already explained, and we have already started working on that. And because of that, we have seen a good improvement in Q2.

Anant Mundra:

Okay. So sir, when we get to a 4% kind of an ROA, is this the same slippage rate that we factored in, in our model?

Ramandeep Gill:

Sir, no, I'll tell you. Credit cost, we are expecting when we built that ROA model, we have expected a credit cost of 1.65 to 1.85 percentage. Right now, we are at 2.05 percentage. So yes, as I said, the improvement is there. But yes, we have to improve a lot in order to bring this cost of credit to 1.65 percentage so as to achieve the desired numbers.

Mathews Markose:

And I want to add to that, when we are talking about 4%, we are also talking about a INR10,000 crores AUM. And at that stage, we are not talking about 2-wheeler as a product alone. We are talking about 2-wheeler being about 50% and used car, CV, et cetera, being balance 50%, 55%. And those businesses today, my used car is having a GNPA of 1.2% and CV is at 0.31%.

These two products will come with a much lower GNPA than a 2-wheeler business. Two-wheeler business typically, and it's not that it is unique for us. In fact, today, my bounce rate on 2-wheeler stands at 14%, which I think would be one of the best in the industry. Industry bounce rate holds anything between 20% to 25%.

So 2-wheeler generally is a product by the nature of the product itself, it has a higher -- slightly higher GNPA, but we are not talking about 2-wheeler being the only product for us. We are talking about completely changing the portfolio quality in terms of having a split -equal split between the larger ticket, better quality customer products. And therefore, the average will be much lower.

Anant Mundra:

Got it, sir. And sir, one final question was on the asset quality and provisioning slide. So it's mentioned that the impairment cost has gone down from INR26 crores to INR16 crores. But a lot of it has come actually because of the additional management overlay, which has gone down from INR14.4 crores to about INR3 crores.

So there's a INR11 crores reduction there, and that is quite discretionary. So it's not that the ECL model has thrown up a lower credit cost for us. It's just the management overlay lever that has worked in our favor this quarter? And also...

Ramandeep Gill:

Sir, I'll answer this. So what happens is -- if you see from last 4 quarters onwards, so there are three stages to ECL. And on Stage 3, we have decided that PCR of the company will be at 60 percentage provisioning. That provisioning is basically a combination of the ECL plus the overlay.

If we are able -- if tomorrow, we are doing bad, then the PCR has to be at 60 percentage only, which means that if tomorrow, my NPA has become INR300 crores, right, as a hypothetical example, which means I have to provide INR180 crores on that NPA for sure. And if I'm having a provisioning existing, which is including of overlay, INR120 crores.

Then I have to provide INR60 crores additional. Tomorrow, the organization is doing good. The NPA, which is now INR200 crores has become INR100 crores only. Then I have to provide INR60 crores on that NPA. So which means any excessive impairment which the organization has provided has to be reversed. The major concept is 60 percentage which remains intact.

Anant Mundra:

So on the first day itself, we provide 60%...

Ramandeep Gill:

This is not something -- Yes, yes, yes, right on the day 1, the account is becoming NPA, INR1 lakh is the AUM of that account, INR60,000 crores we have to provide on the day 1.

Anant Mundra:

Okay. Got it. And on this one more, there's a loss on repossession is about INR8.5 crores. So given that we are providing 60%, still, why is there a loss on repossession? Instead, there should be -- I mean, ideally, you would expect recovery...

Ramandeep Gill:

True. So this is a very good point from your side. What we are doing is see, our recoveries from the repossessed accounts, it used to be only 40 percentage as of now till now. So that is something which we are working on. We are trying to improve. And there are many cases which we are calling it as an accidental cases or the asset is not in a good condition to sell. So this is something which we are working on it. We are trying to improve some -- our repo numbers from Q3 onwards.

Anant Mundra:

Got it. Got it. And how confident -- just one final question. How confident are we ending the year on a 2% ROA that you had initially guided for at the start of the year? And again, I think you repeated that once during the call as well. Is that contingent on anything or it's something that we should be able to comfortably achieve with how things are going at present?

Ramandeep Gill:

So I'll tell you, see, there are two factors to it. One is basically, yes, the business numbers in the Q2, we are around INR100 crores shortfall that we have seen. But yes, in Q3, we have to achieve our numbers. Once we are able to achieve the business numbers, and that is point number one.

Second, the recoveries efforts which we have done in Q2, that has to be multifold in Q3. And this is what we are expecting because the teams have already been set up. The teams are in place, both in the -- both on the side of sales and recoveries. And then third, as I said, on a DA deal as well. So these three deals, which we have to do in order to achieve these numbers, we are expecting to achieve it, right? And we hope for the best, sir.

- Anant Mundra:** So when you mentioned recovery, that's the -- in the gross NPA, the NPA movement slide, that recovery number, the INR7 crores plus?
- Ramandeep Gill:** Yes. We're talking about the recoveries because we are already seeing the slippages are going lower. If we are able to bring our recoveries up as well on those NPAs, then it would be a win-win for all of us.
- Moderator:** The next question is from the line of Prakash, an Individual Investor.
- Prakash:** Mr. Raman, you mentioned that in Q2, the opex went up because of collection fees. You spend more money on collection because you -- to try to recover the bad loans or something. So this is not about Q2, but about FY '25. So if I look at FY '25 numbers, about INR300-odd crores are collected in the entire year by Muthoot FinCorp and external agencies.
- And the collection fees paid out is about INR35 crores. So we are paying out 12% on collection fees, 12% on the collection done by Muthoot FinCorp and external agencies. And how do we make money on that because our NIM is maybe 10% or 9% or something, right? So we can't make money when our NIM is 9%, then we are paying 12% on collection alone?
- Ramandeep Gill:** No, Mr. Prakash just one fact check. All the recoveries which we are receiving in the Muthoot FinCorp branches. On that, we are paying only 0.50 percentage, not more than that. I don't know from where this number of 12 percentage has come. So 0.50 percentage, we are paying to Muthoot FinCorp number.
- Prakash:** Right...
- Ramandeep Gill:** On the agency side, I have already explained the last 5 quarters, we used to operate at one number of INR8 crores, INR8.5 crores to INR12.6 crores in Q4 to INR15.6 crores in Q1. Now that has gone up to INR21.60 crores in Q2. So Muthoot FinCorp payment wise, it remains 0.50 percentage only.
- Prakash:** Okay. Fine. Yes. So even -- so are we paying a lot of money to external agencies and recovering lesser than what we are paying them?
- Mathews Markose:** Mr. Prakash this is Matthews here. Only one small correction, the NIM is on the total AUM, whereas this 12% you quoted is on the collection amount.
- Prakash:** Yes, I agree with that. But I'm just saying -- are we paying INR35 crores as collection fee to outside agencies and the recovery is actually lesser than that. I mean I just want you to check your numbers. So if you're recovering INR30 crores and we are paying INR35 crores as collection fees.
- Mathews Markose:** Collection fees...
- Prakash:** I'll send you e-mail with the details.
- Mathews Markose:** Yes, yes.

- Prakash:** Okay. So one more question on the data lake that you mentioned being implemented by EY for you, how soon will that be online?
- Mathews Markose:** November, the first phase should be online. The first phase we start with a couple of departments like HR. So it will -- it's an all-encompassing. All departments will be covered. We'll have dashboards for various departments. So we maybe start with HR and operations, credit, etcetera by November. And then it will take another maybe 2, 3 months for it to go at an enterprise-wide level.
- Prakash:** Yes. Thank you. I have no further questions.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to management for closing comments.
- Mathews Markose:** Yes. So thank you very much for all of you for participating in this earnings call. And as usual, it's always a pleasure interacting with you. Your questions and the challenges that you pose on us encourages us for the next quarter and way forward. So please continue to engage with us and please continue to challenge us and please continue to support us.
- Your support and encouragement means a lot to us. And we will -- on behalf of the management and the entire Muthootians at MCSL, I assure you that we are and we will be working hard to make every penny that you invest in us count and give you the returns that you expect of us and much more. Thank you so much.
- Moderator:** On behalf of Muthoot Capital Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.