



“Muthoot Finance Limited
Q3 FY2023 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Muthoot Financial Limited 3Q FY2023 Earnings Conference Call hosted by Motilal Oswal Financial Services. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijit Tibrewal from Motilal Oswal. Thank you, and over to you, Sir!

Abhijit Tibrewal: Thanks Vikram. We have with us today the senior management of Muthoot Finance represented by Mr. George Jacob, Chairman, Mr. George Alexander Muthoot, Managing Director, Mr. Alexander M. 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, who is our Executive Director, Mr. KR Bijimon, Executive Director and Mr. Oommen Mammen, Chief Financial Officer. We at Motilal Oswal thank the management for giving us the opportunity to host this earnings call today. We will begin the call with opening remarks from MD Sir and post that we will open up the floor for Q&A. Thank you and over to you Mr. Muthoot.

George Muthoot: Thank you Motilal Oswal. Good day to all. Welcome to the conference call of 2023 Q3. The consolidated loan assets under management increased to Rs.65,085 Crores which is up by 7% year on year and the consolidated PAT also increased to 934, which is also up by 4% quarter on quarter. Standalone assets under management is 57,731 which is up by 6%, standalone profit after tax is at 902 Crores which is also up by 4%. We have received permission to open 150 branches. We have opened many branches in the last two quarters and this quarter we have opened 64 branches, another 30 branches are remaining which will be opened in February and March and all the 150 will be completed by March. Thereafter, we plan to approach the regulator for the next set of 150 branches and all these branches which we opened are spread all over the country north, east, west and south. We have also raised 422 Crores through the 28th and 29th public issues of the secured redeemable non-convertible debentures and we have also launched marketing campaign showcasing the message Put Your Goal To Work. We have done very good media publicity on this and it has actually started showing results and all the other comments are with you and all the other financial highlights are with you. I think I will now close and probably open up for questions and answers. Present in the room are our CFO Mr. Oommen and our ED Mr. KR Bijimon, the others have joined online.

Moderator: Thank you. Ladies and gentleman we will now begin the question and answer session. We have the first question from the line of Vaibhav Barjatya with Honesty and Integrity Investment. Please go ahead.

Vaibhav Barjatya: Thanks for providing the opportunity. We are now into upper layer it could be classified as upper layer NBFC, so if you can help us understand what is the incremental regulatory restriction or any other restrictions which is there on us as being part of upper layer NBFC as compared to any other lower layer of NBFC.

George Muthoot: Thank you and I think there are no restriction. There are only more disclosure and compliance. It is more of disclosures and compliances and to tell you the fact in the last two years itself we have been compliant with many more reports and regulation and my personal understanding is of this is there is nothing much we need to do fresh compared to as being in a upper layer because every year we are inspected by the Reserve Bank. Last inspection is also just over and after the inspection they give us new compliances, new disclosures, etc, RAR, RMPR all those risk mitigation plans etc., everything has been there for the last four, five quarters it is there and all these things we have started complying and I think the upper layer bracket just puts all these things together and another compliance which was there was the company to get listed. We are already listed so I think some of the companies in the 16 member group some of them may not be listed probably they have to get listed so that is what I said as far as we are concerned there is nothing much more to be complied and to answer your question there is no restriction.

Vaibhav Barjatya: So different in terms of regulatory requirement relating to minimum capital adequacy or the risk weightage or nothing like that.

George Muthoot: It has already been there. All these things are already been compliant. There is nothing new additional to be do.

Vaibhav Barjatya: For you there is no incremental thing but what I am saying the difference between the lower layer and upper layer.

George Muthoot: That is there in the act, yes.

Vaibhav Barjatya: Okay that is it from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Sagar Shah from Philip Capital. Please go ahead.

Sagar Shah: Good evening Sir. Thank you for the opportunity. Actually my first question is I wanted one stand a little bit about on the ground recording our gold finance business and you have mentioned in your presentation we have stopped the AM loans actually which were low yielding in nature, but now I think you are suggesting that the competition is decreasing or especially maybe the competition is realising that the gold finance business is not as easy as it seems actually so wanted to understand that are we in such a phase that we will return to the era which we clocked almost double digit growth in AM almost every quarter so will we return to that or are using some different signs on ground that is my first question.

George Muthoot: I think you are right we have said like that competition that people were just jumping into the gold loan fray and started slowly to realise that is operationally challenging business that is one part of it and that is the sense I get from the branches and the staff there that is one side of it, the second your question was whether we will return, hopefully we should return whether it will take one quarter, two quarter or four quarters it is yet to be seen but to me after three, four quarters we should get back to the double digit growth.

Sagar Shah: Okay so basically you can say that the demand from the customer would be on the higher ticket range of the lower ticket range Sir can you specify our ticket size range where you will be seeing some incremental demand.

George Muthoot: The demand is there. It depends on the location. Maybe in tier two, tier three cities it is a lower one and in the bigger cities it may be the higher one but it is not a big differentiator because it depends on the type of people who are coming there it is not one area only the lower level people are coming no every where both type of people are there. We see demand coming from all over because people need purchasing power whether it is the lower level, middle level or upper level everybody needs more money, some people need more money so I think generally over average ticket size is above Rs.70,000 so you should people in that range are the people who are coming to us mostly.

Sagar Shah: Okay sure Sir. My next question Sir was related to our non gold finance businesses right now they constitute around 12% and you have mentioned in the presentation you intend to actually grow that business to increase the proposition of those business out of your specific area, so any specific number that you would like throw that in the next two years you would like to bring that percentage up to this percentage of total area. You have a target.

George Muthoot: It is almost 12% touching 13% a year back it is 10% only now it is touching 12 to 13% so what we have done is we have started a few non gold loan business three to four years back that is the personal loan, the home finance loan, vehicle loan, MSME loan etc., and soon after that COVID also came and we were slow on that but during the COVID we were able to moderate all these business and also learn many things from there so most of the loans were meant for giving to our existing gold loan customers. Now that COVID is behind us this has now started growing and we are giving focus there also that is why you see our non gold loan portfolio is also starting to increase and we have not put on any specific numbers there, but in the next three to four years plus we would like this grow to 15 and 20% is what is in our mind, but at the same time, the first priority, the first preference will be for growing the gold loan business and there is what we want to see a 10% growth maybe in the next year, end of next year we should see 10% growth in the gold loan business and in the others we will start growing from 13, 14 to 15 probably about 20% by three, four years.

Sagar Shah: Okay sure Sir. You are actually saying almost 10% growth in your gold loan business so that is quite less as compared to you can say the pre COVID levels so is it just because of the competition you are specifying this low growth actually or is it something else.

George Muthoot: We have conservative estimate that is all. Just being conservative that is it.

Moderator: Thank you. We take the next question from the line of Umang Shah from Kotak Mutual Fund. Please go ahead.

Umang Shah: Hi good evening. Thanks for taking my question. My question is just related to growth. If I were to look at your number of loan accounts outstanding we are significantly lower compared to

where we were let us say March 2021 and even during year to date period now the number of loan accounts have been shrinking if you could just give some colour as to what exactly is happening in terms of new customer acquisition and how do you see the pace of new customer acquisition kind of shaping up over next one to two years.

George Muthoot: We may not be giving to much importance to the number of customers. Generally looking at the AUM because there is where the income is not in the number probably not pretty sure about these numbers but then we are focusing more on the gold loan that has been steady it not coming down slightly improving.

Umang Shah: So in that case if you could just help me whether the competition in the high ticket gold loan segment has it kind of subsided or because on the ground I mean we do see banks as well as other NBFCs getting significantly active in the last ticket home loan segment or do you believe that is not the case

George Muthoot: The competition is there from NBFC etc. There are also competing for the same business I would not say competition. Everybody is trying to give loans or get business from all these people whether it is the smaller fellows come back to you, generally bank give a bigger loans etc. Even banks also sometimes give lower loans probably as agricultural loans etc., because in that sense also banks are doing this.

Umang Shah: Understood. Sir the other question again was to our growth aspirations for next year you indicated that we would like to grow the standalone gold loan business at about 10 odd percent. For the current fiscal also we had kind of put out a number a similar sort of a growth number but if I look again during the year to date period we are almost flattish, how should we look at growth from FY2023 perspective and also if you could just provide a little context against a background that the gold prices have been increasing last quarter as well as in the current quarter but that does not seem to be reflecting into our gold loan AUM growth and LTV seem to be dropping just wanted to understand a little bit on that front.

George Muthoot: See LTV dropping is because the gold prices has gone up the LTV definitely should drop. We are seeing growth in the last two months so that is why you see a small uptick compared to last quarter that is what you see and next two quarters also you should see better gold loan growth so we should end the year with about 4 to 5% growth by the end of the year that is what our expectations are from that basis we expect the next full year to reach about 10% growth that is what our expectations are. So you see growth has started coming back and that is what we see.

Umang Shah: Understood. Sir just a last question was on the subsidiary performance so if we were to look clearly the microfinance subsidiary seems to have seems to have come out of the woods and growing at pretty steady click but if I was to look at the housing finance business now the AUM for that business had been fairly stagnant for a good period of time so from a consolidated AUM perspective how should we look at the overall mix between AUMs from a two to three-year perspective that would be my last question thanks.

George Muthoot: We were slow especially on the home finance, and the personal loan and the vehicle finance our books slowed during the COVID time. Now it is behind us. Just now restarted growing these things and we have now a new CEO for the home finance also. He has joined us two weeks back and we have mandated or we are planning and budgeting for pretty substantial growth in the home finance business also the coming year specifically for home finance. In the personal loan sector also we have now tested the waters in the last two, three years we have gone through a cycle with the COVID also so we have learned quite a few things, we have understood, we have modified our systems or processes etc., and we should see the personal loan book also growing so also the MSME growth so all the other loans we have now put correct people in place, correct vertical heads in place and we should see growth coming in those also in addition to the gold loan.

Umang Shah: Understood. Alright perfect. Thank you so much for this and good luck for future quarters. Thank you.

Moderator: Thank you. We have next question from the line of Shubhranshu Mishra with PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi Sir good afternoon. Thank you for this opportunity Sir. The first question is around the branch expansion. We have increased most amount of branches in west in third quarter however if I look at the productivity of branches the branches in east India are way more productive than west India so it seems a bit counterintuitive why we are not increasing more branches in east India that is the first question Sir. Second question is around the growth and competition when I look at our website Sir there are so many schemes which are listed at lower ticket sizes, low interest rates as low as 9% and going up to ticket size almost up to 5 Crores so is competition a real threat or what kind of ticket sizes is the competition really active in and the third is a data keeping question Sir. If you can split AUM into less than 1 lakh, 1 to 2 lakh, 2 to 3 lakh and 3 lakh and above as a proportion of AUM that will be very helpful thanks.

George Muthoot: So first question is about geography, so we are aware wherever this per branch business may be high in some geographies. We will be opening more and more branches in those areas as we speak we should look at many other factors also when considering to open branches there are security safety reasons also which also we have to take into consideration when opening branches so rest assured if there is a growth potential in any place we will be the first one to open branches there. Your second question was about people offering low interest rates so I think I should answer all this in one way, one word only. There are so many players coming into the market now everybody thinks that gold loan is a very easy to run of business, a bed of roses that is what people outside are thinking but once you come in only they feel to get business we have to offer loans at 6%, 7%, 8% that is one set of people. Others are thinking that you can take two or three employees from Muthoot or some other place and start a business fine and there are very few things which are operationally very challenging for any gold loan business one is the frauds which happened in branches see all the new players etc., especially banks they rely on an external appraiser for appraising the gold whereas Muthoot does it in house all are branches, all our staff

are trained to do this so everything is done in house whereas people outsource that is again a very risky proposition which people will realise only after a while, not initially after a while. The second is we have started the loan at home to help our customers to get their gold to Muthoot and we send our own staff to collect the gold whereas most others including banks or whoever does that or third party is a third party who is going to collect the gold and customers are never comfortable with handing over their valuables to a third party who will take it to maybe X bank or Y bank or Y NFBC and you will read in the papers so many staff frauds happening in branches. We have a team of 1000 audit staff who goes around these 5000 branches and ensures that the quality, quantity, purity etc., are met. Now we have 13 layer security systems in our branches 13 layers of security to prevent all sorts of robbery, burglary, etc., so these things we have invested money into this. We have invested time and people into this. People are not releasing. Everybody is jumping into this offering at 9% you said I do not interest 9% 5 Crores, 10 Crores etc. I do not know what is their maths in that, what is their final expense, what is their profit in that so finally what is going to happen is what happened 10 years back when many players jumped into the gold loan business thinking it is very easy, etc. After starting to do business after growing the business only they have realized this implication, the operational intensity, operational challenges, etc., and they lose interest. That is what I said slowly the intensity is coming down and we should see only serious focused players in gold loan continuing this. All the others who come into just seeing like everybody getting attracted to this business they will come, after sometime they realize and they leave it whether it is the profitability side, whether it is the control side, whether the fraud side or the safety security etc., people will only realize after that, so it is just a matter of little time that we will get back to our old growth.

Shubhramshu Mishra: Right. Just one counter question to this Sir. Given the fact that we understand gold finance so well would you want to give a blue sky guidance for growth in FY2024. Can you give a conservative estimated or around 10% would there be a blue sky scenario as well like 15-20% if you can comment on that.

George Muthoot: We just give a conservative number only. It is not that tomorrow everybody is going to stop. It will take some time maybe one quarter, two quarter, three quarter let us give it sometime. Anyway not that we are making any losses. We are making reasonable profit instead of that big profits of 3900, it is more lesser than that in a year that is all otherwise nothing great. So we may made about 900 Crores every quarter so I think that itself is reasonable to sustain us but I do not know about the new players will they be able to sustain.

Shubhramshu Mishra: Sure. My data keeping question. Ticket size wise AUM split.

Oommen K. Mammen: Less than 1 lakh will be about 41%, between 1 lakh and 3 lakh it will be 35% and above 3 lakh it will be 24%.

Shubhramshu Mishra: Thank you Sir. Best of luck.

Moderator: Thank you. We have next question from the line of Shweta Daptardar with Elara Capital. Please go ahead.

- Shweta Daptardar:** Thank you Sir for the opportunity. Sir couple of questions from my side. The first being similar to what earlier participants had raised so why on sequential basis LTVs have dropped from 69% to 65% is this the outcome of competition or should we attribute to anything coming from the regulatory side.
- George Muthoot:** No it is just because the price of gold has gone up so the LTV will be lesser.
- Shweta Daptardar:** So you guided for 10% growth right for the forthcoming year so what ticket segment should drive this particular 10% growth, should we presume that low ticket gold loan market is sort of not coming back because your ticket sizes have also gone higher right so largely this growth is going to come from which ticket segment.
- George Muthoot:** No we have not looked at ticket sizes. We feel that the growth will come from all the branches. We have not looked at the ticket size growth. It is not just that we are giving to give only high ticket loans or low ticket loans whoever comes for gold loans whether it is high ticket or low ticket our branches are equipped to do that. I do not think we differentiate between high ticket, low ticket, etc.
- Shweta Daptardar:** So there is gold loan demand on the low ticket size as well even today.
- George Muthoot:** Yes, yes there is. Definitely there is that is why our average is still about 75,000 only, low ticket we have people taking 5000, 7000, 10,000 also so many people are there definitely. Any customer who comes to the branch we will service them irrespective of the ticket size.
- Shweta Daptardar:** Okay so one last question from my side are we by any chance cross selling any of our gold loans to our MFI customers.
- George Muthoot:** Nothing like cross sell etc., for MFI customers. MFI customers takes MFI loans, gold loan customers take gold loan. A customer who has taken a vehicle loan from somewhere from Bajaj will also take a gold loan, somebody has taken a housing loan from State Bank of India may also have a gold loan it is all there. There is nothing like a cross sell etc.
- Shweta Daptardar:** Understood Sir. Thank you so much.
- Moderator:** Thank you. We have next question from the line of Shreepal Doshi with Equirus Capital. Please go ahead.
- Shreepal Doshi:** I wanted to ask you about have we tweaked the policy in respect to acquiring customers from other banks and NBFCs in the gold financing space and also wanted to understand if some employee has left us because there has been this strategy wherein other NBFCs and banks are acquiring our employees so do we have a policy where we accept them back when they come back so just wanted your thoughts on these two aspects.

- George Muthoot:** Acquiring customers I have heard, acquiring staff is first time I am hearing. Anyway jokes apart people have gone away from us, sometimes they come back if we feel that it was a good resource and he went astray by mistake, we will take him back. There is a policy of maybe taking from wherever source gold loan comes we will take, whether it is from bank or customer everywhere somebody brings it if he takes it from the bank and comes we will take it, if he takes it from NBFC and come we will take it, from house also we will take it.
- Shreepal Doshi:** We have done some channel checks which have suggested that we had some restrictions with respect to say BTV cases for gold and also for employees as well, so have we changed these policies in the recent times or just...
- George Muthoot:** Anybody who asked if you say good person we will take him back Sir.
- Shreepal Doshi:** Got it and why the GNPA number sequentially has gone up?
- George Muthoot:** NPA?
- Shreepal Doshi:** NPA number is sequentially almost 50%.
- George Muthoot:** Nobody usually ask that question, at least analyst do not ask, only the press people ask about NPA, NPA of gold loan does not affect the P&L at all because 100% gold is there, we can get back the interest and principle, so retaining some customers, although they are NPA definitely a customer friendly approach, because customers otherwise the next option is when the NPA are becoming just because it has crossed the time limit, so if we give them a little more time, they will take it back otherwise we will have to auction gold. So auctioning the gold is very painful to the customer so when customers request we give them more time and since we are in the money especially now that there is a gold price also high, we are in the money, so all that you see is NPA it is not some hardcore default, it is people to whom we have given some more time to take back their gold. There are no credit loss, credit loss is only 0.02%.
- Shreepal Doshi:** Got it Sir. So incrementally you have been guiding for 10% growth, so how much of it could be driven by this new branches that we are opening?
- George Muthoot:** New branches last year we are opening about 150 branches, they are not going to grow much in the first year, so coming years those branches will start giving business, but more than that we have capacity capability of doing more, so today our average per branch business is about Rs.11 Crores plus, so there are branches with Rs.35 Crores and Rs.40 Crores also, so potentially every branch can do this depending on the location and type of people, community they serve, this can go up to 30 also so even without branches, the AUM can really go up, but then opening branches in good places is definitely something which we need to do and that we are doing so next year also we are opening new branches. New branches definitely adds to business, but not too very substantial business in the initial one, two years.
- Shreepal Doshi:** Got it and next year also we are requesting for another 150 branches right.

- George Muthoot:** Once this is completed, we will request for the next set of branches.
- Shreepal Doshi:** Got it and any yield increase that we are doing incremental pricing?
- George Muthoot:** Yield increase we do when the cost of borrowing goes up, so if the cost of borrowing goes up, we will pass on that to our customer also because we try to maintain our NIM.
- Shreepal Doshi:** Got it. Thank you so much for answering my question sir.
- Moderator:** Thank you. We have next question from the line of Pradeep Agrawal with Systematic Shares and Stocks. Please go ahead.
- Pradeep Agrawal:** I have a couple of questions. Basically on the teaser book side, so while we understand that in H2 FY2022 we had a large part of the book which was about teaser rate loans which got matured in this quarter and some it will mature in next quarter, so what will be the adjusted growth in AUM, this quarter on a sequential basis if we adjust for teaser rate book normalized books, both could have been....
- George Muthoot:** We have been doing teaser rates for the last 10 years. We do not call it teaser rate, we call it differential rate, even today, we have closed that 8.9%, 10%, 12%, 18%, 20%, 21% we have and the yield etc., is on a blended basis, so today also we have, but we had an ultra low teaser rate two, three quarters back and now we had stopped it also, but even now we have loans at 8.9%, 9.9%, 10%, we have to offer differential rate to differential people, only then we can be in the market, so this is what we are doing and we will try to maintain it blended that is our scope, the ultra teaser rate is what you have been talking about 6%, 9%.
- Pradeep Agrawal:** Why I am asking this question is because in Q3 and Q4 last year, our disbursement have grown significantly after we brought in ultra teaser rates, so just want to understand that book which we have on the ultra teaser rate loans, what portion of that book would have?
- George Muthoot:** That has fully gone off from our books.
- Oommen K. Mammen:** We stopped this scheme towards the end of March and we migrated all those customers with effect from July 1, 2022, so that is over.
- Pradeep Agrawal:** So we did not have any maturity which was due in current quarter of ultra teasers as well?
- Oommen K. Mammen:** Those loans got migrated even before its maturity.
- Pradeep Agrawal:** Okay, secondly also would like to understand your employees days have come down by about 800 odd people, whereas branches are rising to some extent so anything to do with that.
- Oommen K. Mammen:** Because of the branch addition as well as normal exits it can happen, sometimes it is seasonal when you have larger payouts, etc., so it is an impact of a subsequent event of those actions.

- Pradeep Agrawal:** Okay, also just a related question on the teaser side, looking at the past one to two years behaviour if you can give some sense in terms of the ultra rates or less than 10% rate what proportions the customers normally stay back with us even after increasing those rates, what has been your experience in the last 12 months after putting those interests rates of 7%, 8% some sense on that.
- George Muthoot:** We give them an option going into the higher bracket even without anything else many of these customers average tenure is only three months four months even without doing anything these people will take back gold so that will be driven things some people who renew the gold and continue with us maybe some of them continue, few of them would have taken back, we did not get into the integrity of that. Somebody is not interested to keep with us, just want to take it away, they would have taken it away, but majority of them would have closed, even there is nothing else, all the loans are generally for three, four months only.
- Pradeep Agrawal:** Okay, just one last data keeping question, what was the auction number during the quarter?
- George Muthoot:** Rs.225 Crores.
- Pradeep Agrawal:** That is it. Thank you so much.
- Moderator:** Thank you. We have next question from the line of Nidhesh Jain from Investec. Please go ahead.
- Nidhesh Jain:** Thank you for the opportunity Sir. Firstly 10% guidance that we are putting out for next year, what is the expectation of volume growth in terms of number of customers growth that when we say 10% growth, so how much we expect from number of customers growth in that?
- George Muthoot:** We do not look at the number of customers, etc., I think we are talking more about the AUM growth, number of customers is only by-product of that.
- Nidhesh Jain:** Okay, secondly in our subsidiary, housing finance we are seeing AUM decline, asset quality, GNPA continues to remain elevated, so what is happening there, what is the strategy there in that subsidiary?
- George Muthoot:** 10 minutes back I have actually told that we started all these businesses which we went slow during the COVID period, the housing finance, the personal loan, the vehicle loans, MSME loans, etc., we started it and specifically for housing finance we have got a new CEO on board also. He has joined us less than a month back and we are sitting with him and probably putting up the business plans for the next three, four years also, you should see the growth coming back in the home finance also that is what your question.
- Nidhesh Jain:** Yes okay and lastly on the microfinance, what is the reason of PAT declining sequentially versus last quarter, we reported around Rs.21 Crores of PAT this quarter PAT had declined to Rs.14 Crores, so what is the reason for that?

- George Muthoot:** All the microfinance companies not only us, everybody had some legacy notes with them which people write off over the quarters. That is what we have just rescheduled, some rescheduled notes that were there so they were written off, so what should we say cleaning up the stable.
- Nidhesh Jain:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. We have next question from the line of Vishal from ICICI Securities. Please go ahead.
- Vishal:** Thank you for the opportunity. I had a couple of questions. One question I heard about the yield in gold business, it has improved by 84 bps in this quarter, but it is still at around 18.2% that to the normal level of 21%, so just wanted to understand on a yield trajectory from hereon?
- Oommen K. Mammen:** Due to this teaser rate loans, our yields had significantly come down in the first quarter, so we had explained at that point of time that once the teaser loans are migrated, it could improve which has happened in the second quarter and again it has improved in the third quarter so the third quarter it has moved by about 84-basis points and I think it is not like this teaser rate loans 6.99% has moved to 24%, we have moved these customers in stages, so probably currently those customers might be in 10% to 12% so depending on how the business scenario is evolving, we will gradually increase the rates on those loans and accordingly the overall yield also can improve in the coming quarters.
- Vishal:** Okay, understood. Secondly, I also wanted to understand on the funding cost part, in this quarter it has increased by around 20-bps, if I can see our absolute borrowing has also decreased quarter-on-quarter, so will you use these excess in our balance sheet to contain the funding cost and also going forward how should we think about the funding cost increase?
- Oommen K. Mammen:** I think we have moderated on balance sheet liquidity, everyone is experiencing now increase in the borrowing cost, so in our case also borrowing cost has gone up, so that is reflected in the borrowing cost for third quarter. I think incremental cost, incremental borrowing rates are also higher, so I think it should move up a little bit in the fourth quarter.
- Vishal:** Okay, understood, got it and lastly I also had one question, in MFI subsidiary our credit cost seems to be elevated and it is not on the improvement so I just wanted to understand what is happening there and when should we see the credit cost normalizing in the MFI subsidiary?
- George Muthoot:** Our MFI is as good or better than the general all other MFI, so credit cost is there as I was saying in the last question somebody asked the same question earlier also, there were loans which are rescheduled during the COVID times and some of those loans you have just taken an aggressive stand that is why you see the credit costs have gone up in MFI. What I said is our credit cost are definitely better than most other micro finance so we are better than the others in the MFI is that what I wanted to say. There is no credit cost in gold loan, definitely credit cost in MFI.
- Oommen K. Mammen:** Post COVID loans are as good as the pre-COVID.

- George Muthoot:** The post COVID loans are as good as the pre-COVID loans, yes, correct.
- Vishal:** Okay, so should we see any improvement in credit cost going forward now?
- George Muthoot:** Definitely, we should see better performance lesser credit cost going forward.
- Vishal:** Okay. Thank you so much. Those are my questions.
- Moderator:** Thank you. We have next question from the line of Arul Selvan from Independent Advisors Private Limited. Please go ahead.
- Arul Selvan:** Good evening Sir. Thank you for giving the opportunity. I had a question in a more long-term framework over here and this was regarding your earlier comments about your plans of increasing the non-gold AUM from the current 12% to maybe 15% to 20% in the future. I hope that part I got it correct in terms of your future plan? So now what I am thinking about here is along the lines of given that the return profile, the risk profile and perhaps even the core underwriting experience and your expertise as well in each of these segments be it let us say housing loans or microfinance loan given that these segments are all unique, is there any plans of perhaps spinning off or demerging this business in the future once it grows up to a sizable proportion?
- George Muthoot:** That was your question.
- Arul Selvan:** Yes that is my question.
- George Muthoot:** Okay.
- Arul Selvan:** I understand that perhaps it is a little bit too early for me to ask this, because obviously these things are still at a smaller stage, but I was just trying to understand.
- George Muthoot:** At Muthoot Finance we have been the masters in the gold loan that is accepted, we also accept it, but when it comes to others we have CEOs etc., from the market who have experienced in that in all these other divisions, so we do not plan to grow it and then hive it off etc., because certainly have it in our own books and at our own company so this is microfinance, it is housing finance, we have CEOs etc., who are experts in those field, we have overall managerial control of it, that is what it is the fact and actually we have never thought of growing it and then hiving it off to somebody that thought has not crossed our minds.
- Arul Selvan:** Okay and in terms of which segment I heard that the housing segment is where Muthoot is planning on focusing on, so is it predominantly housing, but are you also looking at other segments like microfinance and vehicle finance similarly at...
- George Muthoot:** Home loan is one, the personal loans one, the MSME loan as another, the microfinance is another, so we would focus on all these, these are all separate verticals.

- Arul Selvan:** Right, but then you said that you have gotten a new CEO for the housing segment?
- George Muthoot:** The others are existing CEOs. They are also CEOs.
- Arul Selvan:** That is it from my side. Thank you.
- Moderator:** Thank you. We have next question from the line of Mona Khetan from Dolat Capital. Please go ahead.
- Mona Khetan:** Good evening. I just had one question, so what is the share of loans we have with yields less than 12%?
- Oommen K. Mammen:** It may not be sizable, we do not have the information readily available.
- Mona Khetan:** If you could give me a broad sense also that would be useful?
- George Muthoot:** No, I think we look at the blended yields to come.
- Oommen K. Mammen:** Because we run a rebate system so it is very difficult to freeze on a particular level.
- Mona Khetan:** Thank you.
- Moderator:** Thank you. We take the last question from the line of Pallavi Deshpande from Samiksha Capital. Please go ahead.
- Pallavi Deshpande:** I just wanted to understand better on the borrowing cost. Will we see a steeper hike in Q4 then what we have seen in Q3 on the borrowing cost side and the second question would be on the employee costs, what would be the attrition rate and what is the kind of salary hike that you normally give out?
- Oommen K. Mammen:** So borrowing cost for Q3, it was around 8.13% I think it is likely to move up in the fourth quarter, because in the third quarter, the incremental costs have been going up, so it should move more towards 8.5% in the coming quarters.
- Pallavi Deshpande:** Right. The third quarter you had the benefit of some high cost borrowing also retiring or something like that, so fourth quarter will be...
- Oommen K. Mammen:** Not the incremental borrowings, because almost all types now one year is around 8.3%, 8.5% so as and when the reset happens, the rates will move in those ranges.
- Pallavi Deshpande:** On the employees, what would be the attrition rate and how it has moved over the last one, two years?
- George Muthoot:** Last two years after COVID, many of the employers do not want to work, they have all spoiled beyond repair, everybody is sitting at home and enjoying, so people now are finding it difficult to

come to office to work and for us they have come to office, there is no work from home for gold loan, so gold loan means the customer comes to the branch, so jokes apart there is an attrition everywhere, it is not attrition going elsewhere, some of them are just going and sitting at home that is what my people tell me, they are getting PMGY, KMGY and may be sitting at home. Like I said people go attrition is there, everywhere, every industry there is attrition, so we normally produce some salary hikes and retain some etc., and try to contain this and run the business. It is a very generalized...

Pallavi Deshpande: I am asking is we have seen from banks is what I understand there has been a lot of coaching from gold finance companies and...

George Muthoot: That is I was telling everywhere also, some people go there and earlier one person asking whether they come back will you take them so if you take the prodigy of the son who has gone away afterwards coming back we will take them back if they are good people so sometimes they feel that they need to go as well.

Pallavi Deshpande: So would the number be above 20%?

George Muthoot: 20% lower level also, the lower level people are the people who just jump away they do not want to work those who join quickly, they just move away and they are not going somewhere else, they are just going home or going abroad.

Pallavi Deshpande: Lastly overall on the cost to income size can be assume the long-term trend to be where it is currently or we see that creeping up like this? One more if I may squeeze in, the online gold loan has that 36% is transacted online is what you put up, so how is it?

George Muthoot: We transacted online is only just a remittance of cash madam, people remit cash, they will pay cash, but otherwise to take the gold, to check the gold, keep the gold, keep back the gold, it is the physical branch itself, only the fund transfer transaction can happen online that is they can take the funds, they can repay the funds, they can pay the interest only that happens online. All the other things checking the gold, taking it, keeping it back in the place, taking it back they have to come to the branch and this is a physical process only.

Pallavi Deshpande: Thank you so much.

Moderator: Thank you. Ladies and gentlemen we have reached the end of the question and answer session and I would like to hand the conference back over to the management team for any closing remarks. Over to you gentlemen.

George Muthoot: Thank you investors those who are again still there definitely, thank you for supporting us. We need your support, we need your insights, we need your advices always so we are always there, we are only focused on our business and our growth and we will see that we will do our best to see that your company, our company does is better and better every time. So thank you all for a good day and wish you a good day. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.