



# “Muthoot Finance Q1 FY-23 Earnings Conference Call”

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**MODERATOR:** **MR. SANKET CHHEDA – BATLIVALA & KARANI SECURITIES INDIA PVT. LTD**

**Moderator:** Ladies and gentlemen good day and welcome to Muthoot Finance Q1 FY23 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in a listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Sanket Chheda from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

**Sanket Chheda:** Hi, all welcome to Muthoot Finance 1Q Post Result Conference Call. we have with us today the entire management team, starting by George Alexander Muthoot, Alexander M. George, George M. Alexander, George M. George, George M. Jacob, Eapen Alexander and the CFO, Oommen K. Mammen. So, without a further ado, I would hand over the call to the MD sir, for opening remarks followed by which we will take up the Q&A session. Over to you sir.

**George Alexander:** Coming to the potential results of Muthoot Finance for this quarter. The consolidated assets under management stood at 63,444 which is up by 9% year-on-year and the consolidated profit after tax stood at 825 crores for this quarter. As far as the standalone assets are concerned it should at 56,689 which is again up by 8% year-on-year and the standalone profit after tax stood at 802 for this quarter. Few highlights which are there for this quarter, this quarter is that we have received RBI approval for opening of 150 new branches. Together with that, we have raised 643 crores to the 26th and 27th public issue of non-convertible debentures. As far as the performance is concerned, although there is a dip in the loan assets under management during this quarter, it's a quarter dip off about just 2% we have achieved a year-on-year growth of 9% in loan. The indicators suggest that there is recurring economic activity which stopped urban demand and rural demand is still reviving. We are optimistic about steady demand conditions for gold loan, coupled with the untapped opportunity in the gold sector.

There was an impact of the very low interest rate on these loans which resulted in lower yields during this quarter. All the teaser rate loans have been actually migrated by 30th June and we should see yields going up steadily from Q2 onwards. The positive impact of the teaser rate was that we were able to attract assets of new high value customers into our gold loans. Now, efforts are on to retain these new customers. Even after discontinuing the teaser. Growth has been lower by **(Inaudible) 3:42**, partly due to the branches focusing on migration of these teaser loans, which were under very low rates to the higher rate scheme. It's only temporary phenomenon and our old customers will certainly come back for availing the loans even though they are not teaser loans because the quality of service we offer them.

At the branch level also, efforts are initiated to win back our old customers. Although our live customer base is about 50 lakhs. We have a customer live active customers 50 lakhs, we have a customer base of more than four to five times this number who had earlier transacted with us. Be aware that we are not been opening new branches for the past two years. But recently, RBI has given us permission to open 150 branches. We have already opened a few branches in July itself and expect to complete it by October of this year. The additional business from these new

branches will also help to increase the AUM in the coming quarters in this year. Overall, the yields have started improving and the AUM will also start moving upwards in the succeeding quarters. The profit after tax for this quarter was 802 crores, which is about 17%, 18% less than what it was in the last quarter. Probably, when the teaser rates things are all behind us now it is behind us, new loans are being generated at the better yield. So, we should see in the next two, three quarters things becoming back to normal, but not normal back to the old days, and we should be able to see higher yields and better performance. The same thing with regard to the AUM also, the AUM under gold loans will also start growing up probably in the next two, three quarters we should see coming back with full vigor.

The subsidiaries have gold loan subsidiary, home finance subsidiary has just started new lending, it will take up, it will pick up in the days to come, the vehicle finance Muthoot Money also is starting to pick up. The microfinance has actually received funding from the external news private equity investors and the assets have also grown considerably in the last quarter. And last year also just showing good signs of recovery. The business in Sri Lanka is okay there is no damage to any of the business there. The financial sector they're doing well, the branches are being opened, business is transacted, only the commission risk or country risk is there, if the country risk is not affected the business there. Of course, the value of our investment depreciation Sri Lankan rupee. The Muthoot Insurance Brokers have also done well, it has reported a very good profit last year and also this quarter. With this, with an optimistic thought in mind, optimistic of the future, growth in the profit side as well as the AUM side, I wish to conclude that we are optimistic of the future and we should be doing well. Thank you and I think I will switch over now to questions or clarifications from the investor.

**Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Dhaval from DSP. Please go ahead.

**Dhaval Gada:** My first question was relating to the teaser rate impact. Could you just quantify much would be the impact that would get reversed from the second quarter, so in attempts sequentially how much yield improvement one should expect post the revision of the rate?

**Management:** Okay, thank you the teaser rates we stopped in March itself. And we have been asking the branches and the customers to migrate to the higher rate. And we had given them two month's time for that and by the 30th of June, all the teaser rates have been migrated to higher rates. So the impact of this lower rates is what we saw in the last quarter that has affected the yields but then we were able to get customers but as far as on going the next quarters are concerned. We should see the yields coming back to the better higher yields in this quarter that is Q2 and Q3. By Q3 we should see the things fully on track.

**Dhaval Gada:** Okay. So, the benefit or the normalization will happen in two parts in Q2 and Q3 is the understanding correct?

- Management:** Yes. See the normalization is happened, now the new loans, the newer loans with newer rates should also start yielding income, in the next two quarters.
- Dhaval Gada:** Understood. And sir the second question is relating to the cost of borrowing. So, what is your expectation for the rest of the year in terms of borrowing and specifically in next quarter how should one think about cost of borrowing?
- Management:** Generally the borrowing cost has been going up for all the segments, all the NBFCs with a AAA rating or +AA rating. Now, we have certain legacy borrowings, some are at lower cost, and some are at higher costs. One such borrowing which was taken at a higher cost was the first tranche of external commercial borrowing. So, which is going to get retired in October. So, once we retire that we should get some benefit. And now, we should see some increase in the borrowings also. So net, net we should not expect a significantly higher increase in the overall cost of borrowing. But it's very difficult to quantify at this point of time, because the last RBI has been increasing at a very frequent intervals. So, it's very difficult to quantify how much increase can happen. But,
- Management:** Overall, the borrowing cost should remain stable that's what. Some new borrowing cost which may go up can be offset by some of the higher legacy borrowings going off.
- Moderator:** Thank you very much. Our next question is from the line of Alpesh from IIFL Securities. Please go ahead.
- Alpesh:** Just taking forward to Dhaval's question, just wanted to know, what percentage of our portfolio was the teaser loan at the beginning of the quarter and what were the yield differential between the normal portfolio and the teaser loan portfolio and what percentage of that teaser loan portfolio got shifted to the normal rate. That's the first question.
- Management:** So, MD sir explained, the teaser rate we stopped in March. And in the first quarter, the focus was on migrating these loans to higher rates, this exercise was completed as of June 30. So, all these loans are at a higher rate from July 1st onwards. So, we should see that the overall US should improve from Q2 onwards.
- Alpesh:** I understand that, but I am just looking forward to some numbers. So, what was the percentage of the teaser loan portfolio at the end of March and what was the yield differential between the normal portfolio and the teaser loan portfolio. This is just to get some sense about how the yield move going forward?
- Management:** Now, teaser loan were a sizeable segment because some are at, because we follow rebate system, some are at a slightly higher rate some are at the base rate. So, we can't quantify exactly what is the level of teaser rates.
- Management:** Teaser rate started at 6.9%.

- Management:** Yes, teaser loan started at 6.99% that is given as a rebate for prompt payment.
- Alpesh:** So, let me just flip the question over here, what is the yield improvement do you see for the rest of FY23 from the current levels based on your portfolio composition?
- Management:** So, we try to maintain a spread of about 10% at all points of time. Now, this was a specific situation, it was a strategic decision which was taken to launch the teaser rate, now, the rates have started improving so which has also helped us in smoothly passing from the teaser rate to the higher rates. So, going forward we should improve the spreads and the overall objective is to make a spread above 10% for the remaining part of the year.
- Alpesh:** Okay. Second question, sir what's your view on the competition some of your large peers within the NBFC space are talking about competitive intensity coming down from banks as well. And they have also withdrawn some of this teaser loan as you have done so, overall competitive intensity in the space. And the related question to this what percentage of our portfolio is related to the business purposes for example, if the economy is recovering do you see growth coming back strongly or it would be a gradual improvement in your case?
- Management:** The improvement will be gradual, the business has to pick up it is not that it is going to come up all of a sudden in a jiffy, it will come back. Competition is always there, competition has always been there it is now that many of the banks have just in the last two, three quarters focused more on this. And that is one of the reasons why this teaser, et cetera had to come in. Now anyway, most of the NBFCs have stopped the teaser rates. I'm not sure about banks, whether they have increased their rates or increase their focus. I'm not very sure. But if you say that some people are saying that the banks have stepped off the accelerator I am not aware of that, that's probably
- Alpesh:** My comment was related to the NBFC not for the bank because the bank competitive intensity is cinders. And is this the first tranche of grant approval from the RBI for FY23 or this is the overall branch approval for the entire?
- Management:** No, we asked for some branches and they give it once that is opened, we asked for the next step. That's the usual practice, it is not that we go and ask for 1000 branches and then tranche, et cetera. When we ask for some branches, they give the approval then once it is opened, we again go there and that is the usual practice. There's only that in the last two years, they did not give the approvals that's all.
- Alpesh:** Okay, and just the last one from my side to the CFO sir, you mentioned spread right not the net interest margin, so here we are talking about.
- Management:** Yes, I mentioned the spread.
- Alpesh:** And when you talk about 10% you try to achieve that is for the entire year or for the quarters to come. Because that is again a decent amount of spread compression for the first quarter so to make up for that the second half of this spread should be higher than that?

**Management:** No, I was referring to the future quarters.

**Moderator:** Thank you. Our next question is from the line of Ankit Patel from L&T Mutual Fund. Please go ahead. Thank you. Our next question is from the line of Piran Engineer from CLSA. Please go ahead.

**Piran Engineer:** Just couple of things. Firstly, were there any auctions with squatters and if so, what was the quantum?

**Management:** So auctions was around 1374 crores.

**Piran Engineer:** And secondly, just wanted to understand this teaser loan thing better if I took a loan in January, wouldn't it be for 12 months wouldn't it expire next year in January like how is it run off by June?

**Management:** All loans are given for 12 months, but of course we always have an option to increase the rates by informing the customer giving him a month's notice and that is what we have done.

**Piran Engineer:** But is that compliant in the sense that the customer has to agree to it and why will the customer agree when he loans at 7%?

**Management:** It is in the contract sir.

**Piran Engineer:** Okay. So we can change the rates at our will?

**Management:** Yes, we have to inform the customers that it.

**Piran Engineer:** So, sir if we have given the 7% loan.

**Management:** Without that we actually meeting the customers, they were coming forward to because everywhere the rates went up, they are also understanding that the rates went up, so we don't have any issue there.

**Piran Engineer:** Okay. And when you say migrated to higher rate loans, you went from 7% to 10%, which is the next bucket is it?

**Management:** No, bucket like 10%, et cetera it's a higher rate, that's all, it could be 10, 11, 12, 14, et cetera so it goes to the higher rate depending on various other parameters also.

**Piran Engineer:** Okay, fair enough and just lastly, I noticed that you all have reduced liquidity after several quarters is this going to be like an ongoing exercise or is there some one offs and liquidity goes back to 15% of balance sheets?

**Management:** That's because all of you are pestering me, now if I am maintaining a higher rate excess liquidity. So, we thought we should reduce a little bit. So we tried.

**Management:** Hoping that you people will support us if there is a need.

**Moderator:** Thank you. Our next question is from the line of Jenu Desai. Please go ahead.

**Jenu Desai:** So, I had a very simple question. So, you are mentioning in the opening remark that we have 5 million customers live with us and approx. 4x of that which is around 20 million customers, which are dormant on our book. Do we have any plan for running some sort of analytics and any sort of cross sell on other products on high yielding products on these set of customers from a future standpoint?

**Management:** Okay, that is a question fine. We have 5.4 million customers who have an account with us today, that is the people who have account today but as we know our loan period is average is about three to four months only. So, people take a loan, they come back after some time, that is why we say our customers, four to five times these customers have already taken a loan from us, they are laying dormant, some of them come next month, some of them come after six months, et cetera. Yes, we are actually doing a good service through our efforts and initiative from the branch level, actually at the branch level to win back these customers, there can definitely for gold loans and we can also offer some the other products like a personal loan, or a LAP or a home loan, et cetera or all such loans we can offer them or we can offer them also. So that they become more sticky. That was the basis on which we have done this, of course more than the analytics, the relationship at the branch is what we feel will bring back customers. So because we have the touch points, we have the 5000 branches we are able to do that directly with the customers and most of them can come to our branch and we can meet them also because of the branch network we have. Of course, it's that if we were a company with just a few branches, and lots of analytics and data and things only probably it would have been different. But now that we have branch, we can always make advantage of our branch, that is what we would be doing in the coming days actually bring the other departments to do this. The personal loan also have started the vehicle, the home loans and the loan against property also is being started. So we have more sticky customers, also the vehicle loans. So as you said Yes, we will be diving deep into these customers, probably meeting many of them because our branch managers can go and meet them also. That is our plus point with compared to others who don't have the branch network.

**Moderator:** Thank you. Our next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

**Abhijit Tibrewal:** Sir, again coming back to that question on auctions. While you've shared the quantum of auctions, when I look at 30 plus DPD which is your stage two and stage three. You typically used to be in that range of a 1.5% to 2% before it spiked about 13% sometime around the second quarter of the last fiscal year. Now you're kind of seeing it moderate, we has been declining for

the last three quarters and has now come below 3%. So fair to assume that going forward, now the trajectory in auctions will moderate over the remaining three quarters of this fiscal year?

**Management:**

Sir, please understand something auction is not a we give time to the customers even after the 12 months, even after the 30 days, 60 days, et cetera who are not coming, who were not able to the given sufficient time. Those are the things we auctioned, but auctioning actually we don't lose much probably small part of the interest money we lose but otherwise, we'll get the principles maybe 90% 95% or 85% of the total interest we will receive. So that's not an issue, just because there is an auction. But of course, as you said when we had the 13% or 12%, which you are saying, as DPD is extra, that was a time when we had given a lot of money to customers during the COVID time, and some of the customers were unable to restart their business. Probably they tried their best for the next 12 months and still they were not able to get back the money which they expected to get that is why it had to be auctioned, we auctioned it, it is behind us now, we auctioned we realized money, probably we did not lose any money, we got the interest, et cetera, that's all behind us. Now going forward such type of an issue we don't see. But if another COVID or something comes and such things come probably that is part of this business. Nothing unusual part of this business so, now we don't have much a DPD business, et cetera. Probably, I can't say that after one year or two years this will not come again. That is only what I wanted to say. But looking at the present thing, I don't think in the next few quarters, et cetera there will be substantial auctions.

**Abhijit Tibrewal:**

Sir essentially, what I was trying to understand is while it's known fact that you don't lose much when you auction, but it does lead to a runoff or a decline in your gold loan book. So what I am trying to get through sir, monthly disbursement run rate of about 127 billion moving this quarter, which is the second best monthly run rate ever for you. And despite that if there was a 2.4% sequential decline in gold loans, I would say what, primarily attributable to either auctions or the second thing that I was trying to understand this while you have migrated customers from teaser rate gold loans to higher interest rates, has it kind of lead to higher balance transfers to your competitors. Because once you buy it your contract like extreme, but once you migrate customers from let's say 6.9%, because the teaser rate gold loan to let's say 10.9, 11.9%. Of course there can be a balance transfers that these customers might do to your competitors. So did you see something like this, especially during the month of July?

**Management:**

No, sir there is nothing like people coming to this and then going back to competitors, et cetera. Competitors also have only the same rates. Nobody has the lower rates than this. But then there is generally people who take that aboard in the normal course, people take that it's not that all the releases and all the, end of the books is because of teaser, teaser was only a part of the book, the main book or the majorities. Not that everybody took teaser rates or rather everybody we didn't give teaser rates everybody. But while that is done, migrated some of them, most of them 90%, 95% migrated and came off. Some people took back their gold and in the normal course also people take back the gold. Why should somebody, I told you the average tenure of the loan is only three to four months, nobody keeps it for years together.



- Moderator:** Thank you. Our next question is from the line of Amit Mantri from 2.2 Capital. Please go ahead.
- Amit Mantri:** My question is on this 1300 crores of auctions that were there, what was the interest loss can you give the amount?
- Management:** Interest lost, I don't think there is any substantial interest loan.
- Amit Mantri:** No. So for example last year, they were around 7400 crores of auctions that happened and we recovered around 6500 crores against the 7500 crores outstanding. So, there were around 900 crores of interest lost last year. So, in this quarter also there could have been maybe not principal loss, but there would have been some interest loss that would have happened as well right?
- Management:** The loss can only be the penal interest of the extra that is the usual loss which happens. So when you are coming to more than NP accounts the interest jumps or there is a penal interest of 2%, 3%, et cetera, that is what would have been the loss. For us we know it, there nothing loss like that. Those are not actually the normal interest.
- Amit Mantri:** So how much was the penal interest loss that happened?
- Management:** No. So, we don't have that figure right now. So the auction realization was around 1800 crores, in the auction 1375 crores, we recovered 1800 crores.
- Amit Mantri:** So, the recovery was higher than the outstanding?
- Management:** Sorry.
- Amit Mantri:** So the recovery was higher than the total auction amount?
- Management:** No, 1374 is the loan amount, and when we auction it we record the interest. So including the interest portion we recovered 1807 crores.
- Amit Mantri:** Okay, got it thank you. And my last question in Bell Star now, you would have shifted to the new RBI regulations. So what has been the increase in the interest rates from the earlier regime to the new regime now?
- Management:** They did it in two tranches one, one interest increase done in May and the second one is just now they have increased another 1.5%, almost 3%, 300 basis points have been increased on fresh loans.
- Moderator:** Thank you. Our next question is from the line of Vaibhav Badjatya and Honesty and Integrity. Please go ahead.
- Vaibhav Badjatya:** Just have two questions, so in terms of acquiring customers and servicing customers, do you see any substantial difference in these cost what banks have to incur and what NBFC like you have

to incur is any advantage that banks enjoys there in terms of acquisition cost and servicing cost for the customer for similar ticket size of gold loans?

**Management:** Actually, we don't incur any interest cost, any cost at all for us the customers acquired through the branches, through overall channel so we don't have, I know what you are referring to as such people to bring or book loans for us to that's a substantial cost which many of the banks may be incurring. I don't know how many of them to what extent if they are engaging an external agency it's a very expensive cost. We don't have itself, that's your question.

**Vaibhav Badjatya:** Okay. So I was just not talking about that is the acquisition cost. But in terms of servicing customer, I'm just trying to understand whether banks have any cost advantage, apart from lower deposit cost that they have, do the banks have any other advantage apart from that is what I'm trying to understand?

**Management:** I don't know, I didn't exactly understand your question. Anyway, acquisition cost is acquiring the customer first is what I said, I didn't understand what you are saying about any other cost, what is that other cost.

**Vaibhav Badjatya:** Okay. Let's move to the second question, so lastly in terms of gearing, we continue to kind of have a reduction in our gearing notice which is reduced to 2.2 from around 2.7, now it is 2.2, 2.3. So what's your thought on long term gearing, do you want to increase it and what is, because that also kind of impacts your return on equity to some extent. So you want to use that labor to improve on or what's your thoughts on that?

**Management:** So, the endeavor is to improve the gearing, of course it all depends on how much loan we are able to increase. Of course, it takes time but at the same time, still in spite of kind of fall in profit this quarter still we have delivered a ROE of almost 18%. So in normal times, we are doing better than 20%.

**Vaibhav Badjatya:** Don't you want to kind of think about improving your dividend payout ratio and kind of arrest falling till the time there is substantial growth pickup that happens?

**Management:** This is a NBFC, we have to keep the point well capitalist because there is no nobody outside to help us, or help an NBFC in times of need. So having more capital is always advantageous to the overall stability of the NBFC. So we always keep that in mind and although we know that the capital is not adequately being used, but then for sustaining the company for the long term interest to the company, we are keeping this going fully well, it is not being fully utilized. So, anyway, as we said, even if we take it out, I don't know whether we can get a 17%, ROE somewhere else.

**Moderator:** Thank you. Our next question is from the line of Prakhar Agarwal from Edelweiss. Please go ahead.

**Prakhar Agarwal:** Just two questions. First, in terms of when we launched teaser loan, what was the reason or thought process behind launching a teaser loan and then probably focusing all the branches towards –36:03 to normal loan within a quarter, what is your thought process decided these two action?

**Management:** It was a strategic call where many even competitors also started desperately offering very low teaser rates, et cetera. So being the market leader actually we could actually advertise that our rates are higher than all these things. So we also through some efforts we had to also see that we offered this low rates to them also. But then we did it for some time. But then the advantage we saw or the strategy, we thought was to attract a new set of customers, who hitherto would not have come to us because of the higher rates, et cetera. So some new customers came to us, we service them after a while, it is actually our smartness to see that we can migrate them into the higher rate. So we have been successful in that also. But that came at a cost, that came with the cost is what we see in the dip into this. But then finally, we were able to acquire some new set of customers. A good part of them are still continuing with us with a higher rate very few persons would have left. So, that's the advantage we had but the thought behind that.

**Prakhar Agarwal:** Just a follow up on this, supposedly tomorrow, the competition again introduces this sort of teaser loans, we probably will think again on those lines is that a fair assessment?

**Management:** We will take a call that time.

**Management:** We will follow a different strategy.

**Prakhar Agarwal:** Got it. Just one data point, I know that you guys are not sharing the AUM that is coming from teaser loans, you've made a statement that large part of customer base shifted from teaser loan to a normal loan that was a number of customers that availed the teaser loan and how many of them converted actually into a normal loan, that number of customers.

**Management:** Not more than 5% to 10% would have been taken that loan all the others converted. That is the rate somewhere else that is the problem, 6.9% is the rate which nobody is going to offer.

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

**Shweta Daptardar:** I have two questions, how much incrementally does a new branch add to the AUM on annual basis and now that we have 150 branch approvals in place from RBI after of hiatus of two years and you were focusing on existing branch productivity. So does it change your overall AUM outlook for better because Q1 happened to be pretty sluggish in terms of gold loan AUM?

**Management:** So it takes about a year or two for a branch to mature by two years, three years, a branch should reach about six crores, seven crores it takes some time for that, initially it will be slow but after a while, when people come to know more about the branch it will go up. So initially, years it

will take some time to reach there. But then finally, two years plus we should see the branches delivering at least five crores, six crores of portfolio that's a minimum.

**Shweta Daptardar:** Okay. And sir your growth outlook does it change for better?

**Management:** Yes, definitely the opening also I said when new branches also come we can go to new unbanked areas, maybe where we see a lot of potential that is where we'd be opening our branches certainly to help us to spread ourselves better and attract new and more customers also.

**Shweta Daptardar:** Sir but can you quantify please, what is the growth outlook you are looking at?

**Management:** We had always be giving a guidance of +10% or 10, 12, 15 depending on the business environment, et cetera we continue to do the 10, 12, 15, it is not very good, at least a 10% otherwise 12% to 15% that is what we have always seen.

**Moderator:** Thank you. Our next question is from the line of Bunty Chawla from IDBI. Please go ahead.

**Bunty Chawla:** My question has been answered just one data point if you can share, generally in the annual report we share interest accrued on the loans as of FY23. So can share that data?

**Management:** As on June?

**Bunty Chawla:** Yes, as on March as well as on June.

**Management:** March, it is 1955 and June it is 1700 crores, around that.

**Moderator:** Thank you. Our next question is from the line of Alpesh from IIFL Securities. Please go ahead.

**Alpesh:** Sir, just wanted to get some idea regarding the branch opening stuff, you were going to RBI in the past few years. But this is for the first time that you got the approval for 150 branches. What was the thought process and what were the comments from the regulator regarding this?

**Management:** See, actually in the last two its not fair to say that the last two years we did not open a new branch, we had good proposals and some of them got extended. And so it is only in the last four quarters, et cetera that we did not open a new branch. Prior to that there were always some bits and pieces which earlier which was there we opened, but then they just simply said they just said keep it on hold, that's all there's nothing, no remarks, no adverse comments, et cetera, it is just that they kept it on hold. They kept it on hold so we can't see anything more than that and two months back, they just gave the permission for 150 branches.

**Alpesh:** And now since the competitive intensity being very high and a large part of our branches have been matured, why not taking the approval of more than 150 branches where you see that it should be a very gradual process rather than because we are sitting on the excess profitability

competitive intensity is increasing so what is the thought process of, why not 300 or 400 branches and only 150 branches?

**Management:**

Sir it is not the money which we have in our network which is prompting us to start branches, it is our field in the market or we are in the field that there is business in some branches. So, we have asked for 150 we got the 150, once you open that 150 we will again find out how many branches we need to open. This is not dictated by the funds we have with us exercise, it's dictated by the potential we see in a branch that is what dictate us. So today we are going for the first one anyway we can't open 150 branches just in a jiffy, it takes time to locate the premises, have the people in place, open it and then go for the next ones. So, once you open this, we will again approach them, when we locate potential areas. So once we locate potential areas, we will again go forward for addition. So as you said yes, large opening is also important for this, we will keep doing it.

**Alpesh:**

And sir just the last question on the competitive intensity from the Fintechs are you seeing any changes over the last three, four months or three months as aggressive as they were earlier?

**Management:**

Every quarter I have been talking about this Fintech business, et cetera. We don't have any Fintech, business, et cetera nor do we have any digital lending. What we do is only digital collection of money, proceeds either we give the proceeds of the loan digitally. That means to a bank, et cetera or correct the interest and proceeds through bank itself that's what we do digitally. But digital lending I don't know, earlier everybody was talking about digital lending now it is seen as something really not very palatable by the regulators also. Anyway we have not been doing that, will not be doing we do not want to do that also, ours is only a loan against gold which we do digital. If we say anything digital it is just digital dispersal of money, digital collection of money. That's all.

**Alpesh:**

No, sir. I am not talking about you. I'm talking about the competition, someone like a RuPay kind of stuff.

**Management:**

I know. There are people who just I don't know, exactly their business, they just look at some scores, et cetera and give Rs.10,000, Rs.20,000 to people. That type of business we don't do. But, the regulator is not very comfortable on that and many people have stopped that business also, are asking to be stopped. So finally, Fintech I don't know whether it will survive. If that is the business, I don't know exactly. I'm exactly not sure about what this Fintech people what type of lending they do also.

**Moderator:**

Thank you very much. Our next question is from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

**Bhuvnesh Garg:**

My question is regarding the growth versus margin play. So, considering that it's the current competitive scenario persists for next couple of quarters in that case what could be our preference between growth and margin. So, how do we see both these?

- Management:** One cannot be compromised over the other, we need to have both, we need to have reasonable yield, we need to have reasonable growth. So it will be a balance of that serve. So not that we will want to grow very aggressively and not have margins or otherwise also have only margins without the scope, it will go hand in hand only. That is a balance which we have to take from outside. So, if you ask the policy, in our mind it would be a balanced group, more AUM to a reasonable extent, yields to a reasonable extent.
- Moderator:** Thank you very much. Our next question is from the line of Hiten Gulati from Haitong. Please go ahead.
- Hiten Gulati:** Sir, what is the new number of customers we have added in this quarter and what are the customers that have been written off?
- Management:** So we have added 3.14 lakh new customers during the quarter.
- Hiten Gulati:** Okay. And sir the written off of customer?
- Management:** What customer?
- Hiten Gulati:** Sir written off customer?
- Management:** There is not written off, it is just customers closing their loan and going. Record closed.
- Hiten Gulati:** Okay. And sir this ROE that we are seeing of 18% can we assume this is the bottom that we are seeing because this is not, we have always generally reported much higher ROE, so what is your view on that?
- Management:** We would wanted to be in the bottom and we would like to see it go up just like you.
- Moderator:** Thank you. Our next question is from the line of Varun from Kotak Securities. Please go ahead.
- Nischint Chawathe:** Hi, this is Nischint Chawathe. Just one question this is on the expensive line item. I was wondering what is the reason for such high growth in operating expenses both on the employee side and more importantly on the other non-employee?
- Management:** So, actually employee expenses have come down.
- Management:** Mostly they are annual increment, if there is an increase it should be on the annual interest. Just a second.
- Management:** So employee expenses have actually come down from last quarter 313 crores to 282 crores and other expenses are increased to 247 from 206. So primarily other expenses have gone up because of the increase in advertisement. You can see that in our presentation, that is about 10, crores

and CSR expenses increased compared to last quarter from 26 crore to about 55 crores or something. So, that is a major increase during the quarter.

**Moderator:** Thank you. Our next question is from the line of Abhijit Tibrewal from Motilal Oswal. please go ahead.

**Abhijit Tibrewal:** Sir just one question, has your advertisement and publicity expenses gone up sequentially during the quarter?

**Management:** Yes, by about 10 crores, last quarter it was 32 crores this quarter it is 46 crores or something, 42 crores.

**Abhijit Tibrewal:** Sir, what was the reason earlier because there was a very high competitive intensity, a lot of players talked about the need for higher advertising and publicity so what is kind of **(Inaudible)** **51:09** into this 10 crore kind of a sequential increase any seasonality here or this is a normal course?

**Management:** It is normal only because we have to advertise that Muthoot is still there in the business in the market. So, that is also necessary, even if there's no competition people need advertisement that's what our marketing and advertisement department also tells us that is what we also do. We need to be in the public mind sir.

**Abhijit Tibrewal:** Got it. Sir last quarter you had share one data point, for your AUM gold loan AUM what proportion of your AUM will be below one lakh and what proportion will be above 3 lakh can you please share that with us?

**Management:** Above 3 lakh is 23% and below 1 lakh is 42%.

**Moderator:** Thank you very much. Ladies and gentleman that was the last question. I now hand the conference over to the management for closing comments. Please go ahead.

**Management:** Thank you all for supporting us till now for actually participating this conference call. One assurance from our side, we will leave no stone unturned to give better performance quarter-on-quarter, both in the yield as well as in the AUM. So thank you from me, Managing Director George Alexander. We have the other Directors also here and also Mr. Oommen, our CFO, and our new ED Mr. KR Brijmohan and team also here. So thank you all and thank you for a patient hearing. Goodbye and Happy Independence Day 75 years.

**Moderator:** Thank you very much sir.

**Management:** Thank you, Sanket. Thank you for arranging the call.

**Sanket Chheda:** Sure sir.



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**Moderator:** Thank you very much members of the management team. Ladies and gentlemen, on behalf of Batlivala & Karani Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.