"Muthoot Capital Services Limited

Q4 FY '26 Earnings Conference Call"

May 11, 2026

MANAGEMENT:	**MR. MATHEWS MARKOSE – CHIEF EXECUTIVE OFFICER – MUTHOOT CAPITAL SERVICES LIMITED** **MR. RAMANDEEP GILL – CHIEF FINANCIAL OFFICER – MUTHOOT CAPITAL SERVICES LIMITED**
MODERATOR:	**MR. MANEET KHIMAWAT – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Muthoot Capital Services Limited Q4 FY '26 Earnings Conference Call hosted by Elara Securities. As a reminder, all participant lines will be 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. Please note that this conference is being recorded.

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

Maneet Khimawat: Thank you. Good morning all. On behalf of Elara Securities, we welcome you all to the Q4 FY '26 Earnings Conference Call of Muthoot Capital Services Limited. From the management today, we have with us Mr. Mathews Markose CEO; and Mr. Ramandeep Gill, CFO.

I now hand over the call to management for opening remarks. Thank you, and over to you, sir.

Mathews Markose: Good morning, everyone. Maneet, am I audible?

Maneet Khimawat: Yes, sir, you are.

Mathews Markose: Okay. So good morning, everyone, and thank you for joining us today. So on behalf of the management team, I welcome all our investors, analysts, lenders and stakeholders to the earnings call for Q4 '25-'26. So if I talk about the year that went by, we had a calibrated growth amidst challenging and evolving macroeconomic environment.

The first half of the year, you all know we saw the stress in MFI spill over to the retail lending piece. In the last quarter, as we all know, we saw global uncertainties arising out of the geopolitical tensions, the war in West Asia, which saw elevated crude oil prices, tightening of liquidity conditions and continued impact on consumption patterns.

And also, it saw a significant rise in opex across sectors. But despite all these headwinds, I believe the Indian economy demonstrated resilience and it was supported by domestic demand, the GST rationalization that government had done and also the gradual recovery in rural consumption. So all of these were actual tailwinds for the Indian economy.

At MCSL, against all this backdrop, we remain focused on strengthening the fundamentals of our business and executing our long- term strategic objectives. During FY '25-'26, your company achieved an AUM of INR3,500 crores, including the managed book, reflecting steady expansion across core and emerging product segments.

We continue to diversify our portfolio with very encouraging traction in commercial vehicles, used car, loyalty loans and also business from the group companies, while we maintained our strong presence in the 2-wheeler financing ecosystem.

Our strategy emphasis during the year was not merely on growth, but also building a more sustainable technology-driven and customer-centric franchise. So at this moment, I would also like to add that, today, based on our technology platforms, we are benchmark in some of the areas, at least, even compared to large organizations.

We made significant progress in our digital transformation initiatives through automated collection, digitization, account aggregator, workflow modernization and strengthening of governance and compliance framework.

More importantly, we've begun laying the foundation for becoming a truly digital and AI-driven organization during the year. We initiated multiple AI-led interventions across the enterprise, including AI-based ticket segregation for compliance and grievance management, speech and voice analytics for customer interaction, smart debt collection initiatives, AI-assisted collection monitoring, enhanced data-driven underwriting and risk assessment capabilities.

Today, 100% of our pre-delinquency calls are done by AI agents. And gradually, I believe by the end of Q1, entire text-bucket calling will be done by AI agents only. There will be no human interaction in these 2 buckets. Completely, it will be AI-driven.

We are also progressively integrating technology and analytics into our audit and compliance tracking, operational workflow, fraud monitoring and customer servicing functions to improve efficiency and responsiveness. And this is a decision that we are doing across the organization, because at MPG Group, we clearly understand that the future of financial services will be shaped by institutions that can combine scale with intelligence, automation and customer-centric digital capabilities.

So our investments -- we have made a lot of investments in data lake, business rule engine, workflow automation and AI-led process enhancement. And these are not isolated projects, but these are actually a part of a larger strategic shift towards building a future-ready organization.

While doing all of these, we have remained conscious of the stress emerging in the retail credit environment. Asset quality pressure across the industry, especially in the unsecured and semi-urban borrower segments has been at elevated levels, and this warranted a more measured and prudent approach.

So we have focused on balancing growth with risk discipline, strengthening collection infrastructure, improving digital repayment penetration and enhancing underwriting quality. Today, we collect more than 80% through digital route and less than 20% is through cash collection mode.

And as we look ahead, we remain optimistic about the long-term opportunity in India's mobility financing ecosystem because all the structural drivers are intact, improving affordability with GST rationalization, recovery in rural demand. All of these fundamentals remain very, very strong. Also in the CV space, replacement demand is growing. Growing adoption of digital finance continues to provide a strong foundation for a company like ours, which is truly into the digital space.

For the coming year, we have outlined a focused road map. We are targeting close to INR3,000 crores of disbursement, and we aim to get deeper penetration into the markets that we are currently in, and we wish to expand through our digital sourcing channels and continue to improve on our operational efficiency and sustained investments in technology, governance and AI capabilities. And our long-term aspiration remains clear, which is to build a scalable, diversified institution and fully digital, which will create value for shareholders.

So I think with that opening commentary, I would request Ramandeep to take over and take you through the detailed operational and financial performance of the last year and last quarter. Thank you. Raman, over to you.

Ramandeep Gill: Thank you, Mathews sir. Am I audible, sir? Just confirm? Maneet, if you can confirm?

Mathews Markose: Yes, Raman, you are audible.

Ramandeep Gill: Okay. Good morning all. So this time, we have divided our call into 4 parts now for you all. First, like we always spoke about the AUM, then the asset quality of the company, then we'll speak on the GNPA and then we'll speak on the PAT.

Talking about the AUM of the company, including managed book, which I'll just explain right now, we have closed our AUM at INR3,441 crores. Managed book, when we say the company has been able to do a DA transaction first time in the last 3 to 4 financial years, so this, we have concluded with a pool of approximately INR100 crores with Hinduja in the month of March.

On the AUM front, the sole portfolio of MCSL, which was INR2,118 crores, now has been closed at INR2,758 crores, whereas the co-lending portfolio, which was INR940 crores at the start of the year, we closed at INR595 crores. So there is a significant degrowth in the co-lending portfolio, which we have said in each and every earnings call.

The retail portion of our business, which was around 59% from the MCSL side, if you see Q4, in Q4, we were at 89.51% from the MCSL side. So we earlier used to be like 60-40, 60% through co-lending and then -- sorry, 40% through co-lending and 60% through MCSL. That ratio has been significantly changed over the year. And in Q4, we were at 89.51% only through MCSL and remaining has been contributed by the co-lending front.

So when we stay on the AUM front of the company, products which have contributed to this INR3,500 crores are -- namely our 2- wheeler wherein we have seen growth. Obviously, the managed book was there wherein DA we have done. 4-wheeler, when we say used car book, which was initially at INR86 crores at the start of this financial year, we closed at INR155 crores.

And when we talk about CV, which was INR61.25 crores at the start of the year, we closed at approximately INR240 crores at the end of this year, so which is a significant jump. So this is broadly on the AUM of the company.

Now talking about the asset quality of the company, which has contributed towards -- so in the last earnings call, I remember that the company -- when I said the percentage of flow forward towards the AUM. So from the opening standard AUM, when we were at 0.80% was my flow forward at the start of the year, now when we see Q4, it is only 0.43%.

So we might see that GNPA of the company, which I have also shared, it is coming at 6.41% and 6.96% with interest accrual. I'll just explain all the entire thing. But first, we'll speak on the retail assets of the company.

So when we say 0.43% was my flow forward, and we can see that 0.80% has been dropped down to 0.73%, then 0.65%, then 0.55%, and finally, we have closed 0.43%, which is a significant achievement in terms of my NPA analysis for the month -- for the year.

Second thing which has contributed is my slippages, which was around INR18 crores a month. Starting -- at the start of this financial year. Now that has gone up to -- sorry, that has gone down to INR8 crores, INR9 crores a month, which means we have been able to control the slippages from Stage 2 to Stage 3 asset by almost 50%, which is again a very significant jump.

And when we talk about the asset quality, the contribution that has been made through my retail segment, so retail segment, when we say that we have also relied on -- okay, there was a co-lending portfolio, there is an MCSL portfolio. So what we have been able to achieve through MCSL portfolio, the overall yield, which was around 18%, 18.5% at the start of the year, blended yield, that has gone up to 21.02% because of the share that has been increased from the MCSL portfolio.

With that, my 2-wheeler stand-alone as an incremental business from the 2-wheeler, that gave me 22.02% of the yield. My 4-wheeler is contributing 18.45% of the yield, while CV has contributed 7.31% and loyalty loan has contributed 24.92%. So that has allowed the company to increase the yield and while focusing on the MCSL portfolio as a loan. So this was more or less on the AUM, the asset quality of the company.

We'll now speak on the GNPA portion. So we reported 6.96% with the interest accrual and 6.41% with the principal outstanding. On managed book, when we computed GNPA 90 plus, it is 5.58%. The sole reason which has contributed to the increase in the GNPA, while the flow forward has been brought down significantly, as I said, I'm repeating it, it's 0.43%, the sole reason was we have recognized one of our corporate loan, which was Up Money.

So we have recognized the entire INR15.51 crores as an NPA in March. And then, though we know that -- and whatever that has to be provided for that NPA, that we have done in March. Now while saying that, one more thing, the entire loan, we know that, that was in stress since September, October of the financial year, wherein we have been able to take the recoveries out of it. But as far as the DPD timer is concerned, it has to be recognized as an NPA, so we did.

Now we know that provisioning and all we have provided. On the other hand, we are also happy about the fact that we have been able to secure this loan. And then whatever we have classified as an NPA in this financial year, I hope in the next financial year -- in this financial year, we have been able to realize that security and we'll be able to bring down that NPA portion. This is one.

So that corporate loan has significantly contributed towards the NPA. My total NPA as we closed this financial is INR194 crores. And then when we added this, then around INR15 crores, INR15.5 crores, it's a big chunk of that NPA. So this is how the NPA movement for the company.

Now 4 important factors wherein we -- I want to say that first. The company has taken a call on the portfolio, which was sourced pre-COVID, and that was lying in the doubtful 2 and doubtful 3 category. So around INR12 crores of the portfolio has been taken out from the books wherein we have taken -- for the entire portfolio, we have taken the P&L hit as well.

How did we classify this portfolio? We have classified this portfolio wherein no recovery has happened for the company on this portfolio since June 2023, number one. Number two, no change in the PCR. It remains at 50% and NNPA has to be below 6%. That's the policy of the company, and we are sticking on to it.

We have also provided for 43,15,000 fraud loan accounts, which are almost 8 instances that has been reported to us. And for that, 100% provision has been provided in the books. For Up Money, we have already spoken.

And then there is another impact of onetime hit that the company has taken apart from the write-off account apart from the Up Money, and there was one more hit that the company has taken, which was providing the impact on the new wage code. So based on the financial impact that the company has taken, which I have also explained in the Note 5, it was coming as INR1.68 crores that has been taken for the valuation of gratuity and the leave encashment.

And then I have also explained at the start, we have also done one DA deal, which I have said in the Q3. But because of the fact that my Q1 performance, because of my impairment was very high and Q2, it has been brought down. Q3, we have seen some improvement. That is the reason we have been able to -- that we were sure that, okay, this portfolio has been classified for DA.

And based on our recent efficiency numbers, that has given us enough confidence to make sure that we can close the DA deal as well. So that DA deal we have taken in the market of INR100 crores, and that has been successfully closed.

And then these are the kind of things which we wanted to do at the start of this financial year, but we know that how the impairment was impacting and what was the kind of impact. But we have left behind everything till Q3, and Q4, we have been able to do that DA for the first time, and we'll be able to continue also. At the same time, the AUM also needs to grow, which we have seen a growth in our MCSL portfolio, as I have already said.

Last year, our CEO has said that we will close around INR600 crores of business. And then we closed around INR562 crores of business, which is a very close number of what we have said. The other income, which has significantly increased over quarter 1 to quarter 4, and then we are also planning that this income is going to further increase in this financial year, is an insurance income that -- through corporate agency, we have taken a INR7.52 crores that has been classified as other income in my P&L.

So that also we have taken and we know that these kind of incomes wherein -- since we are a corporate agent, so while doing the cross-selling and all, these kind of incomes are going to increase.

Second thing, on my ECL versus IRAC, the company is still carrying a INR51.57 crores of the excess provision over the IRAC, which you also must have seen in the PPT, which I have shared. We did -- since we have said that we have taken a call on the pre- COVID portfolio, we have taken same call on the ARC as well, while we did ARC, because at that time, the portfolio which has been sold to the ARC was the portfolio wherein we are able to recover something out of the portfolio.

That is the reason, if you see my -- both my ARCs are doing extremely well. The SR at the start of the financial year -- sorry, at the start of the ARC was INR103 crores. Now that has been brought down to INR26 crores with business in my Phoenix ARC. And then similarly, another ARC that we did, which was at the start of this financial year, which was around INR41 crores. So INR23 crores was the closing outstanding from those SRs.

The best part about the entire financial year wherein we have been able to bring down our cost of funds by INR0.60, the borrowing from the bank till the last financial year, which was only INR435 crores a year, that has significantly jumped up and multiplied with 2x. Now it is INR865 crores of the total bank sanctions we received during the entire financial year.

There was no change in the entire shareholding pattern. Promoters still hold 63.33% and remaining has been contributed by the retail and the corporates. Then taking another update, the total borrowings, which the company has done. Every quarter, as I said, total -- in totality, we have been able to bring down the cost by INR0.60.

In the same format, we want to continue in this financial year as well. Only one increase that has happened in the entire cost of fund, that was around -- that was when we did the co-lending PTC, wherein we know that the partner which we have chosen, obviously, it was a smaller partner. So that's the reason. The entire cost has been jumped up, but that has not jumped -- that has jumped up with a small percentage only. Other than that, the overall cost of fund has been brought down by INR0.60.

The fixed deposit book, which was -- at the start of this financial year, which was hovering around INR40 crores, INR45 crores from the years now, now this year, we have closed at INR80.83 crores, which is again a significant achievement and that too at a cost of 8.83%. So this is what we want to continue.

And for our structured liquidity and the ALM, which we have filed, we have not seen a cumulative mismatch in any single stage, whereas the LCR of the company was always 100% throughout the financial year. And this -- at March, we closed at 129% as an LCR.

For the investment front, the company has invested in SLR, PTC, SLR deposit, collateral deposit we had with the banks from which we took the term loan and fixed deposit with the bank, we have earned an overall yield of 6.98%.

At total, the borrowing cost for the entire -- for the Q4 versus Q3, at Q4, I was at 10.09% whereas in -- sorry in Q3, whereas in Q4, we closed our total cost of fund at 9.48%, which is a significant jump. In one quarter itself, the cost of funds have been brought down.

So another update, which we have said last quarter, we said that we are in talks with the equity investments -- we are in talks with the equity investors. So they wanted us to close our financial year so that they can see the results and all. And we have kept them updated throughout the entire GSM.

And we do have a call with them on the Friday itself immediately after the results. So what we will do as the next step is we'll just wait for the term sheets first, and then we'll try to close something out of it specifically with the next 2 to 3 months from now onwards.

That's it from my side. Over to you, Maneet. Maneet, you can take it forward.

Maneet Khimawat: Now we can continue with the Q&A session?

Ramandeep Gill: Sure.

Moderator: Thank you. We'll now begin the question and answer session. The first question is from the line of Vinay Chatwani, an Individual Investor.

Vinay Chatwani: Yes. I've been an investor in Muthoot Capital for last 8 to 10 years. In earlier times, there was a management with Madhu and Vinod, then there is management change. And currently, as we know, Ramandeep and Mathews has joined. So we were expecting good times since last 2 to 3 years.

And we are still waiting for that to fructify. As you know, debt holders -- you issue debt securities and you take all that kind of debt, they get interest. But we, as an equity investor, we are getting nothing for the last 8 to 10 years.

For the policy, once I was asking that we should be getting dividends. Other finance companies also do profits, and they are also doing finance, like Mahindra & Mahindra Capital -- sorry, Mahindra & Mahindra Finance and other companies. They also give dividend to the shareholders. We are not even getting dividends. We are not getting, I think, capital appreciation. And I think, in all the last con calls, we have been told that things will get better.

What kind of patience are you expecting from the investor actually? I don't understand. You should be -- either you are not gauging the future quite right or what's happening, I'm not able to understand. But what we are getting is that only assurance that now things will improve, now things will improve. If you will clarify, that will be very helpful since we are waiting very patiently for last many years. How much patience could you expect from us? That's my question.

Mathews Markose: Okay. So thanks, Vinay, for the questions. First of all, when we took over the company, the company was stagnant on INR2,000 crores for 7 consecutive years, right, from 2019 till 2023 and '24 when we took over. In the last 2 years, the AUM of the company has grown from INR2,000 crores to INR3,500 crores. So there is definitely -- and this year, we will -- so within

3 years, it will be more than 100% growth for the AUM. So that is very, very clear that your patience is seeing fruits. That is number one.

Number two, on the profitability, our opex has gone up because of the fact that we have added many verticals. For 30 years, we were only a 2-wheeler loan company. Today, we are a multiproduct company, and that is the way I would expect the company to grow. We are now a fully grown CV vertical, used car vertical. And then we have renewed focus on fixed deposits. So we are a multiproduct company today. We are starting online FD sourcing now.

So on all the trends of business, we are growing, but because of the proportionate expense in cost related to adding up new verticals and also the amount of spend we have done on the IT and digital infrastructure, today, we are a fully digital organization, so our profits have been slightly subdued to that extent compared to our growth, but you need to appreciate the fact that AUM by this year-end would have doubled over the last 3 years, okay? And that's a significant move in terms of what has happened over the past so many years, okay? So that is one.

On the dividend side, Raman, will you just take that question, please?

Ramandeep Gill: Yes. One thing, sir, I want to add, when we took over this company, the GNPA of the company was around 24.5%, right? So it's not easy where we need to start the entire process, the entire recoveries starting from the soft bucket, it used to be outsourced, which has significantly increased my cost of recoveries as a whole.

So we need to set up -- that's the sole reason that the company entered into ventures like co-lending, wherein we can increase our business, at the same time, relying on the partners' underwriting skills, and we can see that, okay, different geographies we can enter, but our GNPA should remain at a static level at least for the incremental portfolio.

At the same time, we took call on the GNPAs on the previous portfolio, which I explained as what we have done with the ARCs and how those ARCs portfolio are doing well. I hope that since those ARCs portfolio are doing well now itself after 6, 7 years, and then we have allowed them to become as a GNPA at this start, which is something which is not in our control when we had joined.

On the dividend front, yes, since you know that the profitability was extremely lower, and I completely agree with you that being an investor for, say, 7, 8 years, I am also an investor in so many companies and all, I completely understand this pain. But the only thing is whatever was the form of the company, whatever was the thing, we have found out a way now that, okay, even if -- I just wanted to take it further.

Even if the business year -- sorry, even if the business plan that the company has framed for this financial year, it has framed keeping in mind that whatever new product which we have added and whatever was the existing one, which was in the form of 2-wheeler, we made sure that company as a whole has defined an ROA first.

And then based on that, everything has been set. Okay, if this is the kind of growth we want to achieve, this should be a number wherein we should contain our impairment, we should contain our GNPA, so this is where -- so that we should have something very good in the front of the shareholders. And this is not something I'm saying that we have to speak about after the end of this financial year.

Quarter-on-quarter, we want to see -- we want to show the shareholders that what kind of growth -- because we have found some formula. Okay, this is the kind of adjustment which we want to make. And even if you see in Q4, multiple hits we have taken.

Otherwise, the profitability for the stand-alone Q4 would have been extremely good. So we have found a way. Obviously, some calls needs to be taken, which we have taken. That is the reason. The profitability for the year as a whole was extremely lower and Q1 was also a loss. So that was the sole reason dividend was not there. But yes, we'll just -- we'll make sure that this kind of situation and all this should not occur in future. That is something which I really wanted to say.

Vinay Chatwani: What happens, sir, whenever results come out, first of all, there's a fear kind of a thing. Is this quarter going to be okay? My first point is that, see the impairment. And again, I see -- again, my impairment increased INR20 crores…

Ramandeep Gill: No, Vinay, I just wanted to say something here. The impairment, which you have seen here now, that is also taking an impact of the write-off account, which we have done. Around INR7 crores of impact that we have taken in the impairment for this.

And all this account pertains to pre-COVID era itself that also I've explained while I was speaking. Okay? Overall impairment -- then that's the reason I stressed on the fact that flow forward was only 0.43% and then the overall Stage 3 is going down, down, down. That is the reason I'm explaining this again and again, Vinay sir.

Vinay Chatwani: So what kind of profitability for this year we can expect finally so that, again, we can think that now we'll again have a -- I can again wish and expect and wait for 1 more year. So what kind of profitability can we -- we can expect for this year? I'm asking just on profitability because I am an equity holder. And I just want to -- like debt holders look for interest, we look for profitability -- yes, simple?

Ramandeep Gill: So I understand your question. That is the reason, if you see at the start of this call, instead of saying that what is the kind of business that we have done, I just took my call into the 4 factors, which is very important for equity holder, what is my AUM, where is my asset quality, where it is going, what is the GNPA now and what is the PAT of the company. That is the reason I stressed on that.

Now since -- I am again saying there is a formula wherein we have started working, okay? Now I will not say like that, by the end of this financial year, you will be having this and that. This is something -- which is again planning something for next 12 months or so.

Quarter-on-quarter, we wanted a shareholder to see the results now because as a -- first, one thing, which is, even if you see for the whole financial year, which we have said it, that the impairment expense, that has gone substantially.

For the whole year, I have booked INR76 crores of impairment expense, right, sir, whereas last financial year, it was only INR18 crores, INR18.5 crores itself. That is where the entire profitability juice has been taken into. This we should appreciate that in Q3, it has gone substantially down. And in Q4, it has gone again substantially down.

Now these calls wherein at the end of the year, we have to take that, okay, one corporate loan account. Otherwise, I have to take all these calls in Q1, Q2 because once we know that, okay, this financial year, we have been able to manage till Q4 -- sorry, till Q3, so there in a few calls we can take in Q4 so that everything should remain in control, and we can have a fresh journey with the new portfolio, whatever we have sourced while the new management has taken over.

So with that, we should start providing the result from quarter-on-quarter. So this is something. And then one more thing which I have just said, and I just want to reiterate it, the entire profitability of the company, which we have made in this financial year, entire business plan has just kept in mind, okay, there has to be some good-looking ROA of the company.

Pretax ROA of the company should be 2%, 2.5%. This is what we have taken into our account. And these are the results which we wanted to show from quarter 1 itself, the business plan which we have targeted for April, May, June and the impairment.

Now this is getting reviewed every month with each and every income side and each and every expense side that is there any slippages as of now? When we are saying that it is no, so which means that, okay, we are going something good that is -- that we are going to do. So this is what -- this is a limited answer from my side, Vinay sir. Just keep -- I'll just request one more thing. Please have some faith wherein we...

Vinay Chatwani: I'm having faith and I'm having patience...

Mathews Markose: Vinay, Mathews here. I invite you to have, at any time as per your convenience, have a personal one-on-one discussion with me and Raman, which we will take you through all the changes that we have made in the company, all the initiatives that we have taken, all the AI things we have implemented, all the digital things that we have implemented.

We have completely revamped the institution, okay? You have to see it to believe it. I'm okay. We can meet somewhere where you are stationed in Bombay or somewhere or we can have a call and I can show you the entire thing, okay? We are confident about what we are doing -- very, very confident.

Moderator: The next question is from the line of Tejas Khandelwal from Prudent Equity.

Tejas Khandelwal: As you have said that we have grown our AUM, which I agree. But sir, the growth is meaningless because our profit is not growing at all. And our net NPAs and gross NPAs continue to deteriorate and our net NPAs are now above 4%. And at the time of such a bad NPAs, our provisioning coverage ratio still remains around 50%.

Now this again raises the concern that profitability is being protected at the cost of balance sheet. And sir, even in the last quarter, provision reversal had materially supported our PAT. And now sir, we have now seen almost 5 to 6 consecutive quarters of weak performance and our disbursement has also not grown enough.

So sir, my question is, even if you have replaced the new Head of Collection, but sir, after all this, if the present management is unable to deliver a visible turnaround after such an extended period, then would the Board consider bringing in a different leadership team with strong execution track record or something?

Mathews Markose: No, I think we'll have to get some numbers right. First of all, you admitted that there is an AUM growth. Number two, we need to look at the split of the AUM, okay? When the new management came in, we did not have a sales team to do business. So the immediate step was to stop the AUM from further degrowing. What we did was immediately build a few co-lending partners. And in the first year and almost through the second year, about 60%, 65% of the growth was coming from co-lending, okay?

But by that time, we built our own team and we built capability for doing our own business. And with the fact that we saw some stress in co-lending partners, with our partners, as Raman has already said that one account has gone NPA, we took a conscious decision to stop the co-lending business as a whole, okay?

And at some stage, our co-lending business was INR900-plus crores, which was one-third of our business. And that was a 0 NPA portfolio because that was the arrangement with the co-lenders where they would give only the best cases to us.

So there was a pool which is now degrowing, which did not have an NPA and our pool is growing, which will have naturally some amount of NPA, and that is why it is apparently showing us a higher NPA, but it is not that our portfolio quality has deteriorated. It is the fact that the denominator, which was 0 NPA is flowing out faster. The INR900 crores last year has come down to INR500 crores, which will almost be 0 by this year-end. So whatever we are doing is our own business and which is our -- and we are confident about what we are doing.

Two, the Board is fully confident about what we are doing. We are appraising them on every initiative that we take. Our AUMs are growing. We are moving the way our strategy objectives, which have been defined by the company is growing to be on a fully digital organization and AI-driven organization and diversify the portfolio. So all these 30 years, we were only a 2-wheeler loan company, which is not a very good thing to do because 2-wheeler typically happens to be a higher delinquency product, okay?

So we've gone through all the cycles. We've seen that the organization is resilient. We've seen how we can turn around from different situations. And therefore, the Board and the promoters are confident about the management and we'll continue to grow.

In terms of our profit being subdued, as I again said, we have made a lot of investments. We have put 2 new -- whole new verticals of CV and CE and there is a India team now. Those 2 businesses are only supported by the 2-wheeler business. They are not breaking even, even now.

So the entire cost of 2 verticals has been borne by one vertical, which is the 2-wheeler loan business, which also went through its own challenges because of not just our own issues, but the macroeconomic conditions like we are a very closely related business to the MFI segment. MFI saw huge stress. You saw the MFI stress spill over to unsecured lending and secured lending.

But despite all of that, we've been able to -- while make small -- though it is smaller, but we've been able to make profits across the quarters. Now 2 things you have to keep in mind. One, we are -- the 2-wheeler business is supporting that stress. Two-wheeler business is supporting an outflow of a non-NPA pool of co-lending. The 2-wheeler business is supporting 2 whole new verticals, which have come up. The 2-wheeler business is supporting a whole new initiative of digitization, AI, all of this involves a lot of cost, okay?

After having done all of that, we've been able to come quarter-on-quarter and show you some results. Of course, I know this is not to the satisfaction of the investors. It's not to the entire satisfaction of us also in terms of the results. But we are fully convinced about our actions and what we are doing, and we'll continue to do what is right for the company.

Ramandeep Gill: Sir, one thing I want to add -- a few numbers, sir. I think -- because sir has said that in Q3, we have done some PCR change and all. I'll tell you, sir, my NPA is -- since you must be having this PPT, you can also do the same number with me. We have reported an NPA of INR209 crores, okay? While in Q3, we have reported INR211 crores, you can just see, PPT is with you, okay? INR211 crores, we have reported.

Now that INR211 crores was the entire retail NPA. Out of that INR209 crores, just subtract INR15 crores from the Up Money, which was the corporate loan, it would be INR194 crores. INR194 crores on a book of INR3,441 crores, it comes at a GNPA as a percentage of 5.64% as compared to 6.45% in Q3.

So you tell me, sir, why -- you tell me, sir, that whether the NPA has gone down or increased. If you compare apple-to-apple, you compare our PCR and then you say, because the statement which you have made, the NNPA has increased. NNPA in my Q3 with the PCR of 50%, that was a conscious call we have taken because we know that our retail portfolio is performing extremely well, about 3.64% without -- and just comparing apple-to-apple with retail portfolio, my NNPA would have been 2.82%. So this is the kind of change which the company has made. Yes, Mr. Tejas, over to you. You can ask now.

Tejas Khandelwal: Yes. So as far as I can see, sir, our NPAs have bottomed around Q2, Q3 FY '25. After that, they are rising and NPAs will cross now 7%. So which is, I think, concerning. And the second thing is you have talked about the growth in AUM. But sir, our disbursement has not shown any growth, both quarter-on-quarter and year-on-year. So I don't know when -- at the time when the entire auto sector is booming in India, I think you are missing a golden cycle?

Ramandeep Gill: Yes. Tejas, sorry to interrupt. First, I want to take this question on the NPA first. You said around 7% and all. I want to know this calculation, how you are doing it. Apple-to-apple, you do that, retail to retail. Corporate loan Up Money was an excluding factor, which we have already told, on that we already have a security -- just exclude corporate loan, then you inform us that where we are on our NPA.

Because at the start of the call, I myself has said that we were at 0.85% as a flow forward towards the standard AUM. That has gone down up to -- by Q4 as 0.43%. That, I had accepted that at the start of the year, it was like this. But now it has been halved. It's only 0.43%. So I wanted to know what makes you say that it was 7% and all. I just want to know the statement, sir.

Tejas Khandelwal: I mean in presentation, you have given the 6.96% of GNPA. It's around 7%, right?

Ramandeep Gill: Yes, very correct, very correct. So that is the reason I'm explaining while answering your question...

Tejas Khandelwal: That's what I said that gross NPA is running towards 7%. That was what I said. And then second was on the growth, which you have said that you're growing, but your disbursements are not growing. And the entire auto sector is booming. So I think you're missing the golden cycle. So that's what I said. I don't know what else you're talking about?

Ramandeep Gill: So sir, this is what it is. So when I -- again, I'll repeat that this 6.45%, 6.89%, whatever it is the NPA, when -- at the start of your question, the question was that we have changed the PCR, this that, and I wanted you to have a comparison on the retail to retail. That is the reason when I was explaining my call, I said that the company has taken Up Money as a corporate loan as a hit of INR15 crores as a onetime hit. That has led to an increase.

If you reduce that component, you compare apple-to-apple, your NPA would be 6.45% in Q3. Now it is 5.64%. So it is below 6%. That is how my retail portfolio is getting executed now, sir. Over to you, Mathews sir, for the AUM question.

Mathews Markose: Yes. On the question of the growth, again, I clarified in my response. Earlier, we were growing MCSL plus co-lending. Today, we are growing only MCSL and we are at the same level, okay? So if I add co-lending, I can grow another by 50%, which we don't want to do. That's why we are not doing. It's a conscious call. We are very clear of what we are doing.

Tejas Khandelwal: Okay. Sir, what growth should we look at in FY '27 on the AUM side and on the profitability side also?

Ramandeep Gill: Tejas sir, one more thing. Sir, I want to take this question. Tejas sir, on the Slide 7, which we have shared, if you can open, if you have that in front of it -- in front of you, the growth, which was -- which I wanted to say that MCSL portfolio was INR2,118 crores. That has gone up to INR2,758 crores, 29% of the growth which we have recorded. Sir, I believe that is in line with the industry.

The only answer to say that there was some degrowth which was around co-lending growth, which has been degrown by 40%. INR940 crores has become INR595 crores. Okay, sir? So we wanted to grow the MCSL portfolio in the same lines in this financial year as well, sir.

Tejas Khandelwal: Okay. Okay. And on the profitability front? What kind of ROA have you decided internally? Anything on that?

Ramandeep Gill: While doing the business plan for the company, the cumulative ROA, which we have taken, while -- because we know that 2-wheeler is an existing one, while 4-wheeler and CV are the new ones wherein they need to perform extremely well and which they are doing it as well. So we are expecting that either of 2 will get a breakeven in this financial year, okay? But we have not taken while computing the overall ROA. Pretax ROA we have computed as a whole for MCSL would be around 2.5% to 2%. This is what we wanted to say.

Moderator: The next question is from the line of Vinod Krishna from Avendus Wealth.

Vinod Krishna: How far is our INR10,000 crores AUM and 3% ROE or 4% ROA target? And are you now confident about the business model that you have said because you are talking you have invested in digital, AI and collections and sourcing from only our portfolio. So -- and also North, because we have done for us North is new, so how confident are you that your business model is set in North and about the growth? And what do you say -- how far is that INR10,000 crores? So if I can, how confident are you from the way you have set up the -- once the new team has come?

Mathews Markose: So we are very confident about the INR10,000 crores. That's why we put up that number on board. And we -- also this year before budgeting, we again went through all our strategic objectives. We have retained all of them. We are looking at INR10,000 crores by '28, '29, somewhere thereabout. And the past -- this year, we'll have definitely crossed INR4,000 crores AUM, somewhere close to INR4,500 crores is what we are looking at.

But we will look at the evolving situation because of the ongoing crisis and all that. We don't know how it's going to impact India. You already heard PM say a few things yesterday as advisory. So we will look at the evolving situation. We want to go quarter-on- quarter. But we are very, very confident about our business model. We are confident about our team. We are confident about the locations that we have opened up in the North.

All the locations are doing well, and we'll continue to scale there. We will go in a calibrated manner in North. We will not expand to all the markets. The markets where we are present currently, we are comfortable, we'll continue to grow.

Other than that, we are expanding in newer markets where we did not have much deeper presence like Maharashtra and Tamil Nadu. Both of these are very, very good markets, but our presence was less where we are going deeper into that. And we are very confident about our business model and the team and the initiatives that we are taking.

Moderator: The next question is from the line of Ankur from Jain Capital.

Ankur: Mathews, Raman, congrats. I think you guys have been navigating a very, very tough environment. Mathews, I think you complete a year also, so congrats on that. First question, if you can give us more color on the team build-out that you referred to, how is the collection and BD team shaping up?

Mathews Markose: So collection -- and the second, what was the team you said?

Ankur: Business development team.

Mathews Markose: So today, we have completely divided the company into various SBUs, strategic business units. So we have a business head for 2-wheeler business. We have a business head for car, UCL. We have a business head for commercial vehicles, and we have a business head for the group relationship business, so which is all the group companies.

So we have been only getting business from Muthoot Fincorp for a long time. And that used to contribute almost 85%, 90% of the group relationship business. This year onwards, we are going with Muthoot Microfin, and Muthoot Microfin has already signed up with us and also SIP and Muthoot Housing Finance in a small manner.

While the volume will not be large, but the objective at a group level is that when we do scrub on individual company base, we see that a lot of customers go outside of Muthoot's ecosystem to take loans, which is already available in the Muthoot ecosystem. So that is something at a group level, we are trying to keep in-house. So all group companies carry 1:4 target, which is 1 customer should have 4 products within the group and all that.

So those kind of initiatives are happening. Fincorp will continue to be the largest one. So that is -- those are the 4 business verticals. We have a Head of Collection who takes care of all the core business collections, but he's supported by zonal heads in the North, East and South. But our portfolio is not that big. So as of now, we don't have a zonal head there. But as and when the portfolio grows, we'll have people there also.

Other than that, we have today a full-blown, what you call, audit function, compliance function, risk function, credit head and credit team. Most of our 2-wheeler credit has been automated through scorecards. So largely, the team is for car and CV, which still is manual in terms of -- while the flow is digital, but the underwriting happens with a manual intervention. We have a full-blown, now, legal team.

So all verticals -- so some 17 HODs report into the CEO, all of them are full-fledged departments. So all of these are investments, and we've invested a lot in compliance and governance, which is reflected in our upgrade, in our recently conducted RBI audit and all that. So all of these are resulting in very good softer aspects of the business. And of course, we know that the investment on the business side is going into developing all of these.

So we are building our organization from the very foundation, okay? And the results are there to be seen. The promoters are happy. The Board is happy, and we will build it. We are confident about it.

Ankur: So given the current cost base, what kind of cost-to-income ratios we should look at, let's say, F '27 and F '28? Is the cost, most of the cost loaded or is there more cost coming in?

Ramandeep Gill: Sir, as I said earlier, we do have 2 new products in line, which is used car and CVs, right? So therein also the business is increasing extremely well and either of two will get a breakeven in this financial year itself. So therefore, we -- when we talk about MCSL as a whole, cost-to-income, yes, it is very high as of now. We target slowly to bring it down.

And obviously, the good target is to remain at around 60-40, right, which is not now as of now, but yes, for this financial year, we want it -- right now, it is 85% where we are standing as of now.

But by -- when we know that the overall cost -- when we say that for -- 2 things which is really helping us out now, which is, one cost which has helped us out for the entire financial year was the cost of funds that has gone down by INR0.60. And then on the new incremental cost of borrowing -- sorry, new incremental funds, which we are going to raise, which would be around INR3,000 crores, on that, INR0.60 would be having a huge impact, number one.

Number two, which -- I will say that the cost of impairment, wherein we are seeing some good results starting Q3 itself. And Q3 and Q4, we are seeing -- we are hoping that if trend gets continue in Q1 and Q2 itself, we will be having a good margin for our cost to income as well.

So I hope that Q1 would be good. And based on that, for the entire financial year, we can still project that, okay, we'll not achieve as per what we wanted, a 60% -- 60-40. But yes, we'll be somewhere around 70%, 75% as a whole.

Ankur: Raman, 2 follow-ups. One, how much equity are you planning to raise and will it come from promoters? Second, you mentioned INR3,000 crores. Is that the debt that you will take over? What...

Ramandeep Gill: Yes, understood, sir. So answering both, sir. Number one, as I said at the start of the call as well, we got 2 investors during the last year itself, but you know that Q1 was not that good. And Q2 -- we improved in Q3 and Q4. Q4, we have been able to show some good -- that is the reason I'm focusing on my portfolio as a whole.

One surprise in the corporate loan has come. Other than that, the result, as for me as a CFO, was extremely good and the performance in terms of the asset quality has been significantly improved, okay?

So we -- so these results have been -- so we have shared this with our new investors as well. Not confirmed though, but yes, they wanted to do some due diligence on the final results and all, which they will start now. And immediately after the AGM, they will take the entire balance sheet to review and to reflect.

So we are targeting around INR400 crores wherein we -- the promoter also wanted to contribute. This round would be more in the form of CCPS. Why? Because this would be more of a milestone base. The valuation of the company is not that great, which you already know, in the market. So that is the reason milestone will play a very significant role here, again.

So we wanted to target INR400 crores itself where INR200 crores would be upfront and INR200 based on some milestone which we want to do. And then yes, promoter wanted to -- always wanted to take a substantial share. Right now, we are at 63.33%. Obviously, they want to maintain somewhere around more than 51% throughout. So this is one.

Second thing, on the INR3,000 crores, I said, this would be my total borrowing, which I'm planning. On that, the cost of funds, as I said -- because when we talk about the ROA as a whole, it doesn't -- sir, it doesn't come only from the impairments and from all, while saving the small cost and now it has become so big, the INR3,000 crores, a percentage of INR0.60, that will contribute a lot in this financial year on the overall ROA of the company, sir.

Mathews Markose: I want to add something where Raman has left. So earlier, I had mentioned in reply to Vinay saying that I invite all of you for a more detailed demo where we can take you through individually or collectively through the processes that we have put in, all the improvements that we have made, which will actually give you more confidence in what we are doing.

So that offer remains, and I'm happy to invite as many of you for joining that thing. But in the current moment, I want to add a few initiatives that -- on the cost savings. So our entire 2-wheeler today underwriting, and we have also got AUA, KUA license from UIDAI.

So our KYC is going fully digital from this month onwards. Till now, we were looking at various options. Some was manual OCR and all that. Now we are enabled on safe authentication and biometric authentication. So our entire KYC is automated. Our risk underwriting is automated through scorecards.

So the last leg was -- so once the risk -- credit underwriting becomes automated, we had about 30-odd people doing 2-wheeler credit, okay? That team will now get reduced to 3 or 4 because they just need to monitor the BREs. So that entire cost, we move to the car and CV where we need people to do the underwriting even now. So while we are building these 2 businesses, we will not be adding that much incremental cost because of the saving that we are doing here.

On the second leg, the last leg of the disbursement process of 2-wheeler, which was operations, used to be manual where after the KYC is done, then the underwriting is done, a few people, again, some 40, 45 people were sitting and looking at files, looking at the invoices, insurance, margin money, etc., and disbursing the file. That leg, we have developed an AI tool and made that automated. Today, we are getting about 65% application-level STP on that.

So that, over a period of time in the next 2, 3 months because it's a machine learning model, which learns and improves, we will -- we expect to take it to 90%, in which case, instead of this 45 people, I'll need only 5 people to do that entire leg. As of now, all these costs remain with me.

The credit cost, the operations costs remain with me because I can't send everybody home. But these are rationalizations that we are making, which will, in the time to come, improve because even with increased volume, I will not be adding more people because all of these are automation that we are doing. It will not reflect in any balance sheet, any P&L account.

These are all things which I can show you if we have a chance to speak to you individually and demo. There was a huge amount of cost that I was incurring in terms of name match, face match, address match, geodistance monitoring in each application. So there are geodistance restrictions. If a customer stays beyond 40, 50 kilometers, we will not do that loan, etc.

So all of these used to be API calls to external vendors, which have now -- we have built in-house. And from the month of May, it is in-house. So that used to be a INR3 crores, INR4 crores build for me in a year, which will not be there from this month.

So these are all -- none of these come in any of the published figures. These are all initiatives that will gradually improve efficiency as well as reduce cost for the organization. And these are the things that we are implementing and implementing with full support from the Board and promoters and everyone. So we are very confident that we are on the right track.

Ankur: Yes. Mathews, We had the chance to meet Microfin management in Bombay last week. So a lot of initiatives which you are talking about there, I think they've already done, so you have a good learning ground there. Just one question if you guys can hold one Investor Day either in Kochi or Bombay?

Mathews Markose: That's a good suggestion, we will do that.

Ankur: Is it fine if we drop a mail to Deepa to coordinate that?

Mathews Markose: Yes, please do that. Please do that. We will be more than happy to come and present all our initiatives.

Moderator: The next question is from the line of Kshitij Verma from Rest Assured Group.

Kshitij Verma: Yes. My query was, as you are aware, in the upcoming year, we have certain events against us. For example, they are saying there's an El Nino problem, there's a heat wave problem. There's a war supply chain crisis. Are we worried about the ARC security receipts we may have to take a write-down there also because of it being in the legacy book?

Mathews Markose: As of now, we see no challenge. I think these are peripheral issue. It still needs to be -- because India is still reliant on domestic consumption, the direct impact to any of these countries is very, very less. We still need to see how the crude oil prices are going to impact broad consumption. But we don't see -- as of now, we have not seen any this thing.

We had a detailed report coming to us from CRISIL. Even CRISIL has not -- while they have flagged off -- they have put red flags in terms of overall slight slowdown and all that, but they are predicting good credit growth, not much impact on repayments and all that.

As of now, we are not very concerned on any of these things. And if you look at the ARC, in the first ARC, we have only about 25% or 26% remaining and the second ARC, a little over 40%. So the danger part is already behind us now.

Kshitij Verma: Okay sir. And sir, certain banks -- the major banks have taken some countercyclical provisions. We are not keen to go towards that. You are confident that -- because the segments we lend to are susceptible sometimes to macro shocks more, but we are confident that our underwriting will sail through it, right, on the new book or in the last 1-year book, which we have built?

Mathews Markose: Yes. The last 1-year book has been behaving extremely good. So we have recently taken -- last quarter, we took the credit insights dashboard from one of the credit bureaus where it gives comparison between you and the peer group. So we can set the peer group. Obviously, they will not give you one-on-one, but they allow us to set a peer group. So we have set a couple of peer groups and we do a comparison.

We are way below the NPA levels in the incremental portfolio when we compare ourselves with the peer group. So we are confident and yes, I think if there is any drastic shock coming out of all these developments, we can't predict. But as of now, the way it looks like, I think we are pretty much confident on the -- and that's why I said that we are looking at a calibrated growth. I don't want to go very, very aggressive.

While even today, I think the industry is still steady state on a steady-state basis, it's not shown any dip. So I would still like to tread with caution in terms of new onboarding. And therefore, we are not entering into any new geographies this year. We are only going deeper in the places where we are already present. So those are the checks and balances that we are keeping in mind.

Moderator: Ladies and gentlemen, we take this as the last question. I now hand the conference over to the management for closing comments.

Mathews Markose: Thank you so much. It was nice interacting with all of you once again. As I mentioned, I would -- we would like to organize a smaller group meeting with all of you and take you through all the improvements that we have made in terms of our business, our investments and we want to highlight our thought process for the years to come. We would really love your participation in that so that you also get confidence.

I know some of these questions come out of your own frustrations in -- may not be able to see the results that you are expecting. But as they give the bamboo analogy, we are building the roots, and we are building a real strong root so that you will see that stem grow very fast in the time to come.

So we are very confident about what we are doing as a management. Our Board is fully in support of us, promoters are fully in support of us, and we will deliver the results. We are confident about that. Thank you so much and keep -- stay invested in us. That's the assurance that we can give you. Thank you.

Moderator: Thank you. On behalf of Elara Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.