



“Muthoot Capital
Q1 FY2024 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Muthoot Capital Q1 FY2024 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta from Elara Securities Private Limited. Thank you and over to you Madam!

Shweta Daptardar: Thank you Seema. Good afternoon everyone. On behalf of Elara Capital, we welcome you all to the earnings conference call of Muthoot Capital to discuss the Q1 FY2024 earnings performance. From the esteemed management today, we have with us Mr. Ramandeep Gill, CFO, Mr. Mathews Markose, CEO. Without further ado, I now hand over the call to Mr. Ramandeep Gill for his opening comments post which we can open the session for Q&A. Thank you and over to you sir.

Ramandeep Gill: Thank you Seema. Thanks Shweta. A very good afternoon to everyone and very happy to converse with each one of you to showcase the results of Q1 of this financial year. The quarter remains stable in terms of business, but if the focus was to add various partners with respect to various products that has been offered by the company. At the same time, the topmost priority has been provided to the asset quality of the company which always remains the key areas of the company. We will talk about the asset quality also in detail. The accounts have been approved by the board on 8th evening, but first we will share you the highlight of the results post that our CEO, Mr. Mathews Markose will be providing you the target for Q2, he will be sharing with you the broad strategy which the company will be adopting in the quarters to come. So, let me begin with the Q1 results.

The Q1 as I said the AUM of the company stood at Rs.1996 Crores wherein the company has done a business growth of Rs.201 Crores which have taken the balance sheet at Rs.2236 Crores the total number of the customers stood at 468407 lakh, however, if we compare the PAT of the company and returns of the company. The profits of the company stood at Rs.18.03 Crores which record a growth of 26.08% from the profit which we had in the Q1 of last financial year whereas if we talk about return on asset of the company. The return on asset of the company stood at 3.56% wherein if we talk about the Q1, it stood at 2.80% recording a growth of 27.14%.

The ROE remains more or less the same which is 14.50% for this financial year, it was 14.48%. Significant change can be seen in the leverage of the company which has gone down from 3.8 to 3.3 and 3.6 of the last quarter to 3.3. The GNPA as I said the company

has an opening GNPA of Rs.431 Crores when we open this quarter whereas closing stood at Rs.424 Crores. The overall portfolio which we can see the efficiencies which companies have seen in zero buckets we have seen as much as 97% of the efficiencies whereas the portfolio that we have created in last 12 months amounting to Rs.600 Crores having a total GNPA of 2.40% and portfolio that has been created between 12 to 16 months amounting to 18% having a total GNPA of 3.40%.

The capital adequacy of the company gone more strong if we compare it with the Q1, it has gone up to 29.89% as we close this quarter recording a growth of 47.24%. The overall number of the company that we have seen in terms of own funds. The own funds of the company we have closed at Rs.507.2 Crores whereas if we compare to the Q1 it was Rs.425.66 Crores. The average cost of the company with respect to the cost of funding is 9.70%, we will speak on that. The company in terms of recoveries as I said the NSCH performance for the company has been specifically improved in this quarter wherein our success rate which used to be 35% has gone up to 43% as we close this quarter. Bucket zero has always been a key focus wherein we have tried to bring the entire team in-house so that we can also have efficiencies in terms of recovery cost. Therefore, we have seen that we have achieved the highest efficiency of 97% in bucket zero.

As I said in the last quarter, we have been going ahead with the co-lending partners, in this quarter also we have added two more partners. With respect to our co-lending businesses, the total partners which we are having, they are having a total AUM outstanding with us at Rs.253.34 Crores and each and every rupee stands at a standard asset. In terms of corporate book performance, corporate book performance of the company, the corporate loans are provided by the company stood at Rs.160.33 Crores with the total number of clients outstanding at 35 and then everything remain standard. As I said the total slippages which we have seen in terms of NPA was Rs.35.95 Crores whereas in terms of recovery that company has seen was Rs.42.61 Crores during this quarter.

The company has a total provision coverage ratio of 90.11% which is as healthy and provision for the Stage 3 assets stood at 20.06%. With respect to the shareholding pattern, the promoter group continued to hold 62.62% of the company whereas 23% has been hold by the retail the banks and financial institutions, FI, FPI and NRI, they are holding 3% and other corporate bodies are holding 5%. In the last quarter, the company has raised Rs.129 Crores of additional funding which include adding one bank and which also include adding the funding through NCD. As I said in the last quarter we want to have a borrowing mix which contains working capital demand loan also, NCDs also and term loans also. In terms of new banks that we are going to add, the banks have shown interest specifically after our Q4 results and we are in touch with the banks. We have already received the term sheets of

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approximately Rs.200 Crores, but as per the requirements of the fund, we have been closing these banks.

As far as working capital demand loan is concerned, which was quite a concern area in the last financial year wherein our GNPA was high and banks were assessing the same. In this quarter, we have seen that each and every working capital that company has paid. We have been successfully able to roll it over whether that pertains to Union Bank which we have done in the last financial year Q4 or we can say the TMB Bank, IDBI Bank, Central Bank that we have closed in this quarter plus IOB. As I said the borrowing mix of the company, 60% still comes from the banking loans whereas 22% of the book is hold by the securitization. The NCDs which were close to 8% in the last quarter and 3% in the Q1 of the last financial year now that has gone up to 11% whereas in terms of MLD which was zero in the Q1 of the last financial year has gone up to 5% as we close this quarter.

The overall growth as I said the company has done extremely well specifically in terms of maintaining the NPA level and also adding various partners, because we know that from Q2 onwards various festive seasons will be starting and we need to have partners who can work as an extended arm in the quarters to come. Now, I would like to hand over this call to our CEO, Mr. Mathews Markose who will be providing you the overall strategy of the company, the company which we have adopted in Q1 and how we will be able to perform in Q2. So, Mr. Mathews Markose over to you Sir.

Mathews Markose:

Thank you so much Ramandeep. Very good afternoon to all of you, very, very happy to connect with all of you once again especially in the backdrop of the results that Ramandeep has just announced, so if you see that we have improved on all the parameters over Q-on-Q we have shown steady improvement over all the parameters and especially in the backdrop of the fact that we discussed last time on May 20, so the initiatives that we discussed, the effects of that would have just started trickling in and most of which would not have come in the Q1 result, so the results of that we are seeing now. So, the positive side is that Q-on-Q, our results have shown steady improvement and we get into the festive season. The festival season in our country starts with Onam in Kerala. Kerala to be our biggest market. The biggest market for us had a drop about 20%, 25% drop in Q1, but we were able to manage our disbursements at a steady speed, so which would mean that our market share would have slightly gone up in our principal market and with Onam coming in, we are seeing a lot of buoyancy in the market. As we speak today we are already double of what we did last month so far and that is of course a function of the activity in the market, so dealers are doing good business now, there was a lull in the last quarter especially in the southern markets where we have more than 60% share and these markets are showing lot of buoyancy and we expect that to reflect in our results as well. On various other initiatives

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that we have taken on bringing in operational efficiency first and foremost is that we are moving to a new LOS which will give us an end-to-end TAT of say 20 minutes, we will be able to disbursement loan in 20 to 30 minutes. So, there is a poster in my room which says loan approval in 30 minutes, so I was that of course the dated poster thinking where we are headed to so that was a time when we had proposed loan approval in 30 minutes and now we are talking about being able to disbursement loan in 30 minutes, so that is why we are heading to that LOS will be up and running by the end of September, but yes we have been moving it to UAT now. So overall even outside markets, we have put up new teams the entire salesforce is there in place to cater to the festive season, which will be coming after Onam. Once Onam gets over, festive season starts in the northern part and the western part of the country, so therefore we really are looking forward to Q2 and Q3 with great hope. A couple of more things, last time we discussed about putting up a used car as an area for opportunity so we have already started that we have put up a full-fledged team, pan India for kick start our used car business and we are happy to see the progress there in we have been able to clock good numbers now. This month hopefully we should end up with about Rs.5 Crores of disbursement to start with, so that is on the new product initiatives. We also launched the PL product; this is being targeted on our existing base within the group companies. So that is another opportunity that we have pursuing. So, I think that is from my side. We can take questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Bhargav Jasti an Individual Investor. Please go ahead.

Bhargav Jasti: Good morning. This is Bhargav. Congratulations on good set of numbers. I would like to know up on the AUM targets of this year like from the last two or three calls we have been listening that the target was earlier given for 2700 slowly to 2400 and we still ended up with in 1996 so what is the target that you are focusing for February 2024?

Ramandeep Gill: Yes, we spoke about that and just to give you a glimpse on this target. We have relisted the entire thing and yes 2700 we have said, but we will close somewhere around between 2500 to 2600 for sure why I am saying this. As we have said we have added two partners now for each and every partner the limits have been set now right, the limits are up and running and earlier we were only relying on the business that is from NCSL, but yes when we say these partners are behaving like our extended arms right, so the targets have been set, so right now we are moving with them with the quarterly targets and I am 100% whatever number that we have said with a gap of approximately 5%, 10% we will be able to achieve it for sure.

- Bhargav Jasti:** And one more question, the thing is regarding the NPA, this quarter as we are seeing the opening balance was 431 and the new slippages are little bit worrying, because they are to the tune of 35.95, is there any target that you put because last time in Q4 you said your quarter and target will be 430 and you have achieved it. This time, the low slippages are a little bit volume they came into 36, although you recovered 45, the newer rate 36 so is there any target for this year by, what is the percentage that you are aiming it?
- Ramandeep Gill:** Thank you so much Bhargav for your question. First of all I just want to add what I have said in the call. I have also told that we have added approximately Rs.600 Crores of book in last 12 months which is showing overall GNPA of 2.40% this is one. If we talk about new slippages in NPA that there was a circular from RBI on November 12, 2021 which says that once an NPA will become an NPA so even if that will go as an NPA, but we have been able to recover one or more installment from them even if DPD of the customer stand as 60, still we are classifying them as an NPA, so new slippages contain both and majority of the portion comes from these NPAs which we call it internally as a soft NPA and in with respect to your next question, targets for this, yes as I said Rs.420 Crores was target for Q1, but we ended up at Rs.424 Crores. With respect to Q2, we are targeting somewhere around Rs.410 Crores to close to Q2 and in terms of closing the financial year, we are expecting our NLPA to be under 2%.
- Bhargav Jasti:** Last one, for the full year what was the number that you are expecting?
- Ramandeep Gill:** Full year, we are expecting our NLPA to be below 2%.
- Bhargav Jasti:** That is it from my side. I will join in queue.
- Moderator:** Thank you. We take the next question from the line of Pankit Shah from Dinero Wealth Private Limited. Please go-ahead sir.
- Pankit Shah:** Good afternoon team. First thing on the used car side, the new businesses we are trying to build. What would be our USP in that business because a lot of competition already doing it aggressively, so how are we doing it differently and how do we in the market?
- Mathews Markose:** Thanks Pankaj. Mathews here, I will take that question. Our USP, in this product continues to be our customer base, so we have a group which has Muthoot Fincorp, Muthoot Microfinance, all the entire customer base of these customers, graduate to a two-wheeler and then to a used car okay, so that is our primary focus. We will focus on the customer base of Muthoot Microfinance and Muthoot Fincorp, so that is our primary focus, because there is enough space there already available. There is enough headroom for us to the target

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that we have set out for ourselves this year can be met easily by focusing just on the base. Other than that we are doing all the regular stuff which is tying up with all the Maruti True Values and Mahindra First Choice, all those people to source business from the market, but primarily the focus will be within in-house and that is our customer focus.

Pankit Shah: Okay and sir, USP in-house customer base do we have to pay some percentage to the group company or the margins would be lower?

Mathews Markose: We pay a very smaller when compare it to external DSA or a dealer, the payouts are much lower, but yes, we do pay, there is an internal RPC agreement that we have signed with each of these group company.

Pankit Shah: It will be similar to like a lower than the dealer payout structure?

Mathews Markose: Yes, it is lower than the dealer.

Pankit Shah: Okay.

Mathews Markose: So, now the complement us also in the fact that out of that even for on our two-wheeler base, we have today about 50% clearance through NAT and the rest 50% comes through customers walking into the MFL branches and voluntarily paying their EMIs, so they complement as in collections as well.

Pankit Shah: If I heard it right you said Rs.2500 Crores, Rs.600 Crores is the AUM target by the end of this year FY2024?

Mathews Markose: Yes.

Pankit Shah: So probably your disbursements will have to aggressively start from here and I understand that a lot of the customers which will be targeting our group customers, so the sourcing would be quite quicker. So, is this a right understanding or the partners which we have recently signed up, they will be aggressively scaled up?

Mathews Markose: This is not just a one-way strategy. We have a multi-pronged strategy, so on the two-wheeler side which is our bread-and-butter business. Of course, we will be going aggressively in the dealership channel as well as through partnerships, because all these customers and new customers to us, very small percentage of that comes from our group companies while there is a portion, but on the car loan, used car loans because this is a new business where our understanding, we are also learning this business, we would tread with caution on that and there we will bank more on the group companies where we already have

a credit history we know those customers well and therefore and we have moderated our targets on this product to that extent. Partnerships with for co-lending as well as BCs will continue to be our focus area, because that gives us a disproportionate advantage of moving faster in some of these markets. If I were to set up my own retail team and try to build it, it will take a lot of time for me to set up that team, but partnerships give me that advantage so that will continue to be our focus.

Pankit Shah: And that comes with a much lower yield?

Mathews Markose: The yield is lower, but there is no risk on me, because on the other one, the entire risk is on me, the collection cost is on me, he has no cost is on me, the yield is clean income to me.

Pankit Shah: Now, coming to provisions we have Rs.200 Crores of excess provision, we are about to utilize it or probably write back, what is the plan there?

Ramandeep Gill: I will take this question Sir. What we will do is we will be taking some call on in this quarter itself with how we are going to create this provision.

Pankit Shah: Okay, so probably PCR is already good, so we will have to write that right?

Ramandeep Gill: Yes, most probably, but cannot confirm as of now sir.

Pankit Shah: Got it. Again on I think last call also I had asked the same question we are about to come out with a strategic plan of three to five years at what is our vision, how do we want to, how do we see the business over the next three years?

Mathews Markose: I will take that question, Matthews here. So, next three years we will look at. First thing is that we will not be a single product company anymore, so we will have used car, used LCV, PL all of these products going up and running and these policies have already been framed and as we speak it has been rolled out also, so we will try to bring down our concentration of two wheeler to about 50% or close to that and rest of the products occupying in that space and on the product side, on the partnership side, again dealer business today contributes about 75%, co-lending is about 12%, our branch business which is business from MFL is about 13% so that also dealer should come down to about 50% brand channel which contribute about 25%, co-lending will be about 20% odd and BC partners and the other digital and all will be about 5% so that is the way we see it.

Pankit Shah: Okay and we are also about to raise the capital for this course which is we are expecting, so is there any progress on that front?

- Ramandeep Gill:** Sir, in terms of raising the capital if you see a leverage as we speak it is only 3.32 times right, so if we raise this capital now then there will be a direct impact on the ROE, so what we will do is we will assess the requirement again in Q3 and then we will see.
- Pankit Shah:** Until what levels have comfortable up to 5, 8 or.....
- Ramandeep Gill:** We can see up to 5, but yes, we will start our work when we reach somewhere around 4 to 4.2 sir.
- Pankit Shah:** Okay. Got it and I will get back in the queue. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aditya Shroff from Incred AMC. Please go-ahead sir.
- Aditya Shroff:** I have two questions. First was the lower sales in co-lending, what is the spread that we are targeting?
- Ramandeep Gill:** Sorry Aditya.
- Aditya Shroff:** Now that we are getting lower sales on the co-lending business and we are also focusing on expanding this channel, so can we expect that the spreader going to reduce or the current 17% spread level are going to maintain, so whether these are going to increase or decrease further?
- Ramandeep Gill:** Very good question sir. We had thought about it and I will tell you about the homework that we have done on it. So far in terms of yield from the co-lending, yes we are doing co-lending only in the areas and with the partners who are basically the subject matter expert of those areas geographic right and who are there on those areas from last say 15, 20 years or who are in the experience of those areas, so we are entering with them and the biggest thing is whatever co-lending that has been sourced by them. Right now, everything remains that as standard so if we talk about opex on the co-lending or if we talk about the cost of recoveries which we have as of now. So, I will say it is more or less zero, right, so, if we talk about the yield will not find a gap of more than 1% to 2% for sure, but yes, one thing is for sure that this co-lending which we are getting. The asset remains standard more than standard I will say asset remains zero days overdue which gives a lot of comfort and it also help us in bringing down the overall GNPA level of the company.

- Aditya Shroff:** Okay and secondly on the disbursement run rate I wanted to understand so as a monthly disbursement rate improved in this quarter, because we had done around Rs.200 Crores in the past.
- Ramandeep Gill:** I cannot say the number for this quarter as of now, but one thing is for sure that you will see a huge improvement in terms of business number specifically in Q2 results that is for sure.
- Aditya Shroff:** Okay, got it sir.
- Moderator:** Thank you. We take the next question from the line of Vinay Jadwani an Individual Investor. Please go-ahead sir.
- Vinay Jadwani:** Thank you for the opportunity. Some of my questions have been answered. This furnace regarding can you give some tentative figure regarding your three years view where are you seeing the AUM three year down the view as a tentative figure and the profitability also?
- Ramandeep Gill:** I will take this. In terms of figures, comfortably we are seeing Rs.5000 Crores as our first target though will be more than that that is one. In terms of profitability I will say that our own would be somewhere around to Rs.800 Crores to Rs.850 odd Crores that is at base level.
- Vinay Jadwani:** Okay and one thing during 2016 there was a dividend policy of around 25 payouts and from 2017, it has been kept as zero, so I think that will be requiring for future growth, so could you give some light that from when we can expect some kind of a change in dividend policy, because other companies which are also going, they are also paying some kind of a dividend so regarding this what can you expect in future?
- Ramandeep Gill:** We are thinking on the same line first of all. The last financial year we had a huge loss right, so that is the reason in last financial year, the profits which have come is basically we can say that the profit has been plowed back to the business and in this financial year also our expected tax would be somewhere around 15%, 20% higher than the last financial year for sure and then we will be able to consider the revision in this policy for sure.
- Vinay Jadwani:** Okay. Thank you. That is all from my side.
- Moderator:** Thank you. We take the next question from the line of Rishikesh Yoda from Robo Capital. Please go-ahead sir.
- Rishikesh Yoda:** Thank you for the opportunity. Sir, could you share your disbursement targets for FY2024?

- Mathews Markose:** Okay. I will take it and in terms of Q1, we have done a number of Rs.200 Crores whereas Q2, Q3 and Q4 put together we will be doing a total business of somewhere around Rs.1100 Crores to Rs.1200 odd Crores.
- Rishikesh Yoda:** And that is something which I am saying at base level, it will only increase?
- Mathews Markose:** This is the disbursement target you are saying ...
- Rishikesh Yoda:** Yes, disbursement.
- Mathews Markose:** Okay, so basically I think even last year it was not very less than this, so why have we changed our guidance from 2000 I think the target was about Rs.2000 Crores.
- Rishikesh Yoda:** So what exactly the reason that we have revised the target down?
- Ramandeep Gill:** No, there are two things to it now. First is basically as I said it will be somewhere around 1100, 1200 for the next three quarters right so, we are targeting somewhere around, the total business for this year would be around 1500 including my Q1 also right, but if you see great momentum that has been we can see that in our new products that we are offering then 100% sure we will be able to make this target somewhere around 1600, 1700, but following a very cautious approach wherein we are monitoring our asset quality each and every time as I said for last 12 months we are having best asset quality in terms of GNPA of the entire business source, so whatever happened in last to last financial year in terms of even increase in GNPA and all we want to focus on the other hand that is the reason we want to show a growth in the business, we talked about the last financial year, the company has done a business of Rs.1314 Crores right, 100% will be going somewhere around Rs.1500, Rs.1600 Crores in this financial year and that would be considered as a very good growth, but yes if we talk about GNPA comparison of last financial year and in this financial year we will see a change in that.
- Rishikesh Yoda:** Okay and sir my second question is why have AUM and interest income have fallen this quarter, is there any one-off there?
- Ramandeep Gill:** No, so the answer is in this quarter itself our repayments were higher than the business that we have done. The repayments that has been received by us since it is a two wheeler wherein the average time period of the product standards somewhere two years itself so repayment is always on the higher side right, but that is something which I will say that is the Q1 of this financial year wherein GST in this trend with quarters to come our total

business would be higher than the repayment and we will see our growth in the AUM and interest income simultaneously.

Rishikesh Yoda: Okay.

Mathews Markose: I will add to that. Currently, I do not know 91%, 92% of the book is two-wheelers, so average now is about 18 to 24 months and when the moment we add used car and used LCV, the average loan tend to be between 36 to 48 months. The runoffs on the book will be much slower, so on the portfolio that we will add the AUM growth will be much larger compared to what it is, so if you are comparing a disbursement vis-à-vis AUM growth it will not be the same as in the past.

Rishikesh Yoda: Okay, true, got it and also I think to the earlier participant you mentioned around 15% to 20% PAT growth, is this on a consolidated basis you are saying 15%, 20% PAT growth for this year?

Ramandeep Gill: Yes.

Rishikesh Yoda: Okay, got it and just one last question, what would be the future bifurcation between used car and two-wheeler portfolio?

Ramandeep Gill: So may be in the next three years, two-wheeler business will be at about 50%. This year, the disbursements would be high, but on the AUM growth your used car business will continue to be a minor player, because the AUM growth will happen slowly.

Rishikesh Yoda: Okay, got it. Thank you very much.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go-ahead sir.

Rahil Shah: Good afternoon. Sorry if this is repeated, but I am not sure. I just wanted your outlook on the ROA for the full year and also the cost to the income, so what has led to the increase for the cost to the income, can you just provide the target for the year? Thank you.

Ramandeep Gill: Yes. Sir, I have heard your second question for sure that is for cost to income. Yes, in terms of in terms of cost to income we will see that the income has fallen down right, so that is the reason you will see that denominator is getting done whether there is the denominator is standard fixed that is the reason because we have seen jump and second thing is which is contributing to is basically we have seen a slight increase in the finance cost. On the other hand, we have seen these similar decrease in the Opex also, because as I said previously in

the call that we have been able to reduce our cost of recovery, so one reason which is contributing to it is basically the denominator which is I will say is an interest income, we have seen the drop there that is the reason our cost income showing at a bit of higher side. Sir, can you repeat your first question so that I can answer that as well.

Rahil Shah: It was on the ROA, the return on assets.

Ramandeep Gill: Yes, tell me...

Rahil Shah: What are you expecting for a full year of your target?

Mathews Markose: What are you expecting for the full year is what he is asking?

Rahil Shah: At what level of ROA?

Ramandeep Gill: In terms of ROA, we are expecting somewhere around 4.5% to 5%.

Rahil Shah: Okay. That is it from my side. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Pankit Shah from Dinero Wealth Private Limited. Please go-ahead sir.

Pankit Shah: Actually I wanted to ask on the yield and the cost of fund side, basically we have seen our yields cropping significantly last quarter around almost 200 bps and at the same time our cost of funds has improved, so how should we read this, what are the reason behind it and as this trend continue?

Ramandeep Gill: If we see P&L is a whole. We see only two things, because those two things are on this slide, but I would like to explain you the yield is basically the factor of what we are doing in terms of average. If you are doing your own business with a GNPA of 4%, you will be getting a yield of 21% odd right. If you are doing a co-lending with a yield of 15% odd and GNPA of zero then this yield is basically a combination of that.

Pankit Shah: Higher of co-lending?

Ramandeep Gill: Yes, not higher of co-lending I will say, but yes, we will say 40% to 45% of contributed right, but that is the reason we have also seen that our Opex or our GNPA remains stable and our GNPA for the last financial year has gone down significantly and second thing on the cost of fund, yes, the cost of fund was the result of the borrowings that we have taken in Q4 right, in this quarter we have taken the funding only from a bank and one NCD has been

done since we already have funds in hand, so that is basically a multiplying factor that is carried forward from the last quarter itself. I hope Pankit I have answered.

Pankit Shah: Yes. Next thing, recently you give the guidance of Rs.1500 Crores disbursement this year, does this include the co-lending piece.

Ramandeep Gill: As I said the co-lending partner had been added, but end of the day we need to see that what we can offer in terms of yield to them. If we go aggressively then we can go somewhere around including co-lending, we can go somewhere around Rs.1800 Crores odd as well, Rs.1500 Crores is something which I say overall as a base figure for the company.

Pankit Shah: This is why I am asking is because last quarter if I am not wrong what we have discussed is Rs.1600 Crores target was on organic basis and Rs.750 Crores was a co-lending target, so total disbursements target for the year was at Rs.2300 Crores plus, minus and from there we are significantly coming down to now Rs.1500 Crores and that is what I am thinking what has changed in this last one quarter, what has changed in three months?

Ramandeep Gill: Nothing has changed. It is all about since Pankit; we spoke that it is basically what sort of yield do you want to have on your portfolio and wherever you are comfortable in terms of geographies and areas we can do it. If we want to do the same number of business with the GNPA's on hand right then in Q3 results I will be saying that though we have done Rs.500 Crores, but we have also done 66% of NPA on that, so that is something we are considering it quite carefully, yes when plan things out, when plan for a higher ROE and EPS for public shareholder. You tend to tweak the things, but that that tweaking should be in the favor of the shareholders itself. So we have taken that we also consider these two opportunities here. One, to be there in the markets wherein we have not as of now that is the reason we have adopted this co-lending piece.

Mathews Markose: So, I just to add to what Ramandeep was saying there are geographies we are operational in more than 20 states overall okay and there are geographies where our retail team is very strong and there are geographies where we are not that strong on the retail side, so we have gone for co-lending partners. Now all markets do not perform similarly every month, because since first quarter was not good for Kerala, it was about 25% down and for Karnataka also it was flat which are very strong markets for us, so therefore the percentage of the co-lending went up as a function of these two markets not performing as much, but now with Onam coming in these markets will outperform, so then the share of retail will automatically grow, so that is the thing which keeps this percentage is moving, seasonality factor also in this business.

- Pankit Shah:** Right, I understand sir, but just a concerning part is the change in your targets what you are saying from Rs.2300 Crores to Rs.1500 Crores, it is a huge difference, so that is something concerning, but of course from a business point of view, you guys are the best person to take a decision.
- Mathews Markose:** Yes, we should continue to be open to all opportunities available.
- Pankit Shah:** What led to the drop in the business in Kerala and Karnataka last quarter?
- Mathews Markose:** No, that is not because specifically general industry....
- Pankit Shah:** In general industry only I am asking what was the reason for that drop?
- Mathews Markose:** So largely what I believe is that manufacturers could not supply the needed models, so for instance Kerala about 65% is a scooter market and Honda is the biggest player there. Honda had supply constraint, so those are the reasons, so there was a supply side constraint.
- Pankit Shah:** Okay and now we are seeing all that coming back?
- Mathews Markose:** Yes, so now dealers have adequate stock, because any which is Onam is the biggest thing in Kerala, so all the manufacturers are geared up.
- Pankit Shah:** Okay, great, all the best.
- Mathews Markose:** In fact, manufacturers have also their own plan so for instance in Onam they will give it to Kerala, for Diwali they will not give to Kerala, they will pump in the north and there is stuff like that so that is the reason why this seasonality kicks in.
- Pankit Shah:** Right.
- Mathews Markose:** Last monsoons in June, July, so that again is a dampener on the overall sale. Based on that manufacturers do their planning.
- Pankit Shah:** Got it. The last point sir, we are seeing the EV trend also picking up, because towns also like city which is there, so have we started our disbursements to EV side?
- Mathews Markose:** Yes, we have started EV and we have also got into some strategy tie-up with couple of EV partners.

- Pankit Shah:** Okay and how is the competition there? Are there a lot of players or the competition is better than a normal?
- Mathews Markose:** There also we have enough players now, that side is also heating up sort of competition there as well.
- Pankit Shah:** Okay.
- Mathews Markose:** The main bigger OEMs who are into the normal petrol vehicles are also coming up with electric models now and that will add to competition.
- Pankit Shah:** Okay, got it. Thank you so much. All the best.
- Moderator:** Thank you. We take the next question from the line of Aditya Shroff from Incred AMC. Please go-ahead sir.
- Aditya Shroff:** I had one question in terms of the co-lending arrangement, so in case an account brought in by co-lender becomes an NPA, what will be our percentage of the liability in that case?
- Mathews Markose:** So the arrangement with our co-lenders is that because account slips into NPA they will take over, so the moment it crosses 75 days they buy it over, so no account will move to NPA.
- Aditya Shroff:** Okay. Thanks.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for the day. I would now like to hand the conference over to Ms. Shweta for closing comments.
- Shweta Daptardar:** Thank you Seema. On behalf of Elara capital, we thank the management of Muthoot Capital to give us the opportunity to host the earnings call. Thank you and thank you all.
- Mathews Markose:** Thank you so much everyone.
- Ramandeep Gill:** Thank you. Thank you everyone. Thank you once again. I hope that we are able to address most of your observations and to be very honest we are super excited for this financial year wherein Q2, Q3 and Q4 will be a game changer now and the business volume something which we also want to go in this financial year in a large way and slowly and steadily, we are the words of reaching that point, so I am expecting larger business chunks with more of the finance whether it is Muthoot Capital whether co-lending partner or BC arrangement, it will come, so just to put together we just want organization as a whole to do well and we



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specifically need your support, need your prayers and best wishes as always that is it from my end. Thank you so much everyone. Thank you so much investor. Thank you Shweta.

Moderator:

Thank you. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.