Operator: Good morning, everyone. This is the third day of the Bharat Connect conference September edition. I welcome you all to the call of Muthoot Microfin Ltd. Today, from the management team, we have Mr. Praveen, who is the CFO of the company, and Mr. Rajat Gupta from IR.

Before I hand over the call to management, I would like to lay out the flow of the event. Firstly, we will start with opening remarks by management, and then we will move to the question-and-answer round with participants. Participants who want to ask a question can either raise their hands or drop their questions in the Q&A chat box. We will first take questions from those who have raised their hands, and if time permits, we will then go to the chat box. Without any further delay, let me hand over the call to management.

Praveen – CFO: Thank you. First of all, thank you to the Arihant team for having us. I think this is the third consecutive time that we are attending the conference.

To introduce ourselves, I am Praveen, the CFO of Muthoot Microfin Ltd. I have been with the group for more than 13 years and have been heading the finance function for Muthoot Microfin since 2016. Along with me is Rajat.

Rajat Gupta – IR: Hi, I am Rajat. I look after Investor Relations at Muthoot Microfin. I have about 15 years of experience, primarily in investor relations.

Praveen – CFO: To start with, we will give an introduction to the group and the company. Most of you would know about Muthoot Microfin, but I thought we would still give a brief introduction for around 5 minutes. Then we will discuss the business aspects and recent developments, and after that we will move into the Q&A.

We are part of the Muthoot Pappachan Group, which has over 138 years of legacy. As a group, we have diversified businesses with investments in real estate, automotive, IT infrastructure, alternative energy, and other areas. However, the core 95% of the group's revenue comes from financial services.

In financial services, we have 4 NBFCs. Muthoot Fincorp is the flagship company of the group and is engaged in gold lending. Muthoot Microfin is a subsidiary of Muthoot Fincorp Limited and is engaged in microfinance lending. We have a fellow subsidiary, Muthoot Housing Finance Limited, which is engaged in affordable housing, and we have a separate NBFC, Muthoot Capital. This is the overall NBFC portfolio of the group.

On the right-hand side, you can see the 3 gentlemen who represent the current generation, the third-generation promoters. The next generation, the fourth generation, has also started coming into the business and taking leadership roles across various entities. This is the group summary.

Muthoot Microfin is basically part of the group's secured lending business. The thought process behind entering microfinance was that there was a segment of customers that Muthoot, as a group, was not serving, but who had the potential to become future customers of Muthoot. The thought process was to reach those segments of customers, start lending to them, uplift their well-being

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over a period of time, and then bring them into the larger Muthoot ecosystem.

That was the thought process behind starting microfinance operations. In 2010, the current CEO, Mr. Sadaf Sayeed, joined the group and started the microfinance lending business. In the beginning, we were part of Muthoot Fincorp Limited as an SBU, with a clear understanding that once we reached scale, we would separate this into a distinct entity.

That happened in March 2015, when we received all the required licences to operate as an NBFC-MFI. The current shape and form of Muthoot Microfin that you see today received all the approvals in March 2015, and from April 2015 onwards we started lending through Muthoot Microfin Ltd. The portfolio that we had generated within Muthoot Fincorp was allowed to run down over a period of time.

In December 2016, the initial capital was provided by Muthoot Fincorp and the promoters in their individual capacities. In December 2016, we received our first private equity investment from Creation. They participated in multiple rounds, including a 220 crore round that we completed in 2018, in which Creation and the family participated.

In 2021, we had our second round of private equity investment from Greater Pacific Capital, which invested around 60 million in the company. In December 2023, the company went public, and we raised around 960 crores of capital, of which 760 crores went into the primary issue and 200 crores were secondary.

As of today, Muthoot Microfin manages around 14,500 crores of assets under management, with 3.2 million active customers and 1,670 branches across 20 states and union territories in the country. We are currently rated AA- stable by CRISIL, have the highest COCA grading, and also have the highest ESG score for our overall contribution to the economy.

Before moving on, I wanted to make one additional point. If you look at our entire journey, we have had multiple rounds of capital infusion into Muthoot Microfin Ltd., and all these capital infusions came at very critical points in the journey of microfinance and the industry as a whole.

For example, in December 2016, during demonetisation, we had our first private equity investment. In 2018, there was a Kerala flood, and at that time we completed our rights issue. Greater Pacific Capital came in between COVID 1 and COVID 2. Even before the recent microfinance crisis, we had raised capital from the market.

At every point in time, we have raised capital and completed multiple rounds of private equity investments and the IPO. The promoter and the family still hold a majority stake of around 55% in the company, which is a very important factor compared with the competitors we see today. In most MFIs, promoters have diluted their holdings significantly over a period of time, or they have exited and someone else is managing the business.

That is also a very important factor. The thought process behind which Muthoot Microfin was started still continues because the original founders and the management team continue to be with Muthoot Microfin Ltd.

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Even within the management team, most of the senior management has been serving Muthoot Microfin for more than a decade. As I highlighted, the CEO is the person who started the business, and the COO was there from the beginning. I have been with the company for almost 13 years. Our Company Secretary and Compliance Officer, Neetu, has been with us for more than 12 years. Subhranshu, our CHRO, has been with us for more than 13 years. Dilip, our Internal Audit Head, has been with us for more than 14 years. Similarly, Jinsu, our CRO, has been in the system for more than 9 years.

Linson and Deepu, our CTO and CISO, have been serving for more than 3 years. They are relatively later entrants into the system, but once they joined, they continued their service. That is also a very important aspect.

The management team has expertise in managing various situations. We have managed all the crises that we have seen in the sector together. We learned something from every crisis and moved forward. That has happened in the current environment as well, and we are back with very good numbers and expect to do well going forward.

With that, I will move to the numbers. I will not discuss every number specifically, but I will highlight some key themes emerging from the recent quarterly results that we have published and the upcoming results, which are expected in another 30-40 days.

The first point is that disbursements have started improving. Disbursement momentum was already visible, and the portfolio had started growing. Year-on-year, we have seen almost 49% growth in disbursements, to around 2,644 crores. There has been a slight quarter-on-quarter decline due to the seasonal impact that generally occurs between Q4 and Q1.

Otherwise, disbursements are quite strong, and we expect them to improve further in Q2. We are already witnessing that. As a result, the portfolio has also started growing. We have seen almost 18% year-on-year growth in the portfolio, which is expected to continue and improve.

The key point to note is that disbursement momentum is picking up and is expected to improve in the upcoming quarters.

The other aspect related to this is that, along with portfolio growth, we are also on a path of diversification. Around 18 months ago, almost 97% of our portfolio was in JLG. We started on a journey to diversify that portfolio.

We initially identified 3 products. The first is individual unsecured lending, which is a form of migration from JLG group lending into individual lending. These are customers who have been with us for more than 3 years and have a good credit score of above 700. We are trying to bring them into the individual fold and operate through a digital collection format using E-NACH, UPI mandates, collection through the BBPS model, and other methods.

That portfolio has started growing. We currently have almost 3,500 crores in that portfolio, and it is performing very well, with 30-plus delinquency of 0.02%. That is one aspect.

Secondly, we started LAP loans. We looked at our customers and found that, out of 3.2 million customers, around 1.2 million customers have other retail exposure in the form of gold loans or

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other unsecured lending, and around 114,000 customers have LAP or mortgage loans.

The thought process is to convert some of these mortgage loans into Muthoot Microfin Ltd. because we meet the customers on a weekly or monthly basis. We should be able to meet their requirements at their households. On that basis, we started micro-LAP lending.

We currently have close to 70 crores of portfolio as of the quarter-end, and that portfolio is also growing. Month-on-month, we are disbursing around 15 crores of LAP loans. That is another area on which we are working.

The third portfolio on which we are working is gold loans. We are not trying to replicate the gold loan branches because the parent company, Muthoot Fincorp, already has almost 4,600 branches. There is no point in adding additional resources, setting up branches, and replicating the same operational infrastructure.

Instead, we are following a partnership model in which Muthoot Fincorp will undertake the underwriting and storage of the gold, while Muthoot Microfin will act as the customer touchpoint. We will source the customers. When we meet them, we will sell the gold loan product to our customers and bring them to Muthoot Fincorp. We will then undertake partnership-model lending, in which 60% of the portfolio will be booked in Muthoot Microfin and 40% of the portfolio will be booked in Muthoot Fincorp Limited.

It is a pari-passu arrangement. In gold loans, we are currently disbursing more than 100 crores per month. This is something on which we are actively disbursing, and you will see that, in the current quarter, gold loan disbursements have contributed more to the overall portfolio mix.

The diversification path is also working well. Today, the JLG composition has come down to around 77%, while the balance 23% is in other non-JLG products, primarily individual gold loans, LAP, and other small individual products. That is one key aspect on which we are working and will continue to improve.

The thought process is that, when conditions are normal in microfinance lending, the yield will be governed by the microfinance portfolio. At the same time, if there is a challenge in microfinance in terms of recoveries, the other portfolios, which are more secured and individual in nature, will provide greater stability to the balance sheet and earnings. That is what we are working on, and it is also progressing well.

The third aspect is that, if you look at overall collection efficiency, portfolio quality has been absolutely fine. Overall collection efficiency is almost 98%, which can be considered a normal level of collection efficiency.

Our X-bucket collection efficiency is around 99.8-99.9%, and we have been in that bracket for almost 3 quarters now. That is also a sign of normalisation in terms of collection efficiency. We believe that we are back to normal levels in terms of the overall collection efficiency bucket.

In that context, GNPA and Net NPA are also coming down. GNPA has declined from 4.85% to 3.7%, and Net NPA is 1.05%. Overall portfolio quality has been pristine and is improving quarter-on-quarter. We will see further improvement in the subsequent quarters as well.

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Along with that, one key aspect to note is credit cost. In FY25, when we had to book a loss, our overall credit cost was around 9.5%, including the management overlay. Even excluding the management overlay, credit cost was around 7.4%. This came down to around 3.5% in the last financial year.

The exit credit cost in FY26 was around 2.8%, and in Q1 of the current year we are already at 2.6%. Credit cost has stabilised and is improving, and we expect this improvement trend to continue going forward.

The other ratios are also improving. Opex is improving because of higher efficiency and the higher level of disbursements. NIM is improving because the cost of funds is coming down.

In the last financial year, we achieved a 75 basis point reduction in the cost of funds. In the current financial year, another 14 basis point reduction in the cost of funds has already happened, and we expect a further reduction in the cost of funds. That will improve NIM. The overall improvement in portfolio quality will also improve NIM.

There has also been a repricing of loans, which will help us improve NIM. The opex ratio has started coming down, and we expect further improvement in opex, the cost-to-income ratio, and credit cost, which we have already discussed. Overall, we expect further improvement in the ROA and ROE metrics.

The next element I wanted to highlight is the balance sheet. The overall balance sheet is very strong. We have capital adequacy of 23.49%, or almost 24%. The leverage ratio is around 3.3 times, with AUM at 4.2 times.

Liquidity in the company is very strong. We are carrying close to 1,000 crores of liquid free funds on the balance sheet, and we have almost 4,000-5,000 crores of sanctions in hand that we can utilise at any point in time.

With respect to the balance sheet, we have a very strong position with adequate capital, adequate debt support, and a reduction in the cost of funds. We are in a very favourable position to grow the portfolio. We do not need to raise capital immediately. We have sufficient capital, with strong capital adequacy, and all this capital adequacy is in Tier 1 capital. There is no Tier 2 capital in the current structure.

There is also an option to use Tier 2 capital to improve or strengthen capital adequacy. Overall, the balance sheet is very strong, and there is no concern regarding liquidity.

These are the key aspects I wanted to update you on. First, as I highlighted, disbursement momentum is picking up, and this can already be seen in the sector.

Secondly, our diversification strategy is progressing well. This is something on which we are consciously working, and we will add more products and bring in further diversification.

Another aspect is portfolio quality. Collection efficiency and related metrics are pristine and back to normal. GNPA, Net NPA, and credit cost are rationalising and improving quarter-on-quarter, which is very positive.

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Overall, financial performance is very strong, and the balance sheet is very strong for Muthoot Microfin Ltd. We are seeing a very positive trend. On the ground, customers also have good liquidity.

Most elections have been completed in the states where we have a strong presence, such as Kerala, Tamil Nadu, and Bihar. We do not see any immediate disturbance. Overall liquidity and government support for the customers we serve are very strong. We are seeing very good liquidity at the customer level, which is evident in collection efficiency and X-bucket collection efficiency.

Overall, we are looking very positive towards FY27 and beyond. With the diversification and strategies that we are adopting, we expect to deliver more stable performance going forward as well. With that, I conclude. I am happy to take further questions.

Operator: Thank you for the briefing. Now let us move to the questions. Mr. Keshav Karwa, please unmute yourself.

Keshav Karwa: Good afternoon. I wanted to know how collection efficiency has been in Maharashtra, given that the government has declared that many areas have been affected by drought. How do you see this impacting collection efficiency in the coming quarters, and what measures are you planning to take?

Management: This is a very important question. For us, the Maharashtra portfolio is not large; it is a very small portfolio of around 5% of our total portfolio.

So far, the Maharashtra portfolio has been performing well. Initially, there was a significant rainfall deficiency in many areas, and drought was expected. Fortunately, the rains have caught up. The deficiency, which was 40-45%, has now come down to less than 7%, as we understand from recent updates.

We have not seen any impact so far. Even after, or during, SLBC meetings in certain states to declare drought, we saw very good rainfall during and after those meetings.

So far, we have not seen any impact on collection efficiency in the last 2 months. In the current month as well, collection efficiency is holding up and showing an improving trend across the territory. This is not limited to Maharashtra; we are seeing very good collection efficiency across the territory.

One more important update is that Muthoot Microfin Ltd. takes natural calamity insurance for its customers. We have almost 91% coverage under natural calamity insurance for our customers, and drought-related events will be covered.

We have lodged certain claims for customers where we have seen some impact from rainfall and other events. Those claims will be covered through the insurance premium. So far, there has been no impact on collections.

Operator: Thank you for your answer. Mr. Keshav, do you have any further questions?

Keshav Karwa: No.

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Operator: Thank you. Mr. Rajat, please go ahead.

Rajat: Hello. Am I audible?

Operator: Yes, you are audible.

Rajat: I wanted to ask what the total value of insurance premiums sold in FY26 was and what commission we received on them.

Management: Are you referring to insurance?

Rajat: Yes.

Management: We have credit life insurance, which we offer to our customers, as well as medical insurance, natural calamity insurance, and other products. Overall, we raised around {? 80-79 crores ?} of revenue from insurance in the last financial year.

In the current financial year, I think we are seeing a similar trend. The important aspect is that, if you look at the composition of other income for us, it is hardly 0.7% of the yield.

The commission that we charge is also very limited. We are not charging aggressively, considering the customers we serve and the premium that needs to be charged.

For example, in the case of natural calamity insurance, the premium was around 180 rupees for a 1 lakh rupee claim for a year. Considering the customer segment in which we operate, our expectation is to keep insurance premiums at a low level. We support our customers in obtaining and processing their claims, for which we receive some commission income.

As of now, we do not expect any potential capping to have an impact because we are not charging any high commission on these products. We are within the framework that the regulators are expected to establish, and we expect to continue on that basis.

Rajat: So, you mean that the 75-80 crore insurance premium that you have received will not see any material impact, and you expect it to continue?

Management: Yes, absolutely.

Rajat: My second question is regarding the disbursement momentum in Q2. Is it similar to Q1, or is it better?

Management: It is better than Q1. I am not at liberty to provide more detailed information, but I can summarise that it is much better than Q1, with substantial year-on-year improvement in disbursements.

We are close to normal levels in terms of disbursements.

Rajat: Thank you. Those were my questions.

Operator: Thank you, Mr. Rajat. I can see some questions being posted in the chat box. Mr. Dhruv asks: As we are increasing non-JLG products, where yields are lower, and there might also be a rate

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hike cycle affecting the cost of funds, can these 2 factors on the asset and liability sides affect NIM?

Management: This is a very important point. First, I want to clarify that the products we currently operate, including micro-LAP, gold loans, and unsecured lending, are intended to generate a decent yield. We are not offering any product with a yield of less than 18%.

Our microfinance lending is in the range of 24.5%. The unsecured individual loan has an average yield of around 23%, which is around 100-150 basis points lower. The gold loan we offer is in the range of 20-21%, and LAP is in the range of 18-22%, with an average of around 20%.

The yield on these products is very good. Secondly, when we look at the overall portfolio performance, these products are performing much better, which means that the effective yield on the portfolio will improve. In that respect, there will not be too much compromise on yield. We will still have a very good yield, and the reduction will not be very high.

Secondly, the portfolio composition in terms of delinquent and non-delinquent portfolios will be much better, with lower delinquency. This will effectively improve the overall yield because the write-off pool will be lower and interest reversals will also come down.

With respect to the cost of funds, a rate hike is expected either in the next quarter or the quarter after. However, the important point is that Muthoot Microfin Ltd. was upgraded to AA- at the end of Q1. As a result, the effective borrowing cost should come down. That is another benefit for Muthoot Microfin.

At the beginning of the year, our expectation was to reduce the cost of funds by another 25-40 basis points, and we expect that to happen despite the proposed rate hike. When we projected the reduction in the cost of funds, the rating upgrade had not yet been discussed.

Effectively, NIM will improve because the overall yield on the portfolio will improve as portfolio quality improves. The overall yield on the portfolio will increase. Secondly, the cost of funds is coming down, and we expect it to come down further in Q2.

If we see some increase in the base rate, we may not see a further decrease in the cost of funds, but at least the cost of funds will not increase. On that basis, we believe that NIM will improve by another 30-40 basis points in the current financial year. That improvement is already on the cards. The rate increase that has now been proposed will not have a material impact on that.

Operator: Thank you for your answer. The next question asks: How has Q2 planned out, and are there any new stresses that you are currently seeing on the ground?

Management: There is limited information that we can share about Q2. However, we expect all the numbers to be better than Q1 in Q2. That is the limited information we can provide.

One key aspect is that we are seeing improvement across geographies. There is no geography that we are finding difficult at this moment. We are seeing improvement across all geographies, either in recoveries, overdue recoveries, or disbursements.

Q2 is looking good, and we are very positive.

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Operator: Thank you. Are rejection rates still high? If so, how are you selecting customers?

Management: This is very important. Rejection ratios are still on the higher side, especially when we look at customers who are new to Muthoot.

There are 2 aspects. First, either the customer has some default history from the past, or smaller MFIs have stopped servicing those customers and they have eventually gone into default.

Secondly, we are also selecting customers very carefully by applying the guardrails that have been put in place. We also have an internal scorecard mechanism for selecting customers. We look at Account Aggregator information and other data.

Much more information is now being used in credit decision-making. Rejection ratios are unfortunately still on the higher side. The key is to retain existing customers. Of course, we will also look for new customers to add, but only within the credit conditions that we have established.

As a result, we are seeing higher rejection rates, somewhere in the range of 50-55%. That is currently present in the system and should continue for another 6-9 months.

Operator: Thank you for your answer. How is the overall industry shaping up in the coming quarters?

Management: We have already seen the industry shrink considerably. Around 1.7 crore customers have moved out, and the portfolio is also down by almost 1 lakh crore or more.

The industry has already shrunk quite significantly, but we will now see a revival phase. Based on the data we are receiving from credit bureaus and other sources, conditions are improving across players.

The industry should perform well from now onwards. One key difference we see is that there has been significant consolidation among larger players, so growth will be dominated by the larger players.

Smaller players are finding it very difficult to obtain liquidity for the system. Even the credit guarantee scheme has not worked effectively for smaller players. There is still some distress among smaller players, but the industry should start growing, and larger players will dominate that growth.

That is how we see the sector.

Operator: Thank you for your answer. I have a raised hand from Mr. Manish. Please unmute yourself and continue.

Manish: Hello?

Operator: Yes, you are audible. Please go ahead.

Manish: Are you providing gold loans directly through your own channels, or do you refer the loan profiles?

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Management: When we started, the thought process was that we first needed to complete the system integration and other requirements. Therefore, in the initial phase, we operated as a referral arrangement for a fee. Later, this was converted into a co-lending model.

Currently, the focus is on co-lending through a 60:40 arrangement. The point is not to replicate the same infrastructure because that would not be a productive approach. We use the existing infrastructure of the parent company and service the customer through it under a co-lending arrangement, which is approved by the RBI under its new guidelines.

That is what we are targeting.

Manish: Does that mean the parent company receives all the major benefit from the gold loan?

Management: It is a 60:40 arrangement. For the customers we bring in, 60% of the portfolio will remain with Muthoot Microfin and 40% will remain with Muthoot Fincorp.

It is a shared arrangement. Since we bring in the customers, we receive the benefit of that. At the same time, the infrastructure and underwriting cost savings are provided by Muthoot Fincorp, so they receive a portion of the benefit.

It is a mix, and we believe it is a good arrangement for both entities because both entities will receive shared revenue from the customers.

Manish: Is this on a temporary basis, or is it a long-term agreement?

Management: It is a long-term plan. It is expected to continue because, if you look at our customers, we see that their households already have around 11,000 crores of gold loans within our customer segment.

The thought process is that a significant portion of that should come through us and be done through Muthoot Microfin Ltd. Therefore, it is a long-term arrangement that we are planning.

Manish: Thank you.

Operator: Thank you. Mr. Hardik asks: In the Q1 conference call, you mentioned that planned disbursements for FY27 would be in excess of INR 12,000 crores. Are we on track, and is this achievable?

Management: When we look at Q1, it is a slightly seasonal quarter in which internal transfers, movements, and similar factors occur. From Q2 onwards, we expect an improvement over Q1.

Based on the way Q2 is performing, we are on track for 12,000 crores. Once the Q2 numbers are released, they will provide more credibility to the 12,000 crore figure.

To summarise, we are on course for that target, and we are seeing substantial improvement in Q2.

Operator: Thank you for your answer. What sort of ROA are you targeting for FY27?

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Management: We are targeting around 3-3.3% ROA for the current financial year. We started Q1 with an exit ROA of 2.3%, and the exit ROA will be upwards of 3.5%. An average of around 3-3.3% is what we believe should be achievable.

Operator: Mr. Dhruv asks one broader question: Do you feel that underwriting practices have improved across the industry because of the implementation of technology and AI? Has the customer income level also increased, resulting in lower NPA? Do you feel this is sustainable?

Management: This is a very important point. If you look at microfinance as a business around 15 years ago, the thought process was not focused too much on underwriting. It was driven more by the social collateral among group members.

Even if there were customers with some credit impairment, it was mitigated through the group system and the social pressure associated with that group.

What has changed over time is that the group size is coming down, and the level of loyalty among customers at the centre level is also declining. One key factor is that, whether we like it or not, COVID accelerated this change to a certain extent.

Today, whether you are lending through JLG or otherwise to individuals, conducting credit underwriting for each customer is an absolute necessity. We believe that the industry is also moving in that direction.

Muthoot Microfin has always believed in underwriting customers. We have a credit officer in all our branches. Across our 1,670 branches, every branch has 1 credit officer who conducts a personal discussion with the customers, verifies credit bureau information, and finally approves the loan.

That practice was already in place for us, but the industry is also catching up and understanding the importance of underwriting customers individually, irrespective of whether lending is done through a group model or an individual model.

That is the key aspect.

The second aspect is technology. Technology helps improve underwriting because we are assessing customers who do not have formal sources of income documentation, such as income tax proofs or GST returns.

Most of these customers operate cash-based businesses. Some of them have QR codes to collect revenue through digital means, but a large portion of this business still takes place in cash.

Today, we have Account Aggregator information through which we can obtain information from bank statements and understand the business models operated by the customers. We can correlate this with the personal discussion data. For example, if the customer confirms a certain level of revenue during the personal discussion, we can validate it through Account Aggregator information.

Secondly, with AI, we are also tied up with a couple of entities in the AI space. The personal discussions we conduct with customers, which mostly take place in regional languages, are converted into English and then into a credit appraisal memorandum. This helps standardise credit

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decision-making across different parts of the country.

Even when we see the same business being operated in Tamil Nadu and Bihar, there are differences because income profiles and daily wage profiles vary. Therefore, this standardisation is very important.

Thirdly, we also have technology partnerships through which we can photograph the household and the inventory of the business. This provides an indication of the standard of living and a rough idea of the cost of the inventory.

Underwriting is definitely the way forward. Technology and AI have improved the process significantly, although there is more progress to come.

Technology is more of an enabler. We do not believe that complete underwriting will be taken over by technology. However, technology helps the person on the field. It provides much more detailed information and enables us to take a standardised underwriting view of the customer.

How this will translate into improved credit quality is something that only time will tell because these technologies are quite recent and have only recently started being used at various entities. We have been using them for almost 9-12 months.

At least another 1 or 2 credit cycles will be required to provide a true picture of how this is working.

To summarise, individual credit underwriting is the way forward. It is a must-have, and technology is definitely an enabler, cost saver, and standardiser for credit underwriting.

We strongly believe that the improvement in NPA should improve credit cost. However, we will not be able to provide proof of that today. We will have to wait and observe the results over the next 2-3 years.

Operator: Thank you. The next question asks: What is the exposure to Karnataka, and is there any stress there due to drought?

Management: As of now, our portfolio in Karnataka is slightly lower following the Karnataka ordinance. We faced some challenges in the portfolio, and Karnataka was the state that affected us the most during that period.

However, we are currently seeing an improving trend. Recovery and overdue recovery are also improving. Karnataka is now recovering.

The drought issue is not something that we are seeing at present. I also wanted to highlight that we already have natural calamity insurance for our customers. We have lodged a few claims under that insurance, and recently the rains have also improved. We are seeing that on the ground as well.

Overall, conditions have been stable so far. We will have to wait and see how things develop.

Last year, we had very good agricultural output. However, because of that, prices declined, and ultimately farmers did not benefit as much as they should have from the improvement in yield.

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This year, we will have to see how the yield develops because there has been some delay in cultivation. If prices improve and remain at higher levels, overall income may not be affected. That is our overall view.

Another important aspect is that customers with direct exposure to agriculture represent a limited portion of our portfolio. Most of our customers have multiple sources of income. They are small farmers, not large-scale farmers.

Most of our customers are small farmers who also have dairy operations involving cows or buffaloes and other income sources. They undertake normal agricultural activities as well as animal husbandry. These are the customers we serve.

We do not expect to see too much impact there. As of now, we can confirm that there has been no impact.

Operator: I have a raised hand. Mr. Manish, please unmute yourself.

Manish: Hello?

Operator: Yes.

Manish: What is the current JLG and non-JLG ratio for Muthoot Microfin?

Management: Currently, it is 77% JLG and 23% non-JLG.

Manish: In the future, how do you see this developing? Are you trying to reduce the JLG portion?

Management: As I highlighted, individual assessment is very important, and we need to graduate some of these customers from the JLG model to the individual model.

When you give the same amount of loan to multiple customers in a group, and a customer does not have the same repayment capacity as the others, you may also be overburdening that customer.

Therefore, moving customers into individual lending is also a key strategy on which we are focusing.

We are projecting a 55-45% JLG-to-non-JLG mix over the next 3 years. However, the transition is accelerating slightly. This year, a 30-70 mix is something that is on the cards, and then we will see how it progresses going forward.

That is something on which we are working.

Manish: Is JLG lending only for women, or can any person take a loan under the JLG portion?

Management: As of now, all our customers are women. Even if a household has other products, such as gold loans, we try to provide them in the woman's name where we already have a relationship.

The current focus is on women and on conducting all the business with the women in the family.

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Manish: What about the non-JLG business?

Management: That is also focused on women. Whether it is JLG or non-JLG, the focus is on women.

Manish: So this is a women-focused loan business only, correct?

Management: Yes. Out of the {? 32 lakh ?} customers we have, 100% are women.

Manish: Thank you.

Operator: Thank you. The next question asks: Overall growth guidance of 18-20% still appears low for FY27. Are you planning to raise the guidance in the upcoming quarters?

Management: We will see. As of now, I do not think there is a need to increase the guidance. A 20% growth rate is very decent and is the bare minimum that we should be able to achieve.

If conditions improve, we may increase it further. We are taking a somewhat strategic view because, at the beginning, we were not sure how the other macro factors would develop. That is why we took a conservative approach.

A 20% growth rate is good, and we will maintain that guidance. I cannot provide further details because the growth guidance is driven more by the board. We will see how the next quarters develop and then consider the matter.

Operator: The next question asks: Are you on track to reach your target of 30,000 crore AUM? What measures are you taking? Is there any particular strategy?

Management: All the strategies we are working on are aligned with achieving the 30,000 crore goal, and we are taking it very seriously.

As part of the steps towards that goal, we have already taken several measures. For example, we have made a commitment to gold loans, and we are already seeing more than 100 crores of gold loan disbursements month-on-month.

We have also made commitments in LAP, and we have made good progress there as well. Individual loans are also performing well in terms of portfolio growth and diversification.

We are making good progress. We have also committed to additional products, such as consumer durables, which we are working on. Similarly, two-wheelers and housing referrals are also areas that we are working on with our group companies.

We will add more products. So far, the strategies we are adopting are working well, and we are on course to achieve the target.

Of course, this involves a somewhat longer gestation period, but as of now we are very confident. The initial steps and the outcomes that we have already seen are moving in the right direction.

Operator: Thank you. Due to time constraints, we will have to close the call. I would like to thank the management and all the participants who joined, on behalf of Arihant Capital. If any participants

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have further questions, they can contact the team at Arihant Capital Markets. Thank you, Praveen. Thank you, Rajat.

Management: Thank you. Thanks {? Ashwat ?}. We are happy to answer any further questions. Rajat and I are available. Thank you to the Arihant team for inviting us and giving us the opportunity to speak about the company. We look forward to continuing the discussion.

Operator: Thank you, everyone. Goodbye.

Management: Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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