

Muthoot Finance

12 February 2026

Operator: Ladies and gentlemen, good day and welcome to Muthoot Finance Q3 FY26 earnings conference call, hosted by Dam Capital Advisors 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 this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sangke Khera from Dam Capital Advisors Limited. Thank you and over to you.

Management: Very good evening to all of you. We have with us the entire management team of Muthoot Finance today to discuss their Q3 results. From the management side, we have Mr. George Alexander Muthoot, who is our Managing Director; Mr. Alexander George, our Whole-time Director; Mr. George M. Alexander, Whole-time Director; Mr. George M. George, Whole-time Director; Mr. George M. Jacob, Whole-time Director; Mr. Eapen Alexander, Executive Director; K. R. Bijumon, Executive Director; and Mr. Oommen Mamen, the CFO of the company. Without further ado, I will hand the call over to Khera for opening remarks, and we will follow that up with questions and answers. Over to you, sir.

Management: Thank you, good evening to all. This is George Alexander Muthoot, Managing Director. Along with me, I have my CFO, the COO, and some of the other Directors because we just finished a Board Meeting today. We feel that it was a good year for the gold loan business. Our standalone AUM has achieved a historic growth of 50,000 crores, fueled by the robust 50% year-on-year growth in the gold loan portfolio. Our core gold loan portfolio has grown by 50%. Over the nine-month period, the standalone gold loan increased by 36,700 crores, setting a new record for gold loan AUM of 1,39,658 crores.

This performance aligns with the accelerated demand for gold loans, especially evident during the festive period. Consequently, our standalone profit after tax for the nine months grew 91% to 7,048 crores. We see customers increasingly accessing gold loans as a convenient, trusted, and secured credit solution for a diverse customer base, including salaried individuals, self-employed professionals, and small business owners. The higher price of gold has further empowered our customers to unlock greater value from their existing assets. This has been a strong performance from Muthoot Finance this year.

The Muthoot Home Loan portfolio, our 100% subsidiary, stands at 3,380 crores for the nine months, showing 24% growth year-on-year. Total revenue stood at 339 crores, registering a growth of 38%, and the profit after tax was 19 crores. Stage 3 non-performing assets stood at 2.32% as of December 31.

Belstar Microfinance, a subsidiary where Muthoot Finance holds a 66.13% stake, had a loan AUM of 7,911 crores for the nine months. Total revenue stood at 1,312 crores. The Microfinance subsidiary achieved a significant turnaround in Q3, posting a profit after tax of 51 crores, partially offsetting the loss incurred in H1 of 160 crores. The cumulative loss for the year stands reduced to 109 crores. Stage 3 assets stood at 4.93%, with a provision coverage of 96.59%. Higher Stage 3 is consistent with industry peers following the RBI allowing Microfinance companies to have a 40% non-microfinance portfolio. Belstar has opened 39 gold loan branches in the nine months to

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diversify the product portfolio.

Muthoot Insurance Brokers achieved a profit after tax of 23 crores in the nine months. Asia Asset Finance, a listed subsidiary based in Sri Lanka where Muthoot Finance holds 72.9%, had a portfolio of 4,224 crores Sri Lankan Rupees, approximately 950-960 crores in Indian Rupees. Total revenue stood at 703 crores, an increase of 42% over the previous year. It achieved a profit after tax of 68 crores Sri Lankan Rupees in the nine months ended FY26, compared to a profit of 50 crores last year.

Muthoot Money, a wholly owned subsidiary engaged in vehicle finance and gold loans, saw its loan portfolio for the nine months stand at 8,003 crores, an increase of 168% compared to the previous year. During the nine months, the loan AUM increased by 4,100 crores, an increase of 135%. Total revenue increased to 862 crores compared to 268 crores in the corresponding period. It achieved a profit after tax of 203 crores in the nine months compared to a loss of 2 crores previously.

Overall, we see good momentum for the gold loan business. Muthoot Finance, with almost 5,000 branches and Muthoot Money with about 1,000 branches, is well-poised to take advantage of opportunities in the gold loan sector.

Recently, the Reserve Bank of India sent out draft regulations for comments where our long-standing request for permitting branch openings without prior permission stands to be addressed. Hopefully, these will be made into proper regulations. The impact for Muthoot Finance and Muthoot Money is that we would be able to open branches wherever required, which is a very positive development. This will help grow the gold loan business across India, putting purchasing power in the hands of people and monetizing idle gold. We see good prospects going forward. I would now like to throw open the floor for clarifications and questions. Thank you.

Operator: Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Marukh Adajania from Navama. Please go ahead.

Marukh Adajania - Navama: Hello, good evening. Congratulations. My first question is that our yields have been continuously rising for the last four quarters. Are the new loans being sanctioned at higher rates? Also, if you could call out separately the recovery interest in the quarter. Last time you mentioned it was around 300 crores; what was it this quarter?

Management: Thank you for the appreciation. Yes, we have been growing over the last four quarters. The loan-to-value (LTV) is fixed by the regulator at 75%. Note that not everyone takes the full 75% permitted. At today's price, the outstanding loan is only 57% of the total book value.

Regarding the interest, there has been a churn in the NPA portfolio. About 950 crores of old NPAs were closed by customers, while new NPAs amounted to about 342 crores. The net NPA reduction is about 566 crores. The interest we earned on legacy NPAs, minus the interest on recognized NPAs, comes to about 500 crores. We also had auctions during the quarter and realized about 120 crores through those. The ARC also contributed about 24 crores of interest. This explains the increase in the interest earned.

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Marukh Adajania – Navama: So, around 624 crores in total, with 500 crores from recovery, 24 crores from ARC, and 100 crores from auctions?

Management: Yes, plus 120 crores from auctions. We also occasionally adjust interest rates, which contributes as well.

Marukh Adajania – Navama: Got it. Your existing customers taking fresh loans has grown, but new customer additions seem to have stabilized around 0.4 million. Will it stay at this level, or will branch openings help improve new customer acquisition?

Management: We have 440,000 new customers coming in. It is not necessarily stabilized there; it is a steady flow of new customers.

Marukh Adajania – Navama: How much was the auction during the quarter?

Management: Our auction interest was about 120 crores.

Marukh Adajania – Navama: Thank you.

Operator: Thank you. Our next question comes from the line of Shripal Doshi from Equirus Capital. Please go ahead.

Shripal Doshi – Equirus Capital: Congratulations on a good set of numbers. Regarding interest income, do we expect more such one-offs from net recovery of NPAs since this has been happening for three quarters?

Management: When there is a significant reduction in the NPA account, interest re-recognition occurs. Those loans remain on our books for some time, interest accrues, and the entire amount is recognized when collected. Because there was a significant decrease in old NPAs, there was a jump. It is a regular process, but the extent depends on how many accounts are recovered from the NPA bucket.

Shripal Doshi – Equirus Capital: Have we tweaked our pricing strategy in the last two to three months given volatile gold prices?

Management: We do not have a specific pricing strategy other than maintaining our net interest margin. If the cost of funding changes, our yield adjusts, but we aim to maintain our margin spread.

Shripal Doshi – Equirus Capital: The rate environment is declining, so why has our cost of funds gone up?

Management: We are not seeing much decrease in rates from banks. Interest rates have been volatile, and banks have not significantly reduced their Marginal Cost of Funds-based Lending Rate (MCLR).

Shripal Doshi – Equirus Capital: So you have not seen any benefit from bank borrowings yet?

Management: It takes some time—one or two quarters. Banks have not really reduced their MCLR by 50 basis points yet.

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Shripal Doshi – Equirus Capital: Regarding branch expansion, will the strategy for the standalone entity change now that you can open branches more freely?

Management: Muthoot Money also does gold loan business. The primary benefit of the new regulation is convenience; we don't have to wait for RBI permission. We will continue to calibrate growth based on the business environment. The most important message is that the regulator is supportive of the gold loan business.

Shripal Doshi – Equirus Capital: Thank you, and good luck for the next quarter.

Operator: Thank you. Our next question comes from the line of Kyran Engineer from CLSA. Please go ahead.

Kyran Engineer – CLSA: Congratulations on the quarter. Regarding branch openings, should we assume they will not be accelerated next year?

Management: They can be accelerated if necessary, but it depends on the business environment. It is not something that happens overnight.

Kyran Engineer – CLSA: Regarding OpEx growth, it has risen from 14% to 25% recently. Why is OpEx growing so fast if most costs are fixed?

Management: Salaries and rents are going up with inflation. Employee expenses increase with business growth because the variable component grows. We have also spent more on advertising and business promotion.

Kyran Engineer – CLSA: Will cost of funds see a further reduction?

Management: That depends on the rate environment. While the RBI has reduced benchmark rates, banks have not fully passed that on via the MCLR, especially to borrowers like us. Almost 50% of our funding comes from banks, so their rates are crucial.

Kyran Engineer – CLSA: Any benefit might only show up in April?

Management: That is true. It depends on when and how much the banks reduce their MCLR.

Kyran Engineer – CLSA: On the 500 crores interest recovery, it seems these NPAs were on the books for over two years. Is that correct?

Management: We give a lot of time to customers when they request it, which helps us get more business. We do not aggressively auction the gold. Our NPA was 3,700 crores at the beginning of the year and is now 2,300 crores. These recoveries include several months of accruals.

Kyran Engineer – CLSA: Understood, thank you.

Operator: Thank you. Our next question comes from Prithviraj Patel from Investec. Please go ahead.

Prithviraj Patel – Investec: Why have yields increased, and how is competition panning out since tonnage and active customers decreased quarter-over-quarter?

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Management: Competition exists from both banks and NBFCs. Banks hold about 13 lakh crores in their portfolio, while NBFCs have about 3 lakh crores. We grew by 50%, which is decent. The yield increase is due to the recovery of old NPAs, which added 667 crores in interest, fresh NPA booking of 110 crores, auction income of 100 crores, and recovery from the ARC sale of 125 crores. Regular yields remain around 18.5–19%.

Prithviraj Patel – Investec: Thank you.

Operator: Thank you. Our next question comes from Vasudha Khurana from Aviva Life Insurance. Please go ahead.

Vasudha Khurana – Aviva Life Insurance: Gold prices are stabilizing after a bull run. How do you see this impacting AUM growth?

Management: AUM growth depends on demand, not just price. Our current LTV is 57% at today's prices, which shows people are not over-borrowing just because prices increased. Demand is driven by the fact that unsecured loans and microfinance loans are currently harder to obtain.

Vasudha Khurana – Aviva Life Insurance: Regarding tonnage, how does that get impacted?

Management: Gold loans typically last three to four months. If the price goes up, a customer provides less gold for the same loan amount. When old loans are released and new ones are priced at current levels, the tonnage naturally decreases. We process 50,000 to 60,000 fresh loans daily, with a similar number retiring, so there is a regular churn.

Vasudha Khurana – Aviva Life Insurance: Right, thank you.

Operator: Thank you. Our next question from Sanjay from Admen Private Limited. Please go ahead.

Sanjay – Admen Private Limited: Excellent results. Will you be revisiting your loan growth guidance? Also, given the profit levels, could we hold board meetings earlier in the month? My final requests are to consider a Big Four auditor and reward investors through a stock split or bonus issue.

Management: We will request the board members regarding earlier meetings. We will also take the suggestions for stock splits and bonus shares to the board for their opinion. Regarding loan growth guidance, we have grown 36% so far. I will provide an updated number during a television interaction tomorrow.

Sanjay – Admen Private Limited: Thank you.

Operator: Thank you. Our next question comes from Shanskar from Iraaya Capital. Please go ahead.

Shanskar – Iraaya Capital: If gold prices decline significantly, how should we think about AUM, earnings, and margins?

Management: Gold price is not the primary factor for growth; customer requirement is. Gold is a collateralized loan that is currently easier to obtain than unsecured credit. We have significant margins because our average LTV is only 57%, and gold ornaments have sentimental value, meaning customers rarely abandon the collateral. We are well-insulated from price fluctuations.

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Shanskar – Iraaya Capital: Thank you.

Operator: Thank you. Our next question comes from Jacob P from Jacob and Associates. Please go ahead.

Jacob P – Jacob and Associates: Congratulations on the results. Are you seeing similar growth in January, February, and March?

Management: Performance is as good as it was earlier.

Jacob P – Jacob and Associates: What safeguards do we have if prices fall 15–20%?

Management: Our 57% LTV provides a large margin. Additionally, ornaments have making charges that add 15–20% to the replacement cost for the customer. We have not seen people abandon gold due to price fluctuations in the last 15 years.

Jacob P – Jacob and Associates: Thank you.

Operator: Thank you. A follow-up from Shripal Doshi from Equirus Capital. Please go ahead.

Shripal Doshi – Equirus Capital: What is the accrued interest currently?

Management: It is around 800 crores.

Shripal Doshi – Equirus Capital: What is the average LTV for fresh disbursements?

Management: We are permitted 75%. While some take the full amount, others take less. On a stable gold price, the average LTV tends to be around 71–72%.

Shripal Doshi – Equirus Capital: If the microfinance sector bounces back, could that impact your growth?

Management: We have grown even during periods when microfinance was booming. People come to us because unsecured lending is currently difficult, and even the RBI has suggested using gold as collateral for business loans.

Shripal Doshi – Equirus Capital: Have you seen any leakage to PSU banks offering agricultural gold loans at 8–10%?

Management: Not at all. We grew significantly over the last year. PSU banks have offered those rates for 15 years, yet customers still choose us for convenience and other factors.

Shripal Doshi – Equirus Capital: Thank you.

Operator: Thank you. Our next question comes from Vedant Sardana from Nirmal Bang Securities. Please go ahead.

Vedant Sardana – Nirmal Bang Securities Private Limited: RBI will allow lending against silver from April 1, 2026. How do you see this driving growth?

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Management: We have not considered lending against silver as of yet.

Vedant Sardana – Nirmal Bang Securities Private Limited: Thank you.

Operator: Ladies and gentlemen, as there are no further questions, I hand the conference back to management for closing comments.

Management: Thank you. This was an interesting interaction. We are thankful to the investors for their participation and support. Muthoot Finance will always ensure the interests of all stakeholders are protected. We will continue growing the company in both quality and quantity. Thank you, and have a good day.

Operator: On behalf of Dam Capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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