"Manappuram Finance Limited Q2 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Manappuram Finance Limited Q2 Results Conference Call, hosted by Batlivala & Karani Securities India 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 Mr. Sanket Chheda from B&K Securities. Thank you, and over to you, Sir!

Sanket Chheda: Very good afternoon to all of you. We have with us today the entire senior management team of Manappuram to discuss the Q2 FY2022 results and also any queries that investors might have. So from Manappuram we have Mr. Nandakumar, MD and CEO and Mrs. Bindu A.L., CFO also we have other senior management team from the respective subsidiary Asirvad Vehicle and Home Finance. I would now hand over the call to Mr. Nandakumar for opening remarks and then followed by the question and answers. Over to you Sir!

V.P. Nandakumar: Thank you. Good evening ladies and gentlemen and welcome to our Q2 FY2022 conference call. I hope you and your family are safe and doing well. In our last concall to discuss the Q1 results I had mentioned that the recovery in the economy that was seen first in the formal sector was also beginning to be felt in the unorganized and rural sectors. Since then, we are seeing signs of a sustained uptrend with the resumption of economic activity supported by the rapid pace of vaccination. In fact, the key takeaway from our Q2 performance is the robust growth we have achieved in our business volumes be it in gold loan, microfinance or in the home loan or vehicle loan. It reflects the emerging recovery in the rural and unorganized sectors aided by some of our own focussed efforts in this direction. The trends are promising and going forward, we expect to sustain the growth along with improved profitability.

In the last concall I had also mentioned how private and PSU Banks, and other non-gold loan focused NBFCs sought to counter the stress of their general loan book by pushing their gold loan offerings and competing on price and tenure. They had targeted some of our high value customers with loans above 1 lakh for takeover. Since then, we have responded with aggressive efforts of our own to retain and attract high value customers.

The results are visible in the sharp growth of our gold loan portfolio which at Rs.18720 Crores is up sequentially by over 13% compared to Rs.16540 Crores for the preceding quarter. Importantly, this was accompanied by proportionate growth in gold collateral which grew sequentially by 11.4% to 64.7 tonnes from 58.08 tonnes in Q1.

Further, we also saw a 4.2% Q-on-Q growth in the live customer base of gold loans. The growth was no doubt aided by overall recovery in the informal sector and the good monsoon. Equally, a key role was played by a more focused marketing strategy which involved hiring of over 1600 marketing personnel who were posted at the branches.

This was accompanied by higher spends on advertisements across print, electronic, and new media channels. While this has pushed up our opex, we see it as an investment in growth, which will pay over the short-to-medium term. Consequently, our consolidated net profit at 370 Crores was lower by about 15% compared to Q1. In fact, by the end of this fiscal year, we expect our gold loon portfolio to grow by about 15% to 20% over the previous fiscal. Away from gold loan our non-gold business also recorded risk growth during the quarters led by our microfinance subsidiary Asirvad Microfinance. Its AUM of Rs.7160 Crores represents a growth of 18% Q-on-Q and is perhaps another point to the strengths of the recovery in the informal economy. Our commercial vehicle business reported a Q-on-Q growth of 21% while our housing loan subsidiary reported more modest growth, growing its book by 9.58% during the quarter.

The full details of performance of our non-gold business, as also a more comprehensive look at overall numbers, will be covered shortly by our CFO. For now, I would like to conclude with a reminder that last month the international pricing agency S&P upgraded our long-term issuer credit rating from B+ to BB- with a stable outlook. S&P also affirmed the “B” short-term issuer credit rating for the company. Thank you. Now over to our CFO, Mrs. Bindu A.L. for a more detailed look at the numbers.

Bindu A.L.: Thank you very much Sir. Thanks to all our stakeholders for attending the quarterly update call. The industry saw a drop in disbursements and collections in Q1 and is expected to bounce back to the prepandemic level by the end of this fiscal. While collections have already started improving disbursements gained momentum in the run-up to the festival season, good monsoon and pent up demand for credit across various sector.

Now coming to the operational overview we are carrying surplus liquidity across all businesses, cash and cash equivalents on hand on a consolidated basis was Rs.4578 Crores and undrawn bank lien was Rs.4265 Crores at the end of the quarter.

Our CP exposure is 8% of total borrowings in the standalone entity. Our AUM is well positioned across all buckets. Standalone borrowing cost has come down to 7.94% in comparison with 8.61% in Q1 FY2022. Our consolidated AUM for Q2 FY2022 was Rs.28422 Crores up by 14.8% Q-on-Q and up by 5.6% Y-o-Y.

The sequential growth in AUM was largely on account of gold loan growth. During the quarter, the company invested significantly in gold loan growth initiatives which led to increased opex. We hired 1622 marketing personnel at branches to drive higher growth, additional spends on advertisements and higher growth resulted into increased field incentives.

As a result consolidated profit after tax was Rs.370 Crores for Q2 FY2022 down by 15.3% Q-o-Q and down by 8.8% Y-o-Y. ROE on a consolidated basis was 19% and ROA was 4.7% for the quarter ended September 2021. Gold loan business which constitutes 66% of consolidated AUM whereas the balance 34% comprises of microfinance, vehicle, housing and other businesses.

This quarter witnessed a sharp growth in gold loan, tonnage and new customer acquisition. Gold loan AUM increased by 13.2% Q-on-Q turned by 5.2% Y-o-Y. Gold holding stood at 64.7 tonnes up by 11.4% Q-o-Q and down by 6% Y-o-Y. During the quarter, we were able to add 3.89 lakh new customers against 2 lakhs in last quarter. Gold loan average and ticket size and average duration was Rs.4890 and 106 days respectively. The total number of gold loan customers stood at 25.08 lakhs. The gold loan book was at Rs.18720 Crores. Our weighted average LTV stands at Rs.2896 per gram or 67% of the gold price as on September 30, 2021 which is well below among the peer group. Goal loan disbursements during the quarter stood at Rs.34783 Crores. The online goal loan book accounts for 45% of the total golden book.

Coming to MFI business, Asirvad MFI AUM stands at Rs.7162 Crores up by 18.3% Q-on-Q and up by 44.1% Y-o-Y and this business reported a profit after tax of Rs.12 Crores in Q2 compared to Rs.7 Crores in Q1 FY2022. Our collection efficiencies from MFI business during the quarter was 91% compared to 74% in Q1 FY2022 and disbursements during the quarter was Rs.2749 Crores. The company has a capital requisite ratio of 18.6%.

Vehicle finance business we have reported an AUM of Rs.1267 Crores which is up by 21.3% Q-on-Q and up by 19.3% Y-o-Y. Collection efficiency for the quarter was 120% compared to 97% in Q1 FY2022. Home loan business total loan book was Rs.732 Crores which is up by 9.6% Q-on-Q and up by 18% Y-o-Y. It now operates in 73 branches and reported a profit of Rs.2.7 Crores during the quarter.

Collection efficiency for the quarter was 95% compared to 84% in Q1 FY2022. Loan to NBFC was at Rs.79 Crores and SME loan book stands at Rs.461 Crores. Provisions and write offs for the standalone entity during the quarter at Rs.10 Crores compared to Rs.29 Crores in Q1. Our GNPAs at 1.59% at the end of the quarter compared to 1.96% in Q1.

The board declared an interim dividend of 0.75 paise for this quarter. Our capital position is strong and the company is well capitalized with a capital adequacy ratio of 31.8%. The company's consolidated network stands at Rs.7968 Crores. The book value per share stood at Rs.94.1 paise. Thanks now we can go for the Q&A session.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Aswin Kumar Balasubramanian from HSBC Mutual Fund. Kindly proceed.

Aswin Kumar. B: My question was regarding the MFI business. It has seen a fairly sharp growth in fact seems to be higher than even many of your peers and also today it constitutes about 25% of the overall consolidated loan book so I mean do you have any kind of upper limit in mind as a proportion so that is the first question? The second question is on the asset quality here so if I look at slide number 27 your collection efficiency seems to have improved in this quarter but if I look at the zero plus, 30 plus, 60 plus numbers I mean those are higher so and I just wanted to it would help if you could just explain that slide a little bit better so that we can get a better understanding of what is the exact trend there? Thank you.

VV.P. Nandakumar: Your question had two points, one about MFI business. Out of the consolidated portfolio 27% is from microfinance. Growth plans, how much at the consolidated level we are allocating our capital. Our capital allocation for MFI business would not exceed more than 50%. It is capped at 15%. Now the capital we have allocated stands well below 10%. For its growth anything is required more than 15% of our consolidated growth, we will raise the capital from outside or we will respect the growth at that point of time. Our risk appetite as far as MFI business is concerned so 85% of per capital will be allocated for secured business. There is also our major criteria more than 50% of our capital, all the time be allocated for gold loan business and that is according to priority that will be the priority number one, the priority number two where around 20% of the capital will be used would be for a micro mortgage business up to 18 lakhs. This comprises both affordable housing as well as MSP portfolio as I mentioned which will be fully secured against collateral and the third around 18% of our capital would be allocated would be for vehicle finance. The trust will be more against commercial vehicles rather than private vehicles and the balance of 15% maximum and we want even then 15% we would limit that capital location at around 10%. This is at consolidated level this is our business plan and about collection efficiency your questions will be answered by the CFO Mr. Yogesh.

Yogesh Udhoji: Our collection efficiency is certainly improving over quarter-on-quarter which is getting up to 91%. Though the PAR at the moment is around 26% and we hope that our efficiency will cross above 95% of our increase more than 95% which will definitely help us to also collect overdues from the current OD customer and we hope to bring down around 26% currently substantially reduction we have planned in Q3.

Aswin Kumar. B: Sir can you clarify but given the overview proportion even zero plus has increased right like from 22.4 to 25.8 so I mean because if the collection efficiency has improved I mean we would normally expect that to come down so is there any like restructuring which had provided in June or something which is come out of the moratorium or something of that kind which is contributing to this?

Yogesh Udhoji: Not exactly. Restructuring could be one of the reasons but again in the current scenario even we are also having little more of fresh flow which is coming from the non-order book so my PAR remain at around 26%, improved collection efficiency has not given us the impact which has resulted, which we intend to have, so the endeavour to reduce the fresh flow which is slightly higher for us in Q2, once we control that it will definitely give us the desired results of reduction in CAR.

Aswin Kumar. B: How much would be a restructured book and like what would be the nature of the restructuring which you would have done typically?

Yogesh Udhoji: Currently we have around 100 Crores which is remaining under the restructuring which is around 15% so the customers we have seen that some customers have requested us for restructuring they did not want to we had also taken that into consideration and the current efficiency in the restructured book is slightly lower which is we just pulled over the efficiency down, our restructured book efficiency is around 70% so that once we improve that will automatically improve all the parameters.

Aswin Kumar. B: But you have any moratorium in this restructured book or how would that be?

Yogesh Udhoji: No, we did not give any moratorium.

Aswin Kumar. B: Thank you.

Moderator: Thank you. The next question is from the lion of Sibrat Trivedi from SBI Life Insurance. Kindly proceed.

Sibrat Trivedi: Sir thanks for taking the question. Just wanted to know what has been the gold option in terms of damage and value Sir?

Bindu A.L: So we had seen a higher option in Q1. So now the things are almost back to normal during the quarter we are done in terms of amount it is nearly 360 Crores that is the option we are done during the quarter.

Sibrat Trivedi: Sure.

Moderator: Thank you. The next question is from the line of Zhixuan from Point72 Asset Management. Kindly proceed.

Zhixuan: Thanks for the opportunity and congratulations on a good growth momentum. Just three quick questions here firstly is the growth side right so are we changing our strategy i.e., going from more majority three-months product to like a six-month product?

V.P. Nandakumar: Can you make it clear are we moving from three months to six months this is the question?

Zhixuan: Yes because I think your three-month product percentage of loan came down quite a bit sharply this quarter?

V.P. Nandakumar: We believe that moving from three months to six months is justified so that the customers would get up to nine months even then more of our focus would be regular collection of interest. For that we have done several facilities to the customer, customer interface is improved through using online technology collection technology etc., so we generally are assessed moving to around three months to six months so that the customer would get them maximum nine months. There is a slight shift in the strategy.

Zhixuan: How should we think about as you are going forward because I think we have a little bit of new job this quarter I am not sure whether that is really going, having more six months product in the mix, if you give us some colour on how much you will continue the job and then to what extent and when can we see a bottom?

V.P. Nandakumar: I am not able to get your terms query?

Zhixuan: I am just asking on the your side right also the huge has declined a little bit this quarter sequentially so as we go for this six-month product should we expect to see the company, to pick up.

V.P. Nandakumar: I get your point as a yield right?

Zhixuan: Yes?

V.P. Nandakumar: The yield there is some shrinkage. We hope it will settle around somewhere around 2% lower than our highest yield in the previous quarter so if this 2% will be compensated by improved branch efficiency that is as we have around 3600 branches which is not growing in numbers so the average AUM per branch is bound to grow with this growth. So this is going to grow our operating efficiency and push our opex to AUM down. The second thing what we will look at is with this growth our capital adequacy is the tier 1 capital. The capital adequacy will be down. We want to keep it down to somewhere around 25% so there is a tier 1 so we have reduced that by around 150-200 basis points last quarter so with more growth in the portfolio it will be down so our overall objective is to see that we grow at a rate of 20% where gold also grows at 15%-20% year-on-year and also maintain an ROE 20%.

Zhixuan: When you say 2% I referring to 2% lower than current quarter if I look at the standalone 25.3% is it relative to that or sorry I did not catch that?

Bindu A.L: 2% reduction in yield from the current quarter level.

Zhixuan: Just last question on the operating expenses front so grateful if you can share some colour on what is the outlook for second half, will it continue to increase and also how should we think about the actual opex growth rate for the full year, this year and also next year?

V.P. Nandakumar: The reduction can happen very fast because and it will be maintained because in coming two-three quarters whatever has to come down it will come down thereafter it will be stabilized so what we have said we are expecting that to come down around nearly 2% can happen two-three quarters and will be sustained thereafter.

Zhixuan: Sorry 2% you are referring to.

Bindu A.L: On the yield part we are expecting 2% of reduction from Q2 level. On the opex part in absolute amount we are not expecting much increase but on a better growth we should be able to reduce the percentage is our expectation.

Zhixuan: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal Financial Services. Kindly proceed.

Abhijit Tibrewal: Thank for taking my question. Madam in the previous question while you have already kind of stressed upon the fact that you are expecting the yields to settle down around 200 basis points or 2% ish lower than the current levels, a) if you could just I mean kind of quantify that and b) given that we have clearly embarked on a change in business model where we are kind of looking at a sustainably lower yield maybe over the next two quarters what does that translate into I mean spreads I mean by the end of this year that is the first question that I had and second question was I mean when I look at the increasing opex that you have had I mean and thanks for giving out that bridge that you have given on slide number 19 highlighting which all components have kind of led to this increase in opex what I am trying to understand is you have paid out something like 31 Crores in incentives during the quarter against disbursement of something like Rs.35000-40000 Crores if I heard you correctly if you could just help us understand I mean what are these kind of incentives that you are kind of giving out I mean because the incentives look very high and given that you have suggested that I mean you are not expecting a material increase in the absolute opex. Would it be fair to suggest that I mean for such high levels of disbursements to sustain we would have to continue giving out such higher incentives?

V.P. Nandakumar: One part I will take the quantification, CFO will give. So the lower yield I have told the other person is that yield may settle in the coming quarters by around 2% lower than the current level. This will be matched by one the increased efficiency of creating efficiency at the branch level you see the growth is happening the existing branches with the same number of employees so this will bring down the opex slowly then another thing that I have mentioned about the use of capital more efficiently. The tier-1 capital as of now stands at around 32% so we intend to bring it down slowly to around 25% it was bringing more efficiency as far as capital usage is concerned. You also pointed out about 31.2 Crores sensitive, we have been facing this pandemic situation and we were not able to get our employees back so we need to get our employees back and also do their marketing activities so this has led to at the payment of 31 Crores sensitive. Our target has been what we have seen losing during the first quarter is in higher tickets acquisition and we were losing to our competition in our ticket cases in gold loan, so having understood that we have I attacked that segment and we were able to bring it up so it has gone down from our 50% level by around 9% during the first quarter but we were able to bring it back to around 50% plus level during the second quarter this was done one through the advertisement bringing the yield down in that segment particularly where in according to the ticket price, over say between 3 lakhs to 5 lakhs by about 2 lakhs etc., so we had to bring down some reduction in the yield and these are yielding results now we are we are able to grow this by tickets about 5 lakhs also so this is a strategy and the strategy is paying off well and we are hopeful of achieving our target of 15% to 20% growth year-on-year through this strategy which we have demonstrated in the past we have regained that strategy in the second quarter you have seen is the growth coming back very fast, so regarding some of the numbers which have been asked maybe CFO can answer.

Bindu A.L: Should the expected yield reduction of 200 basis points we expect one-fourth of that can be achieved through reduction in cost of borrowing so on the spread we may have to expect 1.5% tip is what we are expecting. With regard to incentives of Rs.31 Crores on an average we used to have Rs.3 Crores per month as the incentives so in a quarter we may spend Rs.10 Crores in the past but during the quarter, we additionally spend almost Rs.20 Crores. This payment is mainly on the growth portion only so we paid for a growth of up to 18750 Crores gold loan AUM growth and the incentive will depend on further growth from that level. So this incentive includes for all the businesses, the non-gold businesses also during the quarter vehicle finance also could do well so that 31 Crores includes the incentives for vehicle finance, gold loan growth and collection incentives is also a part of the Rs.31 Crores incentive so from the previous quarter level our expenses has gone up by Rs.20 Crores on a growth of 13% growth in gold loan AUM.

Abhijit Tibrewal: Sure Madam, if I can ask you this one last question here under this new business model we have been talking about improvements in productivity and efficiency just trying to understand what kind of our disbursements per branch or AUM per branch is something that you are looking for in the near term given that and given that we have been talking about improvements in productivity and efficiency under the new business model given that we have hired I mean 1600 I think sales and marketing personnel during the quarters what I am trying to understand here is I mean can just addition of a personnel I mean on a quarter-on-quarter basis actually help us in improving disbursements?

Bindu A.L: So 1600 manpower is one-off only we thought of adding 1 person for the majority of the branches to do the local marketing activities, so every quarter it will not happen. This is a one of expenditure and the branch efficiency per branch gold loan AUM stands at Rs.5.2 Crores now and this has improved from 4.7 Crores to 5.25 Crores as we are expecting another 15% growth in AUM this will reflect in the per branch business. That is our expectation. In absolute amount the expense may not be increasing so that will help us to have a lower opex to AUM ratio that is the expectation.

Abhijit Tibrewal: Thank you so much and wish you very best.

Moderator: Thank you. The next question is from the line of Prateek Agrawal from ASK Investment Managers. Kindly proceed.

Prateek Agrawal: I think the change in the business plan that we see earlier you were very focused on profitability but obviously there was only so much growth that was possible but now it seems with some tweaks you are now able to grow very well and that is a positive observation a lot of my queries were actually asked by the previous guy, could you simplify it for me and tell me in the newest growth model what should be the ROA that should be expected for the gold business on a sustainable basis?

V.P. Nandakumar: ROA will be maintained 4.5% to 5% level. We have seen a few things here so the growth you are seeing in gold loans have come during the second half of the second quarter so the average growth during that period was lower. It was actually negative even though we have grown by

13% so the benefits will come only in the coming quarters so we may be able to maintain an ROA of around 4.5% to 5% this is our expectation.

Prateek Agrawal: Understood. Just one added question that gold prices have moved up from the bottom and would you change your auctioning policy a bit we have seen your competition keeping on holding gold till actually this they making a loss rather than auction it off so immediately if borrower is unable to pay back?

V.P. Nandakumar: Our strategy is to see that the auction is produced so we are giving the view to the customers as well as our own employees to contact the customers and get it redeemed or renewed at the new rates as much as possible. What we believe is putting pressure on them at an early stage. So that is a better result this is what we have seen during the past five years, but the first or bit scenario was slightly different and we believe that they really remind them early pressure is better for the customer as times will tell what is the right strategy. You need to watch for one or two quarters more to see what is happening to a longer-term lender.

Prateek Agrawal: Thanks. All the best for the future.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Kindly proceed.

Vivek Ramakrishnan: Good afternoon. I wanted to ask about the microfinance book where we have seen substantial slippage of erstwhile portfolio into PAR 0 and PAR 30 and yet the collection efficiency number seems to be a bit high in the sense I am trying to reconcile these set of numbers how do you expect the microfinance book to behave going forward?

V.P. Nandakumar: There have been some delay in collection that is why the collection numbers even though better there is a slippage to PAR so now as the rural economy started picking up so we hope for the PAR also will come down going forward. We have given adequate provisions already. 10.2% of the loan book prior to this COVID outbreak. This has been already either written off or provided for. So we have made enough provision and we believe we will be able to contain the credit loss with that. Now I am leaving our CFO to clarify the numbers.

Yogesh Udhoji: As numbers, Chairman said, though our efficiency is now picking up the main reason would be is the fresh loans is coming so which is not able to so that is why the other PAR is remaining at a little higher level and in the MFI industry generally the customers are not able to pay two EMIs in one go and get themselves regularized, so that is where my PAR for some time had remained at a higher level and in Q3 we are definitely expecting the collection efficiency also to go beyond 95%, number one and number two we are also likely to work towards to ensure that fresh flow does not come which is causing the PAR not able to reduce, so that these two things should help us to reduce PAR.

V.P. Nandakumar: Our new disbursal strategy also is very conservative. 80% of our new disbursals are to existing regular customers. So we are absolutely with you. So another thing what I want to highlight again the new disbursals to in this segment., the collection efficiency is for nearly 99% that is the existing customers who have a good track who have been regular customers as well as the customers who have been screened and locked very well so it is going well and now our collection efficiency is around 93% as against 84% during the previous month of the previous quarter it has improved from 74% to 93% and this quarter third month is improving and this quarter towards the end of this quarter we hope it will cross 95%.

Vivek Ramakrishnan: Excellent Sir if I can just ask a follow-up question is the lag or the PAR ratios coming out of a few regions where there have been any problems or is it like a more broad-based thing?

V.P. Nandakumar: Major thing has come from the places the geographies were the lockdown was prolonged one in Southern Tamil Nadu and in West Bengal etc, because there had been some delay but now improved focus in this particular state the collections are bound to improve. One good thing about this is the state where we are from that is Tamil Nadu where we have a group of things the collections were lower compared to the states now as we know the state and we have the people have come forward and the lockdown is removed things are back we will be able to improve the collections very fast which gives us the hope that towards the end of this month and next month etc., the collections will go above 95%.

Vivek Ramakrishnan: Excellent Sir. Wish you good luck.

Moderator: Thank you. The next question is from the line of Aalok Shah from MNCL Group. Kindly proceed.

Aalok Shah: Thanks for the opportunity Sir. Just two questions from my side you have talked about something like a 4% to 5% ROA on a standalone book. Does that mean that we can go back to something like 24%-25% ROE on a standalone basis even as we look to adjust our fields part that is my first question and the second question is trying to get your sense on is there anything in terms of deviation on the IRAC norms from what is the standard practice or what RBI has been talking about or in reference to the document that has come out on Friday evening?

V.P. Nandakumar: Our targeted CRAR and ROE is around 20% and 20%. So it is being mobbed and we consider that as a bonus we will enter our best to see there is a bonus. Yes with 5% ROA or 4.5%-5% ROA even 30% level tier I level, it will be good to maintain and we want to bring slowly to around 25% so between 4.5%-5% targeting an ROE of this will be possible so your question on the loan book at a consolidated level but of course we will maintain that level of ROA understand the loan book.

Aalok Shah: Sure Sir and anything on the second point on the IRAC norms?

V.P. Nandakumar: I have no idea about IRAC norms what is going to come in the next document etc., so my team anybody is having any idea they can try to respond?

Bindu A.L: The recent circular came last day only and we are in the process of evaluating the implication on the non-gold businesses what is the impact so we are studying in details and we will come back with the details. This is an industry issue so we will see how the whole industry definitely I think Manappuram will not be very different so we are evaluating the implication of the circular.

V.P. Nandakumar: What I understand is about the EMPS recognition, so there could be something different once it is recognized as NPA. So throughout its life it will remain as NPA as it was but I guess so this is something. First of all our two-thirds of our portfolio is not going on which does not have this problem. The second thing see even if it comes it will lead to only just a delayed recognition of the income so it is not good to have impact on the business. It is only a temporary one quarter-to-impact for the industry as a whole because when 180 days NPA recognition came then when it was gradually reduced to 129 etc., there had been a market feeling that the heavens are going to fall but nothing has fallen so it is so income is not going to go anywhere so it may get, it is going to be or if the recognition is going to be a cash based in such cases so I do not think guys is going to affect the industry as a whole.

Aalok Shah: Maybe if I could just squeeze in the last question, this quarter certainly there seems to be some kind of change in strategy of looking beyond three months as a product now is that something which kind of will be on an ongoing basis or we would look to go back to a three-month product to quarters now because that has been a sweet spot for us?

V.P. Nandakumar: For the last five years we have been successful in the three month product. We have been successful so the growth compared to peer has had been similar growth so where we have missed the bus was in addressing the consents of the past tickets, which we have done is now and we see growth. So the question is whether we will go back I cannot say no to that. We will watch the market and if we see that if we can maintain the growth of going back to three months product we may go, I am not sure but so what is most important for me is delivering the market expectation with regard to the CAGR growth as well as ROE.

Aalok Shah: So is it safe to say now that the key focus for management is now on growth because ROEs there are drivers for ROE and historical where there have been external factors which have impacted growth so we are trying to take up corrective measures to get that address?

V.P. Nandakumar: Management thoughts are highly dynamic to see that to achieve that desired result what is specificity you will adopt that.

Aalok Shah: Those are my questions. Thank you and wishing you all the very best.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from Systematix. Kindly proceed.

Shubhranshu Mishra: Thank you for the opportunity. Sir data points just wanted to understand what is the weighted average LTV in percentage and what is the interest accrued and the gold price per gram for the quarter. That is on the data point what I wanted to understand is the concentration of the gold finance branches. What are the top 20 branches account for in terms of disbursement and AUM and top 50 and top 100 for the disbursements and AUM and gold for that? Thank you.

Bindu A.L: Gold loan LTV at the end of the quarter was 67% and we take the current data it is around 63% and on a gold price of 4500 this is Rs.2800 is the LTV. Interest receivable 850 Crores for 4.3% of AUM and other data points we will get back to you.

Shubhranshu Mishra: Sure Madam. Thank you.

Moderator: Thank you. The next question is from the line of Madhu Dey from Altavista Capital Partners. Kindly proceed.

Madhu Dey: My question is if you could give me what is the total restructured portfolio in your non-gold business and how much provision are you carrying against the same?

V.P. Nandakumar: The restructured portfolio in Asirvad, our CFO will answer.

Madhu Dey: I am not only asking about Asirvad?

Bindu A.L: Restructuring mainly happened in the case of MFI business which Yogesh has already given the number around 1000 Crores is the restructured book but as the moratorium book is not there in all the cases the billing started and if the customer is not paying this will be reflecting in the PAR numbers. Other businesses we have not done much. During the Q1 housing was some Rs.50 Crores, vehicle finance now some Rs.2 Crores only so these are the broad numbers and on the restructured book we are considering a higher provision than the RBI mandated provision.

Madhu Dey: Madam, if you could share what was the provision on in the Asirvad book for this Rs.1000 Crores restructuring?

Yogesh Udhoji: For 1000 Crores whatever is my book I mean we may have some portion of direct assignment which belongs to the bank that is around 270 Crores, out of that if I remove that there is around Rs.725 Crores this is in my book on and on that book we have close to 18% of provision we are carrying so around.

Madhu Dey: Got it and you do not have any restructuring for the gold loan portfolio right?

Bindu A.L: It is less than Rs.50 Crores. Gold loan it anyway it is a fully secured book so Rs.50 Crores booking good loan.

Madhu Dey: I just wanted to understand this because as you rightly highlighted that there is a change in strategy you are going to move to a more six month product and there is going to be a collection of monthly collection etc., so will that materially change your auctioning policy or anything of that sort?

V.P. Nandakumar: I do not think so see our strategy is very simple because we target a CAGR of 20% and also ROE of 80% so our strategies will be revolving around that. For the sake of growth alone we are not going to compromise on yield too much if we are satisfied with the CAGR and gold loan what we are targeting is 15% to 20% the growth. So to achieve 15% to 20% what should be the pricing this is going to be our look out. So this is what we have been telling the market and we are hopeful of maintaining during the next three to four years we are hopeful very much hopefully doing that.

Madhu Dey: Sir just this is curiosity my very last question, you are increasingly getting into the turf of banking customers and that is why it might be necessary for you to keep dropping your yields and but they have a cost of fund advantage of course so does this mean that structurally we are getting into a situation where we will have incrementally lower ROA in the business?

V.P. Nandakumar: We have not targeted the bank's customers and we have not considered the banks as our competition because our USP is very different. Our USP is quick turnaround and availability. Av means bank's counter is open for gold loan so for around 15 hours a week whereas our counter is open for 48 hours, so this is the big difference and we understand the goal on customers, their needs around more than 40% or 50% will redeem during this month for him what is most important is his time, so he will not wait up to 10 o'clock and waste a day and for redemption also he does not want to waste a day by coming over to the counter before 3 o'clock etc. It is not affordable for a customer where the average ticket price is around 50000. This is our target audience. Our competition is from the NBFC and the NBFCs pain points are common. At some point of time, we have to come some sort of informal understanding and below that pricing that nobody can go. So this is the market reality. So our target is mainly from the inorganic sector which constitutes around two-thirds of the lending to the gold loan borrowers.

Madhu Dey: Thank you very much Sir. That is all. All the best.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for any closing comments.

V.P. Nandakumar: Thank you. We know that there will be some reaction when expected profit is not delivered but I can tell you this is only a temporary phase of one or two quarters maximum and our target of growth and ROE will be delivered in future quarters. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Batlivala & Karani Securities India Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.