



“Manappuram Finance Ltd Q3 FY17 Earnings Conference  
Call”

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**MODERATOR: MR. PRADEEP AGARWAL – PHILLIPCAPITAL (INDIA)  
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**Moderator:** Ladies and Gentlemen, Good Day, and Welcome to Manappuram Finance Limited Q3 FY17 Earnings Conference Call hosted by PhillipCapital (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. Pradeep Agarwal from PhillipCapital. Thank you and over to you, sir.

**Pradeep Agarwal:** Good Evening, everybody and Welcome to Manappuram Earnings Call to Discuss the Third Quarter Results. To discuss the results, we have on call Mr. V.P. Nandakumar – Managing Director and CEO and Mr. Kapil Krishan – Group CFO.

**Kapil Krishan:** Ladies and Gentlemen, Welcome to Manappuram's Q3 FY'17 Conference Call. For the quarter ended December 2016, our consolidated AUM stood at Rs.14,554 crores, which is up 0.5% from the previous quarter and up 37.6% YoY. Our consolidated income from operations was Rs.900.5 crores, which is 6.9% QoQ increase. Consolidated profit after tax and minority interest was Rs.202.5 crores compared with 192.4 crores in Q2, which is an increase of 5.3% QoQ and 101.9% YoY.

Our Gold holdings increased were 65.14 tons as at the quarter end. This is up 11.4% YoY. Our total number of Gold Loan customers stood at 22.48 lakhs. There were new customer addition of 3.6 lakhs which is 3.1% QoQ increase. The fact that we are still adding so many new customers shows that the underlying demand for Gold Loans remains intact despite the temporary effect of the demonetization. The Gold Loan book was Rs.12,267 crores which is up 27.3% YoY and down marginally QoQ. The average AUM increased by 5.3% QoQ.

Auctions during the quarter were Rs.81 crores. Our weighted average LTV stood at Rs.1885, which is 71% of the current gold price. Our interest accrued was 3.4% of the Gold Loan AUM compared to 3.9% a year ago. Gold Loan disbursements during the quarter were Rs.12,059 crores compared with Rs.14,900 crores in Q2. The share of non-cash disbursements in the total disbursements increased to 65% during November and December compared to 53% in October. The Online Gold book now account for 9.7% of the total gold loan book compared to 6% in Q2.

Asirvad Microfinance had a closing AUM of Rs.1650 crores, 5% increase QoQ and 136% YoY. For Q3, the company made profit after tax of Rs.13.9 crores which is up 135% YoY and down 6.8% QoQ. It now has 10.78 lakh customers with 697 branches, 3699 employees and earned an ROA of 3.5% in Q3. We are now present in 17 states and union territories and 35% of the AUM come from new states it has entered after our acquisition. The company has a capital adequacy of 21.4%.

Despite the effect of demonetization, the company has already collected 98% of which dues of November and 92% of the December dues. The Home Loan business had a total book of

Rs.263 crores which is up 23.3% QoQ. It now operates from 34 branches. The Commercial Vehicles book stood at Rs 250.5 crores which is up 18% QoQ and operates from 46 locations. There is only a marginal impact on the collections for these new businesses due to the demonetization. Consolidated financing cost was Rs.317.4 crores. Our average cost of borrowing during the quarter declined further by 24 basis points QoQ and is now at single digit level of 9.9%. The average cost is down 78 basis points YoY and 234 basis points in the last two years. Our incremental cost of borrowing is 8.7%. Our employee cost declined by 4.5% to Rs.125.2 crores. The total consolidated head count stood at 21,031. There was a 4.6% QoQ increase in the administrative costs to Rs.97.39 crores. Depreciation cost increased marginally to Rs.15.9 crores. Overall number of gold loan branches remained at 3293. Provision and write-off for the standalone entity during the quarter were Rs.27.95 crores. As you are aware, we recognize NPAs at 90-days which is much ahead of RBI's requirement of 120-days. Our gross NPA was 2.3% as at the quarter end, the increase in Q3 was mainly due to some pending auctions which we expect will be cleared in Q4. We have also not taken advantage of the RBI's relaxation in NPA reporting...as you know they allowed 60-days extra which we have not taken advantage of. We have also made provision for standard assets at 40 basis points instead of 35 basis points required by RBI. Loss assets due to theft, spurious gold assets amounted to 9 basis points which is stable QoQ. The company's consolidated net worth stood at Rs.3210 crores as at 31<sup>st</sup> December. Book value per share was 38.15. The board has declared an interim dividend of Rs.0.50 per share. Capital adequacy stood at 22.77%. Consolidated borrowings were Rs.12,211 crores.

**V.P. Nandakumar:**

Thank you Kapil and thank you all for joining us today to discuss our Q3 Results. It is exactly three months today since the demonetization announcement was made and we can speak with some clarity about this impact. Basically, there are two immediate issues we face post-demonetization. Firstly, some of our customers face problems in making repayments as we had to stop accepting old notes all of a sudden. Secondly, with regard to non-disbursement, we face the problem of availability of cash when disbursing gold loans of less than Re.1 lakh. A section of borrowers remained keen to get the loan in cash and we could not satisfy them given the constraints in the supply of new notes. Even before demonetization, as a part of our own drive cashless modes of transactions, we had already set up alternative repayment channels like online repayments using net banking, debit card and eWallet, etc., Therefore, we could tide over the situation to an extent by encouraging our customers to make use of these channels already in place. So, the share of non-cash disbursements increased to 65% in November and 66% in December compared to 53% in October 2016 prior to demonetization. However, now that the availability of cash is almost back to normal, we are in a position to carry on as before.

On our part, we intend to continue our campaign to have more of our customers adopt cashless mode because that is where our long-term interest lie. We have seen our Online Gold Loan products which is totally cashless at our end become more popular. OGL now accounts for nearly 10% of total gold loan collateral up from 6% last quarter. We are also pressing ahead with developing a new age gold based fintech business opportunities. New technologies like Net Lockers, Mobility Solutions, eKYC, Digital Wallets, etc., are in the pipeline so that

customers get access to all our products and services through smartphones. Therefore, even if we get back to business as usual, our technology focus will be sharper than ever before.

Coming back to our Performance: I think much of the ground has already been covered by Kapil; however, I would like to take a couple of aspects for attention: Firstly, the continuing decline in our average cost of borrowing to the sustainability of our profit. In fact, the average cost of borrowings have fallen to a single digit; 9.86% while our incremental cost of borrowings stands at 8.7%. Thanks to our improved service rating and pass-through effect of reductions affected by RBI.

Secondly, the diversification we undertook beginning in FY'17 continues to show good results. Ashrivad Microfinance has posted good growth in AUM over the last quarter despite the impact of demonetization on Microfinance. Asirvad post the quarter with an AUM of Rs.1,650 crores, a 5% growth in one quarter and 136% growth over one year. Also, the company managed robust collections of its dues in November and December despite currency shortage.

Our Home Loan and Commercial Vehicles Loan are growing well and together they contributed Rs.517 crores of business compared to Rs.430 crores last quarter. They cater predominantly to the unorganized sector but have stood up well to demonetization. Housing Finance and Commercial Vehicles Finance have both moved into a sustainable growth path and we expect they contribute significantly to business in the coming quarters. In aggregate, our non-core business now contributes 15.7% of our consolidated AUM, up from 14.5%. Our goal is to make sure by FY'18 we have 25% of the share of non-gold business both by income as well as AUM. By 2020, we intend to achieve half of our total business from non-core business. This is part of our vision to become a well-diversified NBFC.

Thank you. The floor is open for your questions now.

**Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

**Digant Haria:** Sir, my question is our total number of customers have grown quite well even in this quarter but the gold stock under possession has fallen down a bit. So like can you just explain this phenomena, are customers coming with lesser gold or they just came to us for some kind of emergency loans in this quarter, anything special that happened in this specific demonetization quarter?

**V.P. Nandakumar::** Basically, what happened is that some of our existing customers especially those who are running small businesses, they had a slightly lower demand. So because of that the growth was bit less. Though new customers kept coming, but some of the existing customers did not come back. They will come back once their cash flows are better.

- Digant Haria:** My second question is mainly on the repayment side. If you can give just some color on each of these three things that the customers who finish their three months and they had to roll over, the customers who had just supposed to pay interest and probably customers who are needed to do like, how was the behavior in the month of November and December and how has the trend been in January and Feb for them?
- V.P. Nandakumar::** So basically, one thing happened that the overall disbursement came down by around 25% but the disbursement includes the repledge. So basically the existing customers who are rolling over, that demand was slightly less. So that was one trend that we saw. The other trend is that the cash and non-cash disbursement. So non-cash used to be 50% of the total disbursement, that became 60% of the total disbursement. As we said the online book grew very fast from around Rs.750 crores it grew almost 50% in this quarter and it is now almost 10% of the total book. These were the broad trends we saw.
- Digant Haria:** Some gold price volatility that we saw in November-December after Trump got elected. Do we think that impacts our growth in this Gold Loan segment for the coming quarter?
- V.P. Nandakumar::** I feel like gold prices will remain stable at this level. That is around \$1200 per ounce, it is now around \$1238 and rupee also I feel like somewhere. So I do not have much worry about gold price. Actually, we do not take a bet on gold price at all. So the one reason for the lower growth was many of our customers did not have any bank account, even though Jan Dhan account which was non-operative actually. So we did not have enough currency also. Many of these customers actually wanted cash, the currency availability was not there, that also has impacted growth. Now, it has come back to the normal stage. Because of that the auction which was hovering around 0.5% have slightly gone up. So that also contributes to some erosion in the collateral we have which will get adjusted in the coming quarter.
- Moderator:** Thank you. The next question is from the line of Shiva Kumar from Unifi Capital. Please go ahead.
- Shiva Kumar:** Sir, this quarter the provisions have increased sharply to around Rs.35 crores from Rs.10 crores last year. So what explains that sharp increase because you have not taken the RBI relaxation?
- V.P. Nandakumar::** As I mentioned there was some pending auction which will get cleared now in Q4. So in Q4 we expect NPA levels back to where they were in the previous quarters. So that is the only reason why the NPA provision has also gone up.
- Shiva Kumar:** So do you expect the reversal of this in Q4?
- V.P. Nandakumar::** Yes, that is what we expect.
- Shiva Kumar:** What is your guidance for year-end AUM growth?

- V.P. Nandakumar::** As you know, we do not give any formal guidance.
- Shiva Kumar:** At least can we say that the trajectory that we got to see over nine months will continue over Q4 now that you have completed one month?
- V.P. Nandakumar::** Q4 definitely will be better than the period post demonetization.
- Moderator:** Thank you. The next question is from the line of Rohan Shah from Alfa Enterprises. Please go ahead.
- Rohan Shah:** I just had a query regarding the auction which you mentioned were Rs.81 crores. So what was the tonnage and the realization on average?
- V.P. Nandakumar::** It was 416 Kgs.
- Rohan Shah:** So essentially we saw very large 13% fall in the gold price from August for that five months period, three months loan plus two months to auction out. Were we impacted by that or is that why you have been postponing the auctions to get better realization in Q4?
- V.P. Nandakumar::** As you know the gold price was very volatile during the quarter. That was one of the main reasons why we had to just take some more time for that. But now that gold price is again stable, so we expect it will get cleared.
- Rohan Shah:** Do you say that a large chunk of this NPA would get reversed?
- V.P. Nandakumar::** It will get definitely reversed and during the initial period of 40-days of demonetization, as the currencies were not available, generally there was sluggishness in demand for jewellery. That led to a situation of the slackening in demand and the secondary gold in the market also has gone down. So that was the reason why we thought to postpone for some time to ensure that currency is available and also the jewellery sales is back to normal. Now the situation is completely normalized and we can do that because gold is with us and the demand has actually cut off.
- Rohan Shah:** You had mentioned the weighted average is 71%. So I am assuming part of that is also again because the gold price fell. So what would be the LTV as on date?
- V.P. Nandakumar:** This is based on current price.
- Kapil Krishan:** Even with the gold price at the current level, this 71% is the LTV average.
- V.P. Nandakumar:** In fact, the average gold price has not fallen much even if we see the current Q4 trend, it is only marginally below the Q3 level.
- Rohan Shah:** Are you comfortable with 71% given that earlier quarters we were 63%, 65% kind of LTV?

- V.P. Nandakumar:** The price has come down no, so the higher LTV is the major reason for that, the incremental maybe much less than that.
- Rohan Shah:** Just a final question on the security spending. In light of the incidents that happened, have you changed anything in that area...?
- V.P. Nandakumar:** Now, we expect some increase in the physical security cost. But that would be offset by the lower borrowing cost. So the overall impact may not be that much.
- Rohan Shah:** Also, in light of demonetization, are you seeing the unorganized guys getting wiped out, is that going to be a long-term process?
- V.P. Nandakumar:** That demonetized phase was only temporary, the PM has promised as 50-days, it was somewhere around that, after that the money was available in the market. So that did not cause much unorganized sector vanishing from the scene.
- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.
- Anand Bhavnani:** If you can give me some split on the provisioning for various segments for Home Loan, Gold and Microfinance?
- V.P. Nandakumar:** Basically, most of the provision is for the gold loans because 85% of the business is in gold loan itself. Asirvad also we made some extra provisions to be cautious, so they would be the next highest level in the consolidated numbers. The Commercial Vehicles and Loan against Property had just around 1% gross NPA, no major increase there. So that is not a material figure. So in our Asirvad business, thought there was no actual any NPA and the collections have been 99% for November and 90% for December, as a conservative policy we made some extra provisions there.
- Anand Bhavnani:** Second question was about Asirvad Microfinance leveraging branches of Manappuram Gold Loan business. So can you give us some understanding of how many branches are currently being leveraged and what is the outlook on it?
- V.P. Nandakumar:** Asirvad does not leverage Manappuram branches, they have separate branches and the human resources, these are also not leveraged. It was completely independently our Manappuram.
- Anand Bhavnani:** Any plans to bring it together or any plans to keep it independent?
- V.P. Nandakumar:** No, because the customer profile or the employee profile, everything is very different, model itself is very different in Microfinance from other lenders. But we co-exist with our insurance broking, our Commercial Vehicles finance and probably we may think about co-existing with our home loan subsidiary also.

- Anand Bhavnani:** In early part of the call, you mentioned that average cost of borrowing has gone down. So how much have been already passed on and how much do we foresee being passed to the customers?
- V.P. Nandakumar:** What we used to call is, this gold loan is for the poor customers, the people avail the loan today and pay back in 10-days or 20-days, the average life is around 60-days, the average ticket size is around 30,000, so relatively small ticket, very small term loan, so the rate does not much matter there. So we have increased our security, etc., to prevent the burglary, etc., which have happened in the past. So the cost reduction benefit goes for additional security provided to the branch.
- Moderator:** Thank you. The next question is from the line of Venkat Subramaniam from Organic Capital. Please go ahead.
- Venkat Subramaniam:** There is a popular perception, that lot of gold that is in public ownership is out of unaccounted cash. What is the impact of the government's drive of either controlling people's holdings or tracking people's holdings and therefore there is a fear in people's mind that when they borrow against that through the formal channel, they could probably be under investigation so to that extent, is there a possible overhang on your growth rates?
- V.P. Nandakumar:** Our average customers hold security with us is around 15 gms. What the government is talking about is much-much higher. Most of our customers are from the bottom of pyramid like they are small entrepreneurs, micro entrepreneurs, self-employed, etc., So our category of customers do not fall into that category. So I do not worry about that.
- Venkat Subramaniam:** But are not there some large borrowers who probably break their borrowing into different names, etc., is there not a practice like that or will that segment vanish or will that have some slow growth rates?
- V.P. Nandakumar:** What the intent of the government is to ensure that unaccounted money is not getting into the system. So the RBI has already ensured that in the fair practices code which is governing NBFCs. Any payment above Re.1 lakh shall be paid only into a bank account. So now the new rules are about Rs.3 lakhs and above. Even now the fair practices code made it above Rs.1 lakh. So if the unaccounted money getting into the system or being used for general rating unaccounted income is not there in the system.
- Venkat Subramaniam:** There will not be effect at all for you?
- V.P. Nandakumar:** You are right.
- Venkat Subramaniam:** A very-very substantial portion of each one of our business in secured, unsecured and whatever form we have is to the unorganized sector. The broad belief is November 8<sup>th</sup> move affects unorganized sector the most. Lot of them will probably have to revisit their business models, lot of them may probably be out of business. Do you sense slightly weaker credit

quality on what is already on your books just now given that end of the day people who have to pay out of that earnings and when that is under question, is your credit quality therefore actually a worry now for you?

**V.P. Nandakumar:** You are talking about gold loan. This is a purely collateral based lending. We do not access this cash flow at all.

**Venkat Subramaniam:** How about rest of the business?

**V.P. Nandakumar:** Rest of the business, our emphasis have been always to lend against cash flow than security. The collateral security is only a security. That concept we want to do, to strengthen that we are building into the data analytics into our platform. So that better credit score, all these can be built in the system which maybe in use for another six months. So we believe all other lending should be based on cash flow. So I do not think this will wipe away unorganized sector. So the currency is almost back. Nowadays I do not hear anything about the currency shortage in any area. So this may not actually wipe out the lenders in the unorganized sector. It will be there.

**Moderator:** Thank you. The next question is from the line of Tammy Pelshaw from Sophus Capital. Please go ahead.

**Tammy Pelshaw:** I have two questions; first of all, on provisions, as in the P&L charge that we saw in the third quarter, given what you are saying in terms of collection efficiency improved, auctions are pending and cash should return back to levels that perhaps we saw in Q2, does this mean that the provision charge which increased significantly in the third quarter, we can actually see some write-backs and that returned to potentially a low level? Second question is more on the growth of volumes, growth of AUM. The outlook in Q4, perhaps you can give us some more detail on whether that will be the typically strong quarter or is that too optimistic given that we are still seeing some kind of remnants of the effect of demonetization?

**V.P. Nandakumar:** About the provision, the gold loan provision is not something worries us because gold is with us, gold is the cash equivalent as we all know and our average LTV is also very comfortable. The gold price also has not fallen to a level which we need to be concerned. There is some extra provision because we thought the NPAs need not be sold at the time of all crucial currency shortage. So we consciously deferred that. Now, we have started the public auction and all NPAs will be sold out in another 45-days so that the last quarter it will be back to the position which we had before demonetization. The fall in AUM, there was a general slackening of the economy is the new customer acquisition remained at that level but the existing customers demand have come down very well. Then also not only it has come down but we faced currency shortage for around 50-days. In our branches we used to have an average currency holding of around Rs.125-140 which was around Rs.40 crores, it has come down by 60%. So many of our customers who wanted to borrow some 20,000 or 15,000 they do not have the bank accounts, so they always was in need of currency, we could not meet their requirements. That is the reason for fall in AUM. Now we are completely back to normal

with regard to our cash holding at the branches and demand is also slowly picking up. I feel the worst part is over and we are completely back to normal growth what we used to project in the past will be achieved.

**Tammy Pelshaw:** Just to clarify that last sentence that you mentioned in terms of the normal growth rate will be achieved, are you saying that is the case as early as the fourth quarter or are you talking about more FY'18?

**V.P. Nandakumar:** FY'18, what we used to expect to achieve is CAGR of around 20% over the next four-five years. This can be through growing our other initiatives as well as gold maintaining at a certain level, then outgrowing the new initiatives during the next three-four years. That is why we are around 15% now and expected to grow to around 25% in another 1, 1.5-years. So overall our expectation is around 20% CAGR for the next four years.

**Moderator:** Thank you. The next question is from the line of Ashwin Balasubramanian from HSBC Asset Management. Please go ahead.

**Ashwin Balasubramanian:** I had a couple of questions; first is although your NPAs have gone up in terms of the yields they have remained roughly stable, in fact, they have gone up slightly, I am assuming there would have been certain interest reversals also happening because of recognition of the NPAs. So just wanted to understand that? Secondly, in terms of the disbursements, I guess since that also includes rollover of existing loans. So what would be the rough proportion of disbursement which would be coming from let us say rollover of the loans if you could just give a ballpark idea of that, that will be helpful?

**V.P. Nandakumar:** So basically the rollover is almost 90% of the disbursement. That includes same day rollover and existing customers who come back with the small gap, around 10% is usually from the new customers. To your first question, basically we had a slight increase in the gross yield which is why despite the NPA reversal, the net yield has not fallen.

**Kapil Krishan:** While talking about rollover, it is not ever greening because whenever they roll it over, they have to repledge at the ruling LTV on that day. So if the gold price has gone down, they need to pay the full interest up to the date plus the difference in the LTV. Then they repledge as a new loan. Here it is unlike the other loans. I mentioned earlier, this is purely a collateral based lending. So we do not look at cash flow at all in gold lending. So it does not make any difference for the borrower or lender.

**Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Samiksha Capital. Please go ahead.

**Anand Bhavnani:** I wanted to understand sir, how much of loan book growth in percentage or in rupee growth we would have missed out because of shortage of cash and the borrower who preferred cash we could not lend to them, so what would be the number ballpark approximate in rupees crores?

- V.P. Nandakumar:** If conditions remain the same, that is the economy without demonetization, we would have grown at the rate as we have grown in the previous quarter.
- Anand Bhavnani:** So quarter-on-quarter growth would have been same as previous quarter?
- V.P. Nandakumar:** Right, because we did not have currency, there was slack in demand in the rural and semi-urban economy, all these were the reasons.
- Anand Bhavnani:** You mentioned about cashless transaction. So just wondering if you are doing anything in particular to incentivize our customers to switch to cashless or maybe are we providing them charging them lower rates for the loans or something like that, or waiving of the processing fee, what are the steps you are taking to incentivize cashless?
- V.P. Nandakumar:** No commercial benefit, the benefit is all in the service. Now they can avail and service the loan in 24-hours, 365-days. So they can park the jewellery with us in any of the branches, they can avail the loan from anywhere in the world and the money will get transferred to their bank account which can be availed using his debit card. Similarly, remitting back anytime, any number of installments, everything. So as our tag line says, "Make Life Easy" What we do is take life easy here. So far there is no commercially, it is sops like other loans.
- Anand Bhavnani:** Here you mentioned that the customer keeps the gold with us and he can borrow any time. So we must be charging them fee for keeping the gold with us or something like that or to use our locker?
- V.P. Nandakumar:** We do not. That is the benefit we give to the customer.
- Anand Bhavnani:** So in that sense it is a commercial benefit because they otherwise will have to pay longer fee to store their gold?
- V.P. Nandakumar:** (+99%) of these customers avail loan. Actually what is happening is even those who do not want the loan, they avail a loan for the sake of it, for example, if the LTV is 65-70%, they may avail LTV of 10%. Almost 100% is like that.
- Anand Bhavnani:** Sir, you mentioned in early part of the concall that Rs.81 crores worth of gold loan auctioned and then you mentioned the tonnage, it was Rs.460, so the realization is I think my calculations shows it is Rs.1947 per gram, this I presume is a bit higher than the loan to value because we charge the auction fee to the customer. Is that the right way to look at it?
- V.P. Nandakumar:** Can we take this offline?
- Moderator:** Thank you. The next question is from the line of Amit Agarwal from IDFC Bank. Please go ahead.

- Amit Agarwal:** Sir, I just wanted to understand from the two questions on Asirvad Microfinance results only on Slide #14; One, I see on quarter-on-quarter the net yield has sharply moved from 24 to 25. What is the reason for that in terms of the yield movement?
- V.P. Nandakumar:** The increase is not only by way of interest, they offer loans for products for the use of the customers like solar lantern, so many other things, they offer to their customers. So the product sale has actually gone up.
- Amit Agarwal:** Because of the product mix that has changed instead of only income generating, other uses are also coming?
- V.P. Nandakumar:** Right, that is the reason.
- Amit Agarwal:** My another question is on the collections. I think it was mentioned during the call that 98% of November dues and 92% of December dues have been collected. So this number is as of today 7<sup>th</sup> of February, 8<sup>th</sup> of February?
- V.P. Nandakumar:** No, this was some 15-days back. A few days back, we had the board meeting. The collections are improving. The thing is some of these are due for fresh disbursal. So because of the currency shortage there, yes, the company could not disburse as usual. That is the major reason. I think in a couple of months, the collection would be completely back to normal, that is almost 100%.
- Amit Agarwal:** Sir, any early indications on January in terms of collection was as high as pre-demonetization days or that would be too early to comment on?
- V.P. Nandakumar:** January collections will be definitely above 90%, this is our expectation, the collection lag is streamlined.
- Amit Agarwal:** On the collections, so we hear that maybe raised on media reports and other microfinance company, there are a few pockets of Uttar Pradesh and Madhya Pradesh and few pockets in Karnataka, where there is stress in collections. So how is Asirvad tackling those issues?
- V.P. Nandakumar:** The collection stress is in places like Western UP, then Maharashtra, then in some parts of Karnataka also is there. Luckily for us, even though we have presence in these areas, our branches in these areas were recently opened, so our total exposure is very low.
- Moderator:** Thank you. The next question is from the line of Rohan Shah from Alfa Enterprises. Please go ahead.
- Rohan Shah:** Just a few follow on questions; last quarter you had mentioned that you were exclusively focusing on the three months loan product because you would not be comfortable with the high gold price. Is that still the case?

- V.P. Nandakumar:** We still focus on three months loan product, has to be extended by a couple of months in some areas because we will not put some additional pressure, because of that it has got slightly delayed but now we are coming back to normal. That is why there is a slight increase in the NPA.
- Rohan Shah:** So every incremental loan that you have been disbursing is a three month maturity which needs to be mark-to-market and rolled over after three months?
- V.P. Nandakumar:** In maturity but 20% get another two-to-three months.
- Rohan Shah:** Very roughly would you be able to quantify the percent of customers that have over Rs.1 lakh ticket size outstanding?
- V.P. Nandakumar:** Around 13%.
- Rohan Shah:** What would be the rupee sum of accrued interest? I think you mentioned 3.4%.
- V.P. Nandakumar:** The accrued interest is around 3.4%.
- Rohan Shah:** So what would that figure be in rupees?
- V.P. Nandakumar:** It is nearly 2-months interest, Rs.414 crores.
- Rohan Shah:** If I look at your total AUM in tons, it is about 65 tons and if I assume 15 gms deposit size per customer, I get about 43 lakh customers. So what would be the right way to look at it?
- V.P. Nandakumar:** Each customer has an average of around 1.8 loan, that is the difference.
- Kapil Krishan:** So the line customer base is around 2.3 million.
- Rohan Shah:** Have you already capped a number of loans per customer to eliminate a money lender?
- V.P. Nandakumar:** We marketed in areas, possibilities are there, that is why we on an average we get around 4000-4400 new customers a day.
- Rohan Shah:** But what measures are taken to prevent a money lender from coming to you with...?
- V.P. Nandakumar:** There are several ways. Now, our system is that more than 10 loans one customer cannot avail, not only for one person, for the entire family we have pegged that to 10. Why 10? There are several small entrepreneurs who also availed on. So even when it crosses five, we have a system where the customers profile is captured in the system. So I think the pawn brokers availing the loan is more or less prevented.

- Rohan Shah:** I notice that the dividend for this quarter was slightly higher; it was 50p versus 45p. So is that a trend?
- V.P. Nandakumar:** No, during the last two quarters, we have hiked that 250 paise.
- Rohan Shah:** So it is still about 1.8 per year if I annualize it?
- V.P. Nandakumar:** Rs.2.
- Moderator:** Thank you. The next question is from the line of Roshan Chutke from ICICI Prudential Asset Management. Please go ahead.
- Roshan Chutke:** Just a few basic clarifications; if I look at your Slide #10, you have given the gold loan customer base and average ticket size slot. That particular slot tells that your gold loan AUM is about 78 billion roughly,  $3467 \times 2.25$  whereas if I look at your Slide #8, the AUM is about 122 billion. What am I missing?
- V.P. Nandakumar:** No, we just said each customer is having around 1.8 loans, that is the difference.
- Roshan Chutke:** In the same Slide #8, 122, 672 plus 16.504, it is at about 139 billion, that is not adding up to 146 billion, there is a slight difference of 6-7 billion, consolidated AUM is about 146 billion. What is missing here?
- V.P. Nandakumar:** We will just check it up. It is a very small difference you mentioned in any case.
- Roshan Chutke:** Can you please tell me what percentage of this 146 billion, okay, if three months' loan?
- V.P. Nandakumar:** The entire gold loan is three months' loan.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Pradeep Agarwal from PhillipCapital for closing comments.
- Pradeep Agarwal:** On behalf of PhillipCapital, I would like to thank Mr. Nandakumar and Mr. Kapil Krishan and all the participants for joining us in the call today. Thank you and good bye.
- V.P. Nandakumar:** Thank you, everyone for joining.
- Moderator:** Thank you very much. On behalf of PhillipCapital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.