



“Manappuram Finance Limited
Q4 FY’24 Earnings Conference Call”
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MODERATOR: **MR. ABHIJIT TIBREWAL – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Manappuram Finance Limited Q4 and FY '24 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Abhijit Tibrewal with Motilal Oswal.

Abhijit Tibrewal: Yes. Thank you, Ryan. Good evening, everyone. Welcome to the conference call to discuss the Q4 FY '24 results of Manappuram Finance. We have the senior management team of Manappuram Finance with us today represented by Mr. V.P. Nandakumar, MD and CEO; Dr. Sumitha Nandan, Executive Director; Ms. Bindu A.L., Chief Financial Officer; Mr. B.N. Raveendra Babu, MD of Asirvad Microfinance; Mr. Rajesh Namboodiripad, CFO of Asirvad Microfinance; Mr. Basavaraj Shetty, Senior VP and Head IR, Asirvad, Microfinance; Mr. Kamal Parmar, who is heading the Vehicle and Equipment Finance business; Mr. Suveen P.S., CEO of Manappuram Home Finance; and Mr. Robin Karuvely, CFO, Manappuram Home Finance.

With these opening remarks, I hand over the call to Mr. V.P. Nandakumar for his opening remarks, post which we will kind of start with the Q&A. Thank you, and over to you, sir.

V. P. Nandakumar: Thank you. Good evening, ladies and gentlemen. It gives me immense pleasure to welcome you all to the

conference call for the fourth quarter, FY '24 financials. India continues to maintain growth momentum despite global uncertainties and has just entered the USD5 trillion market capitalization club, inclusion in global bond index will provide stability to forex and bond markets. And this strong economic performance is a huge confidence booster for all business establishments. And it is against this backdrop that I present our Q4 financial results.

The outlook for NBFC sector looks promising. According to a 2023 report by CAFRAL, an RBI-funded think tank, NBFCs and fintechs are the primary drivers of credit demand from the younger cohort and they accounted for 70% of lending to those aged below 35. As India is poised to reap a huge demographic dividend until 2050, NBFCs have a great opportunity to continue tapping this segment and expand their credit portfolio. This will be supplemented by the opportunities provided by increased formalization and urbanization. This quarter, we achieved good growth in both AUM and profit, which is symptomatic of a strong traction achieved by us in the last mile delivery.

I'm happy to share that we recorded a net profit of INR564 crores with an improvement of 35.7% year-on-year driven by profitability in gold loans and microfinance. Gold loan AUM stands at INR21,500 crores, an improvement of 8.9% over the year ago quarter and 3.6% sequentially. While standalone AUM at INR28,679 crores grew by 17.4% year-on-year, the consolidated AUM is INR42,070 crores recording an increase of 18.7% over the year ago quarter.

Asset quality in the standalone book has been contained below 2% while we posted an ROA of 4.9% for the quarter, which is an improvement of 60 bps year-on-year. We are also pursuing a strategy of diversifying our funding mix by reducing dependence on bank borrowings and opted for dollar bonds with this objective.

At Manappuram, we take utmost care to comply with all the RBI guidelines. Our approach is no different with respect to the INR20,000 cash limit in disbursement. It is applicable to all NBFCs. We are the pioneers in online gold loans and digital mode of disbursement is hassle-free and saves a lot of time. We have the infrastructure and knowhow and the same is implemented from 8th May 2024.

The company's microfinance subsidiary, Asirvad has posted an AUM of INR11,881 crores, showing a growth of 18% year-on-year and a profit of INR458 crores, which marks a growth of 105% from the previous financial year. The share of microfinance in the overall profit pie is set to go further up in the days to come.

Like in the previous quarters, we continue to post maximum growth in the vehicle finance business recording 69% increase year-on-year with an AUM of INR4,111 crores followed by home loans with an AUM of INR1,510 crores. This being, a 37.8% increase over the corresponding quarter in FY '23.

We are keeping a close watch over the affordable housing segment, where we see a lot of potential. The share of non-gold business now stands at 49% of the total assets under

management. And this is very much in line with our diversification strategy.

The upcoming full union budget is expected to spell out further measures to propel these sectors forward. We are confident of achieving both top line and bottomline growth as we continue to maintain comfortable liquidity.

For more comprehensive review of our financial performance, I hand over the floor to our CFO Ms. Bindu A.L.

A. L. Bindu: Good evening, ladies and gentlemen. Thank you for joining us for the discussion of our Q4 results. As you are aware, Asirvad Microfinance filed its DRHP on October 5, 2023. We request our participants to restrict their questions on Asirvad to the published numbers.

Now coming to the operational overview. Our consolidated AUM for Q4 FY '24 was INR42,070 crores, representing 4.2% sequential growth and 18.7% Y-o-Y growth. Consolidated profit after tax was INR563 crores, which was slightly down Q-on-Q and up by 35.7% Y-o-Y. Consolidated profit after tax for the year was INR2,197 crores, up by 46.5% Y-o-Y. ROE on a consolidated basis was 20% and ROA was 4.9 percentage. Our leverage is currently only 2.9x. GNPA is at 1.93 percentage versus 1.99 percentage during the previous quarter.

With regard to liquidity, cash and cash equivalents stand at INR3,181 crores and undrawn bank lines of INR6,000 crores as on 31st March 2024. Our CP exposure is 4 percentage in

the standalone entity. The borrowing cost has gone up by 16 basis points in Q4 FY '24.

Talking about the gold loan business, which is 51.1 percentage of consolidated AUM, the AUM stands at INR21,500 crores, up by 3.6 percentage Q-on-Q and up by 8.9 percentage Y-o-Y. During the quarter, we were able to add 4.13 lakh new customers and our average LTV is at 58 percentage, which is well below the peer group. The online book accounts for 57 percentage of the total gold loan book.

Standalone PAT was INR428 crores, which is up by 2.6 percentage. If we adjust for the dividend of INR15 crores from the subsidiary in Q3 FY '24, our standalone PAT for the year was INR1,658 crores, up by 30.9 percentage Y-o-Y.

Coming to Asirvad Microfinance, the AUM stands at INR11,881 crores, including the gold loan of INR890 crores, which is up by 3 percentage Q-on-Q and 18 percentage Y-o-Y. PAT for the quarter is INR102 crores. And for the year, INR458 crores compared to INR223 crores in FY '23. Net NPA stands at 1.71 percentage, with a CRAR of 22.79 percentage. In vehicle finance business, we have reported an AUM of INR4,111 crores, which is up by 14.3 percentage Q-on-Q and up by 69.1 percentage Y-o-Y. Our GNPA is at 2.9 percentage as on 31st March 2024.

The home loan business had a total book of INR1,510 crores, which is up by 6.7 percentage Q-on-Q and up by 37.8 percentage Y-o-Y. It operates from 65 branches and reported a profit of INR7.1 crores during this quarter. Collection

efficiency for the quarter was 98 percentage and GNPA at 2.4 percentage.

Loans to MSME and Allied was INR2,908 crores with a disbursement of INR310 crores. Collection efficiency is at 100 percentage and GNPA of 1.7 percentage versus 1.5 percentage. On lending to NBFCs, the book stands at INR989 crores with a disbursal of INR130 crores with an ROA of 5 percentage for this business.

The Board has declared an interim dividend of INR1 for this quarter. Our capital position is strong at 30.6 percentage CRAR and the consolidated net worth at INR11,548 crores and the book value of INR136 crores.

Thank you. Now we can go for the Q&A session.

Moderator: Thank you. Ladies and gentlemen. We will now begin the question and answer session. Our first question is from the line of Shubhranshu Mishra with PhilipCapital.

Shubhranshu Mishra: Given the fact that we have moved from the cash disbursement totally, and we are doing mostly disbursement via RTGS or NEFT, now this data becomes available to the bank as well to whom we are doing the disbursement. So, we are opening up those customer profiles to the banks as well. So could you think that there could be some attrition because of this. This is one.

Second is when we look at the non-online gold customers, the ticket size is fairly increasing so maybe online gold customers who are basically repeat customers where we are seeing the

ticket size increase. But if we split that and we look at the average ticket size of non-online gold customers, the ticket size is hovering at INR141,000 ballpark. So these are my two questions. There are a couple of data questions which I'll come back after these ones are answered.

V. P. Nandakumar: So, your questions are all about cash disbursements stopping at INR20,000. So we are fully compliant about that from the 8th of this month and we are disbursing loans of INR20,000 and above that only into the bank account or through online gold loan mode. We don't see any business impact because of that because, most of the customers have their bank accounts now, Jan-Dhan account or other accounts. And 80% of the customers who are regular, we have intimated them that for availing the loan, they should bring bank account details and they are complying with that. So, after that, we have seen an increase in the online gold loan. Now it stands at 63% and it is increasing daily.

Shubhranshu Mishra: And with that, will we not open up data to the banks? Can we see customer attrition because the banks will be able to see these transactions?

V. P. Nandakumar: We have been offering online gold loan for a long time and we don't see customer poaching by the banks. Because there is a high degree of customer loyalty. So we see a reasonably good growth even after implementation of this.

Shubhranshu Mishra: Second question, sir, on the non-online gold average ticket sale.

V. P. Nandakumar: See the non-online gold loans are below INR20,000. So, for such customers, we can disburse cash.

Shubhranshu Mishra: No sir, what I meant is that the ticket size is not increasing over the last couple of quarters, I think that is around INR41,000. So, what is the reason for that?

V. P. Nandakumar: See, the customers borrow money if they are confident of repayments. The customers have in mind while taking a loan that they have to repay the loan within a period of maximum of 100 days. So, with increase in price, we can't expect growth in the ticket size. So gradually, every year, we will see increase in ticket size by around INR10,000, INR15,000 average ticket size. So that will continue.

Shubhranshu Mishra: And towards the data point. One is what is the accrued interest as of fourth quarter and last quarter gone by and what is the AUM split of less than INR1 lakh to INR5 lakh and more than INR5 lakh?

A. L. Bindu: Interest accrued is 5.3 percentage as on 31st of March.

V.P. Nandakumar: Upto INR1 lakh 44 percentage and from INR1 lakh to INR3 lakh is 34 percentage, balance above INR3 lakh is 22 percentage.

Shubhranshu Mishra: What was the accrued interest last quarter?

A. L. Bindu: It was 4.5%.

Shubhranshu Mishra: And auction this quarter?

A. L. Bindu: INR76 crores.

Shubhranshu Mishra: Sure. Thank you. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Rajiv Mehta with Yes Securities. Please go ahead.

Rajiv Mehta: Hi, good evening. Congrats on good quarter. Sir, firstly on this impact on restrictions on cash disbursements while you spoke about not seeing any long business impact, but since when the restriction has come, what has been the impact on a daily disbursement run rate? How much our daily disbursement run rate has fallen by? And in the longer term wouldn't we see any structural customer loss customers going back to informal players if some of the customers are not willing to share the bank details?

V.P. Nandakumar: So, suddenly we see the growth improving after the introduction of these changes. The reason could be, we assume, many other players in the NBFC industry, particularly the small ones, may not be ready with this online gold loan whereas during the last five years we have made that route very robust and around 60% of the customers even before that have become online gold loan customers.

So, maybe because of that, after the implementation, the growth has only improved. And long term, I don't see any challenge because of that because this is applicable to all the regulated entities. So, we don't lose any level playing field because of that. So, we don't expect any negative fallout because of implementation of the new regulation with regard to cash disbursement.

Rajiv Mehta: Got it. And now sir, the impact of higher gold price. So gold prices have gone up significantly. So how do you see this benefiting our growth in the next two quarters. See if you look at our LTV, the LTVs have fallen to 58%. So, if you can tell us your expectation, where would the LTV settle in the next one, two quarters? Would it go back to 65%, 63% because of customers availing the benefit of higher gold prices. Can you comment on the positive effect of higher gold prices in your growth?

V.P. Nandakumar: So, I consider that to be more or less benign and there will be a slight growth there. Because as I mentioned earlier, the customer who pledges has always thought about this cash flow. The average life as I mentioned remains around 100 days. In spite of the gold price going up, going down, this remains like that.

So they will not simply avail because of the gold price has gone up. Normally a customer comes with multiple ornaments. If they want a smaller amount, they come with one bangle. If they want more, they bring two bangles or some other smaller ornaments.

So, when the gold price goes up, they bring lesser quantity of gold. They don't simply avail a bigger amount simply because of that. That is why when the gold price goes up, the average LTV goes down, but only around 10% of the customers avail that full duration of one year. For them, sometimes for renewal that also for around 5%, 6% temporarily they may

take the advantage of higher LTV because of the gold price growth. So, the impact is very minimal.

Rajiv Mehta: Okay. And just one last question on the employee expenses. Sir, in the standalone financials your employee expenses has been trending flat over the last four quarters, five quarters while we see strong growth being reported in the non-gold business side. So can you explain this? Has there been a reduction in employee count and if yes in which business the employee count is going down. And how should we look at employee number growing from here on and the employee cost growth in FY '25?

V.P. Nandakumar: Why it is increasing in the non-gold business? See, non-gold business is co-located with the gold loan business. Various opportunities are there, but we extended non-gold business to the extent of around 20% only. So, our expansion of distribution of non-gold products through the gold loan branches is very high, but we are taking a very careful step in expanding that, understanding the asset quality, etc in these places.

As I said, we are expanding the non-gold business across the gold loan branches. That is the reason why the headcount is increasing in non-gold business. In gold loan business, there had been some rationalization, wherever we have seen number of employees hire, etc. Employee rationalization is also because of more online gold loan activity. So the employee count in gold loan segment has come down while in non-gold, we are slowly expanding our footprints.

Rajiv Mehta: Got it sir. Thank you and best of luck.

Moderator: Thank you. Our next question is from the line of Shreepal Doshi with Equirus. Please go ahead.

Shreepal Doshi: Hi, sir. Good evening and thank you for giving me the opportunity. Sir my question was pertaining to one of the key players in the landscape being impacted by the regulator's action. But can you quantify the benefit to us in terms of customer addition and tonnage, because optically, it seems like there has not been any significant benefit on both these fronts?

V.P. Nandakumar: Yes, one of the gold loan players and their business is impacted but we haven't much benefited out of that but we are getting a reasonable growth even before they were impacted, and that continues. So, we expect a robust growth in gold loan also in the coming quarters.

Shreepal Doshi: Second question was if you could give us some color on the online customer split with respect to below INR1 lakh...

V.P. Nandakumar: Online customers, the profile is the same. Profile is the same because the advantage of gold loan is that they have to visit the branch only once. Then they can transact this account, more or less like an out of branch facility. But if they have some amount, they can remit to that and whenever they require money, they can take it back from anywhere in the world, 24 hours.

So, on seeing this facility, for example, INR10,000 gold loan, somebody takes INR10,000. Then after 20 days, he can remit

INR2,000. Then whenever he has the requirement, he can avail whatever is the gap there as per the LTV on that day. So this advantage is there. Because of this advantage more and more people are using that. It is not because the profile of the customer is changing. It is because of the advantage of the product.

We have also introduced another scheme. If some customer is unable to come to the branch because of any reason, whereas he is in need of money, we deliver that service at their doorstep. We go there, do all the KYC process, all the processes with regard to onboarding. Then the disbursals are done online. All these are done. So, it has become a very attractive product. So, the popularity is increasing and that is working seamless as far as we are concerned.

Shreepal Doshi: Got it sir, but my question was, like how we gave the split for below INR1 lakh, INR1 lakh to INR3 lakh and above INR3 lakh for the overall gold loan book. Could we provide the same for this online gold loan book?

V.P. Nandakumar: Yes. It is irrespective of the amount. Whatever is the amount, even for INR10,000. Many customers are availing online even though the cash disbursals are possible. Because it is like a credit card. Only when they avail, which can be done from anywhere, even for merchandise, it's very convenient. So, whatever amount they want, that's immaterial here.

Shreepal Doshi: Okay. I'll take that number maybe offline. So just the last question on the MFI front. what is the PAR zero for this

particular business that we are seeing over the last two, three, quarters has been trending, the PAR zero number for the MFI business? And just one more observation here, the credit cost continues to be elevated here, even the GNPA's are elevated. So could you just throw some light on this?

V.P. Nandakumar: We have some problems in some states like Punjab, Rajasthan, etc. So, there we have reinforced collection machinery. And we hope the collections will improve going forward.

Shreepal Doshi: Okay. So the PAR number are elevated because of these 2 states particularly or across states for our MFI exposure?

V.P. Nandakumar: PAR number is slightly elevated, that's why there was some impact on the profitability. But we have strengthened the collection machinery and it has started working. And hopefully, going forward it will improve.

Moderator: Our next question is from the line Pratik Chheda with Guardian Capital Partners.

Pratik Chheda: I just want to continue on the asset quality point. Even if I see the MSME segment, the GNPA's have risen from around 1.5% in last year to around 2.8% despite the more than 50% AUM increase. And you've mentioned that most of it is looking like it is coming from a digital PL. First of all, could you just help us quantify what the GNPA's are there in the digital personal loan segment?

Secondly, is there any strategy -- is there any change in strategy that you're looking at, given that this segment is

looking fairly volatile. And with a yield of around 26% in the unsecured PL, is the segment currently profitable?

V.P. Nandakumar: See the unsecured PL or the digital pure personal loan, that the disbursals have been brought down by tightening the underwriting process there. So, the disbursals are low. So, it is coming from the old accounts. In MSME, there was some delay in collection on account of these elections happening, etc. But last quarter...

A. L. Bindu: Yes, it was 1.5%, increased to 1.7%. And if you see the digital personal loan in the overall ratio mix, it has come down to 9 percentage. Because of the higher delinquency, we have tightened the underwriting. So, the proportion also has come down in the digital PL.

Pratik Chheda: So if I just include that 9% in the base and take that 1.1% differential GNPA your digital personal loan GNPA is around 12%. Is the math around looks fine?

A. L. Bindu: Yes.

V.P. Nandakumar: The digital personal loan is very less

A. L. Bindu: It is very small only. In the total AUM, it is only 1 percentage of even in the stand-alone book. In the consol book, it is 0.7%.

Moderator: Our next question is from the line of Bunty Chawla with IDBI.

Bunty Chawla: My questions have been answered just fine. So you have achieved around 18.7% AUM growth on a consolidation basis. What will be the cost FY '25 basis between AUM for gold loan and for the overall?

V.P. Nandakumar: Well, what we have been talking about is a CAGR of 20% and ROE of 20%. We delivered at around nearly 19% in the recent consol ROE. So we hope it would continue. So, from what it appears now, the share of our gold loan will improve.

Bunty Chawla: So, in overall basis you are saying gold loan percentage will improve.

V. P. Nandakumar: At least that is the trend we see and talking about the standby, it's a similar, CAGR of 20%.

Bunty Chawla: And sir, secondly, we have seen on a stand-alone basis, there has been an increase in the cost of borrowing. How is one to see now for the FY '25 and significant margins?

A. L. Bindu: Yes, after this risk weight increase, every rollover we are increasing our borrowing. And to have diversification and better liability profile, we did the Dollar Bond, but it comes at a slightly higher cost. So, there will be an increase in the cost of it, but at the same time, it is going on gold loan at 22% yield, and that is the reason it will not impact the profitability.

Bunty Chawla: Okay. So, can we say the margins should sustain at this level for next year as well?

V. P. Nandakumar: There could be a slight dip in the net interest margin, but it will be overcome because of better growth.

Bunty Chawla: Specifically for gold loan, what is the guidance for the next year?

Moderator: I'm sorry to interrupt you. We have lost the line of the management. Please stay connected. Ladies and gentlemen, we have the management line connected with us. Bunty, if you could please ask your question once again.

Bunty Chawla: Sir, lastly, as you said there, there could be an inch up in the gold loan. So any specific guidance for the gold loan AUM growth, are we revising it?

Management: Marginal decline can be expected. But we expect that to be compensated with a better growth so our objective of reporting ROE of 20% will not be affected with this. We are hopeful of maintaining the same ROE during the current year also.

Moderator: Our next question is from the line of Dhaval from Mumbai DSP.

Dhaval: Sir, just one question on growth that I think I missed your combination on growth expecting for next year, did you mention that next year, you expect gold loan growth to be higher than overall loan growth and overall growth is 20% is that? I just want to confirm that.

V. P. Nandakumar: So, there's a follow-up question of the previous question on price. Because the audibility is a little weak. Is it the same?

Dhaval: Is my voice clear now, sir?

V. P. Nandakumar: Yes.

Dhaval: See what I said is, there is a slight shrinkage as far as revenue is concerned. But that is not a cause of concern for us because we expect that will be compensated with a better growth. So we are expecting to report an ROE of 20% next year also.

Dhaval: Okay. So basically, growth will be higher than 20% in gold loan. Is that what you're trying to understand?

V. P. Nandakumar: You see judging from the current trends, we expect robust growth in roll-on. That could be better than last year. The other segments are also expected to grow healthy.

Dhaval: Okay. And sir, just one last thing in terms of credit cost for the MFI business and overall on a consolidated basis, could you give some perspective of credit cost that you expect in the MFI business sense for buyback?

V. P. Nandakumar: So, the collection has been strengthened and we have see an improvement in collection, yes, week-on-week. So, we expect the credit cost going down in the coming quarters.

Dhaval: From four to 11. From clear basis.

V. P. Nandakumar: So, it is going down already. It is improving on a regular basis.

Moderator: Our next question is from the line of Pratik Kothari with Unique PMS. Please go ahead.

Pratik Kothari: First question. Given this change below 20,000, no more cash disbursement. Any change in behaviour from customers? I mean, they were talking between that they may go back to money lenders? Anything that you can highlight?

V. P. Nandakumar: So see, please see the growth is not affected. In fact, the growth has only improved, we believe that it will pass and the NBFC space is not being impacted. We don't see the new customers or total disbursements coming down. It has only improved.

Pratik Kothari: Correct. And sir, how much was the turnaround time changed now from earlier?

V. P. Nandakumar: See even before this, 60% of loan disbursements were through online gold loan. So, it is improving regularly. And we don't see much of a change.

Pratik Kothari: Correct. So the auction surplus which we wanted to bring down and expansion of branch network?

V. P. Nandakumar: So, the Rs 48 crore was the accrual over the last 15 years. So we have employed many other measures including different agencies etc., for repayment and that is the end result. It has been brought down now to around INR14 crores from INR48 crores and we have informed RBI about that and we hope that we'll get permission to open more branches with this. We continue our efforts and we are able to reduce by around INR2 crores every quarter.

Pratik Kothari: And my last question on MFI. Can you highlight what are the issues that we are seeing in Punjab and Rajasthan is affecting our profitability. And I believe this is also affecting our growth because at the beginning of the year, we had expected much faster growth, which is not coming. So is it specific to Punjab and Rajasthan Or is this something else?

V. P. Nandakumar: And so now you'll see a considerable improvement in the business in the coming quarters as well as improvement in the collection efficiency. We are seeing that now.

Moderator: Thank you. Our next question is from the line of Rohit Shah with Ladderup Wealth Management. Please go ahead.

Rohit Shah: Hi, Thank you for the opportunity. I think all my questions have been answered. Thank you.

Moderator: Thank you. Our next question comes from the line of Gaurav from Capital Farming Consultants. Please go ahead.

Gaurav: I have 2 questions. First is in terms of our capital allocation strategy. Manappuram Finance is a parent entity. Now since we are in a way, bringing the IPO of Ashirvad Microfinance. So capital department of Ashirvad Microfinance will be funded so the money that you raise by the IPO and whatever way in that Ashirvad will require? So now considering in Manappuram Finance on a quarterly basis, earnings were around on the back, INR400 crores to INR425 crores, which has been the trend for the last 3, 4 quarters.

That translates into somewhere around INR1,600 crores to INR1,700 crores annually right? And our capital adequacy is currently approximately 30%, 31%. So to improve our return on equity, what would be the capital allocation strategy of management? Is it in terms of giving more money back to shareholders, doing buybacks because growth I don't think so we are targeting around 20% to 25% annual growth in the

stand-alone Manappuram Finance. That is the first question on the capital allocation strategy.

Second thing, Looking at the shareholding pattern of Ashirvad Microfinance, which has been disclosed via the papers, which have been filed with CD, it has been noticed that the promoters of Manappuram Finance got an opportunity to get shares in Ashirvad Microfinance in their own names, with the names of the Manappuram Finance. So in terms of corporate governance practices that retail shareholders or the institutional shareholders haven't got any opportunity to participate in having shares of Ashirvad Microfinance, whereas the existing promoter of Manappuram Finance got an opportunity to get share at a dirt cheap price in Ashirvad Microfinance, which will get valued at a much higher price than the company at least. These are my 2 questions for which I would expect an answer from the management.

V. P. Nandakumar: So, the capital allocation strategy policy is designed in favour of secured lending. So for us, the only unsecured lending is microfinance. So for unsecured lending, our total capital allocation plan is around 10%. So, we have done that. And the company has a capital adequacy of around 24% now. See, then we are preparing ourselves for the IPO and with that IPO the company will be able to carry out its operations. The second thing is the promoters of Manappuram Finance are not participating in any pre-IPO capital investment. Regarding institutional investors, the decisions will be taken at appropriate time.

Gaurav: Sorry, sir, but I think the shareholding pattern, which has been disclosed as part of the DRHP. In that, it is clearly seen that at the time when the Manappuram Finance acquired the shares of Asirvad Microfinance in various rounds. At that point of time, the promoters of Manappuram Finance also acquired the shares of Asirvad Microfinance. I'm not saying right now in the pre-IPO round, but in erstwhile rounds.

Manappuram Finance was acquiring the shares of Asirvad family, promoters of Manappuram also acquired shares of Asirvad that was the question. And in terms of the capital allocation, I was talking about at the parent level because at parent level, you will be getting a lot of positive cash flow, I would say, in terms of profitability at the Manappuram level. At that point of time, how you are planning to invest that money judiciously so that the return on equity is improved, which is hovering at 15% to 16% now. Any plan to take it to 20% or more than 20% kind of levels? Those ones were specifically the questions.

V. P. Nandakumar: See, the promoters of Manappuram Finance parent company acquired out of the shares abdicated by the original shareholders. So whatever is the shortfall at the time of this rights issue has been acquired by Manappuram promoters.

The second thing, it's a higher capital adequacy. And as you see, as a shortage of effectively using the capital, so we would leverage the success etc. So, what is most important for the shareholder is good ROE, 20% ROE on a sustainable basis, is it not a good ROE? Then how to use the capital? We are

expanding to non-gold secured lending also, MSME, vehicle etc. As I said, these businesses are allocated where we have around 40,000 customers visiting our office, 40,000 to 50,000 customers visiting our office.

So, distributing these loan products also is an advantage for us as our branches are visited by a large number of customers. And because of their needs only, we have expanded this business laterally. So, as of now, our 20% of the gold loan branches are only utilized for the distribution of these non-gold secured products. So, we are expanding our footprint to other branches also slowly. So, we hope we will be able to improve upon the capital utilizers. Going forward at the same time, as you said, we are giving back also by improving the dividend quarter-on-quarter.

Moderator: Thank you. Ladies and gentlemen, we take our next question from the line of Jigar Jani with B&K Securities. Please go ahead.

Jigar Jani: One data-based question. In the Vehicle Finance, what would be your collection efficiency?

V. P. Nandakumar: The GNPA there is around 2.9% and we will be able to maintain that below 3% going forward also. The collection efficiency is 100 percentage in certain regions. And for us, we have given a lot of emphasis for CRM. And around 77% of these are collected through the NACH. And balance 23% only we need to employ the field staff for collection. We have strengthened that also now. So, we hope we can improve upon

the asset quality. That is what we are trying to do. Even now if we look at our asset quality is better than the peers.

Jigar Jani: The other income in the quarter was significantly lower, almost 24 million, if you look at Q3 it was about 176 million and even last year it was 130 million. The one-offs captured in this other line on the consolidated numbers?

A. L. Bindu: So, the bad debt recovered is what we have included in that. So, depending on the write-off, immediate quarters we will get a higher amount of collection. That is what we are saying.

Jigar Jani: Okay. And lastly, just circling on the credit consolidated basis. Any guidance on that one?

A. L. Bindu: Not for this quarter, like all of higher credit cost, micro-finance business it is almost 1.8 million but once we improve the collections because the majority of the credit cost is coming from microfinance only in the standalone it is only INR28 crores. So once we improve the microfinance collection, this will come down where we were talking about in 1.5% is credit cost once we improve the collection efficiency, this will be in similar range.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. I now hand the conference over to the management for the closing remarks. Please go ahead.

V. P. Nandakumar: Thank you all the participants. If there are further queries or any clarification of our statements, so we are

always available. We welcome you for any queries on this result. Thank you.

Moderator: Thank you. The conference of Manappuram Finance has now concluded. Thank you for your participation. You may now disconnect your lines.