



“Muthoot Finance Limited  
Q2 FY 23 Earnings Conference Call”

**November 10, 2022**



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**MR. OOMMEN K. MAMMEN - CHIEF FINANCIAL OFFICER.**

**MODERATOR:** **MR. ANSUMAN DEB - ICICI SECURITIES**

**Moderator:**

Ladies and gentlemen, good day, and welcome to Muthoot Finance Limited Q2 FY'23 Earnings Conference Call hosted by ICICI Securities. 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. Ansuman Deb from ICICI Securities. Thank you. And over to you, Mr. Deb.

**Ansuman Deb:**

Good evening, ladies and gentlemen. On behalf of ICICI Securities, we welcome you all to the Q2 FY'23 Results Conference Call of Muthoot Finance. We have with us the management of Muthoot Finance represented by Mr. George Alexander Muthoot, Managing Director; Mr. Alexander M. George, Whole-Time Director, Mr. George M. Alexander, Whole-Time Director; Mr. George M. George, Whole-Time Director; Mr. George M. Jacob, Whole-Time Director; Mr. Eapen Alexander, Executive Director; KR Bijimon, Executive Director; and Mr. Oommen K. Mammen, Chief Financial Officer.

I now hand over the call to the management for the opening remarks, following which we will open the floor for Q&A. Over to you, sir.

**George Muthoot:**

Into these numbers and the business of last quarter. The consolidated loan assets under management increased to INR64,300 crore, up by 6% year-on-year for the half year. Consolidated profit after tax increased to INR902 crore, up by 9% Q-on-Q for Q2 financial '23. Stand-alone loan assets under management increased to INR57,230 crore for this half year, which is up by 4% year-on-year, and stand-alone profit increased to INR867 crore, up by 8% quarter-on-quarter. So compared to last quarter, our AUM was also started slowly growing. Our profit has also improved compared to last quarter.

Another key highlight is RBI has given or rather we had requested for the first tranche of 150 branches, new branches to be opened. We have got a commission product. Out of that, by September, we have opened 24 branches, and we hope to complete all the 150 branches, which are in various stages of construction and fit out by end of December.

We are the first NBFC to launch a milligram gold program, a gold reward program for all our customers. As our CSR indicated, a Cup of Life entered the Guinness World Record by distributing 1 lakh plus free menstrual cups across 126 venues in 24 hours. The program was aimed at eradicating the menstrual taboos and spreading menstrual awareness in the society. Also glad to state that we have now been classified as an upper-layer NBFC, one of the top 16 NBFCs in the country. We feel it is definitely a recognition of the size and the business of Muthoot Finance.

A meeting of the Board of Directors held today was considered to approve unaudited presence for this quarter. I think all the other retail centers are there in Q, and I think we will now get on with the

clarification and questions or clarifications which you want from the management. Over to you, operator.

- Moderator:** The first question is from line of Manu Jobrai from EN Securities. Please go ahead.
- Manu Jobrai:** Sir, I would like to know, what was the incremental yield of gold loans in second quarter?
- George Muthoot:** So it's 13.3 percentage for the quarter.
- Manu Jobrai:** And sir, incremental on the disbursements done in second quarter?
- George Muthoot:** I don't have it.
- Oommen Mammen:** The yield on the portfolio for the quarter is 17.3%.
- Manu Jobrai:** Okay. And sir, what part of the book will be yielding less than 10% or below?
- George Muthoot:** So right now, I don't think we have below 10%.
- Oommen Mammen:** We have moved all the recent loans to higher buckets. So I don't think we have any in the portfolio.
- Manu Jobrai:** Alright. So the entire AUM is on standard products, standard rates now?
- George Muthoot:** Above 10%.
- Manu Jobrai:** Okay. And just last question on how has been the momentum of disbursement during the festive season, say, October and November? And had it picked up significantly? And can one assume that disbursement in this quarter, Q3, can be significantly higher than Q2?
- Oommen Mammen:** I think no, we'll have to reserve that answer because it's not there in public domain, but now let's speak it after the third quarter. But generally, if you can look at our disbursement, it is going at a certain pace. So I think that should we are hopeful about entering that level of disbursements.
- Moderator:** The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Sir, just 2 or 3 questions. Would it now be fair to say that a large part of your focus is now back on lower ticket gold loans which have relatively higher yields? And maybe a related question. On the borrowing side, when can we expect that you will continue to see the benefits of higher cost debt retiring and being replaced by lower cost borrowings?
- Oommen Mammen:** So in terms of our borrowing costs, I think our 450 million external commercial borrowing already got repaid in October. So that was done at a very high cost. So that will have some savings. So the borrowing cost as of September 30 stands at around 7.98%. So there will be some decline, which will be happening in the third quarter. But

I think since the borrowing cost is also going up. I think in the third quarter also, we are expecting it to remain somewhere around 8 percentage.

**George Muthoot:**

And about the loans, yes, as we said earlier, the cheaper loans are not there now and very low interest rates are not there. So we don't have any such loans with us now.

**Abhijit Tibrewal:**

Okay. Sir, what proportion of your gold loan book today would be towards those higher ticket teaser rate loans which you did during December too much? I understand you migrated them to higher interest rates, but what proportion of your gold loan book would be towards those higher ticket loans that you did during December month?

**George Muthoot:**

That said, there was some 20%, 30% of our book. I don't think today we don't have any such. They have either migrated. They have either migrated to the higher scheme or they would have closed their accounts because any new loan account is there only maximum of 2 to 3 months. In the last 1 quarters, all of those loans. Some of them have migrated, some would have closed and they have taken their loan at the new rates.

**Abhijit Tibrewal:**

Understood, sir. And sir, my last question is on your operating expenses. More particularly, what proportion of your employee expenses are variable in nature? So that when you see a decline in your disbursements, you also see a commensurate decline in your employee expenses. And also, your advertisement and commercial intensity or so to say the expenses that you incur on advertising and promotion has substantially moderated in this quarter versus last quarter. Is there some seasonality to that? Or was it a conscious strategy to reduce your ad and promotion strengths given that you would now see the competitive landscape turning much more demand?

**George Muthoot:**

No, we have not taken a decision to reduce our ad spend. We will be continuing to do it. Maybe some of those expenses will come in next 2 quarters. So whatever we have budgeted for the advertisement expense, we definitely will be doing it. And if you seasonal take up some quarters, some months or advertisement would have been lesser, but coming months, it will be set. So suffice it to say that our advertising expense would be on track for whatever your budget it, we'll be doing it. Your next question is about the employee incentives, et cetera. Some of those things in the last quarter and this quarter, et cetera, some of these incentives and bonuses, et cetera, would be paid in all in all, et cetera, would have been paid. Last quarter, the Diwali bonus, et cetera, would have been paid somewhere else. So that overall, by the end of the year, it will be the same.

**Abhijit Tibrewal:**

Understood. Just to squeeze in one last question, sir. Earlier, you suggested that large part of those teaser rate loans have either migrated or closed. Sir, just wanted to understand then, why is it that the yields are not improving? I mean large part of these teaser rate loans have moved to a higher interest rates, like you suggested, upwards of 10%, or they kind of closed down, then what is the reason that we are not seeing an improvement in yields?

- George Muthoot:** There is definitely improvement. It is only that we have not reached the highest level which we have reached much earlier. Probably, we should not be thinking of very, very high yield also because things are changing. So probably our yields, what you said is not correct. The yields are improving, but it does not reach the very early level, very high yield. We may not have reached there. But definitely, we have increased. So as we said in the first question, somebody asked, today yield is 17.3%. And that definitely is much better. Probably, we have not reached the 19% and 20%. After a while, we should be able to be that also is of the economic activity, et cetera, is there.
- Moderator:** The next question is from the line of Umang Shah from India Bridge Capital. Please go ahead.
- Umang Shah:** Sir, the first question was in terms of value, we have very hard options in FY '22. However, in terms of number of accounts that the auction, we have the highest number of fees in 2016, FY 2016, which was pre-demonetization. Sir, could you go back in time and give us a reason for the same of why 2016 was the highest year for option for us?
- George Muthoot:** I think 2016, was a year when there was a steep decline in the gold price. So the sales regulation whether I don't exactly remember it about 6 years back, which has happened, so now it has almost stabilized the higher, big, very lumpy options are not there now. Last year and this year only the regular usual auction are there and usual actions are there part of the business now.
- Umang Shah:** Correct. Sir, and second question was, sir, in terms of increasing aggression by commercial banks in gold loans. Sir, do you think that some of it is also coming from unorganized sector accessing this credit?
- George Muthoot:** No, I don't think it is one sector is also always has always been there, but it will not be growing much, but we will be stabilizing on what they are already doing. But of course, banks are certainly doing more gold loan business today.
- Umang Shah:** Right, sir. Sir, what I meant was the unorganized sector or hedging the gold of their customers and taking loans at 8%, 9% from banks and then further lending them to other customers, like using bank as their source of financing.
- George Muthoot:** That we call is they are rehedging, which is actually prohibited it is not permitted to take on unorganized sectors loan and then we worry on that because we can grow loan or we bank and grow loan only to the owner of the Board. So somebody is correctly gold from many others and taking to NBFC, no NBFC does best. We are not permitted to do that, but I'm not sure whether banks are doing it, I'm not sure about that. If somebody is doing it, it is not permit.
- Moderator:** The next question is from the line of Aditya Jain, Muthoot Finance Analyst. Please go ahead.
- Aditya Jain:** Can you speak about your stance on credit card business?
- George Muthoot:** Credit card, I think we have applied for a permission to RBI, I think they are in the consideration stage. We have not heard anything in

terms of as yet, which is the credit card you are asking. In fact, we were asking for a payment card, disbursal card.

**Aditya Jain:** So sir, by when can we expect the changes to be incorporated and the credit card business to commence?

**George Muthoot:** Actually, with the regulator I'm not the person to comment on that. But the whites and the conversations which we're having with the RBI, they are looking kindly at that and probably they come up. I don't have any time line with me, but I think I'm hopeful that they should be able to do something on that. They are not doing any decisions as yet.

**Aditya Jain:** And sir, just to add on, so our existing customer base would be the target market for the credit card business? Or are they going to foray into newer?

**George Muthoot:** Far too premature, far too premature.

**Moderator:** The next question is from the line of Dinesh Nagarsekar, individual investor.

**Dinesh Nagarsekar:** So I basically have 2 questions. One, if you look at the AUM growth of other private players in the market, they're growing at quite a good rate. So are we kind of losing market share? And if yes, are we kind of looking to kind of how are we trying to deal with that? And secondly, on the new branch growth that's there, how does the AUM per branch typically scale over the first, say, 2, 3 years? So if you could give some amount of clarity on that?

**George Muthoot:** I'm not sure from where you were saying that other NBFCs are growing in the gold loan, everybody is growing. I don't know. I don't have any statistics on that. I may not be able to comment on that, about our company, I should be able to say. The other NBFCs, which is listed is I think their statistics are coming out later. Other than that, we have no visibility on other NBFCs.

**Dinesh Nagarsekar:** Sir, the AUM per branch for the new branches after opening, how does that typically scale over 2, 3 years or so?

**George Muthoot:** It takes a year or 2 for a branch to stabilize. So once a branch gets open, it takes a year or 2 for the branch to gain good traction. But anyway, from day 1 itself, we start taking this. And we have seen some branches attaining very good level in 1, 2 years, 3 years, so attaining a very good level by 4 or 5 years. It depends on the location of the branch, location means locality and the need of the people to take loans and the mindset of the people to take a gold loan instead of some other loan. All those factors we take or consider new contract and then open that one. Sometimes, in some cases, it's quick, sometimes it takes a little time. But anyway, no branch becomes profitable in quick time. Maybe in 1 year or so, every branch becomes breakeven.

**Moderator:** The next question is from the line of Arul Selvan, Independent Advisor Private Limited. Please go ahead.

**Arul Selvan:** I wanted to come back to the same question which was asked earlier with respect to the yields after the teaser rates have been withdrawn.

So if I remember, last quarter, you said that the teaser rates were withdrawn or you had migrated most of the customers to higher rates. But if I look at the yields over here, compared to Q1 of FY'23, the yields have barely moved. I can see a very, very small change in this. So is there a high amount of competitive intensity that you're seeing nowadays?

**George Muthoot:**

Q2 is a function of the old loans which were given earlier at higher rates getting redeemed also and also the lower rates in that quarter. In this quarter, the benefit of that very old higher rate notes are not there in the Q2, but then the Q2 new loans are not reasonable. So it is a function of both of them put together. That is why we are not seeing the impact of that in the way you would. In Q1, the old loans, which were at very high rates were there, that helped to compensate to some extent with these subjects. In Q2, those loans are getting retired, the very high interest rate with that. So we have only the lesser of that. But then the positive is that the new loans are higher new ones. I hope you understood.

**Arul Selvan:**

Yes, I follow you. So would that mean the guidance or perhaps the rest of this financial year in terms of our yields will be better than what we already have?

**George Muthoot:**

I think going forward quarter-on-quarter, the yields should arrange for altogether.

**Arul Selvan:**

Okay. And if I can squeeze one last question. Sir, is your guidance for the annual growth rate in the loan book, is that remaining the same? Or would you be revising it to some extent?

**George Muthoot:**

You don't want to revise it now. We are hopeful that we should be able to achieve the 10% in the next 2, 3 quarters. Let us see, we are putting our best efforts to do it, and we hope to achieve the 10%. So this quarter, we were able to grow a little, probably next 2 quarters, we should hope to do better.

**Moderator:**

The next question is from the line Sanket Chheda from B&K Securities. Please go ahead.

**Sanket Chheda:**

Yes. My 2 questions were answered in the previous ones. If I can squeeze in one. Sir, Q3, whatever incremental disbursements are happening, if you can give us a flavor that what would be mandated in on that? Will it be about 17.3% or 17.5% to get the directional lever on this?

**George Muthoot:**

The incremental lending, we do have several rates. We do have 12%, 15%, 18%, et cetera. It should certainly be going up, the proportion of the 15%, 14%, 20%, 21% depends on the geography to geography, it depends on the rates and seasonality or so. But we will be trying our best to have, let's say, more higher yields in the disbursements in the coming quarters. That is what we want to do. But we cannot say that I will have only interest rates, et cetera. The rates are dynamic. So it is need-based, demand-based, et cetera.

**Sanket Chheda:**

And to one of the earlier questions, if I understood that maybe Q2, the region more because we had some portion of teaser rate loans and now which has a one-off. So going forward, that drag won't be there. Is that correct?

- George Muthoot:** You are correct. The teaser rate, drag will not be there.
- Moderator:** The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.
- Shubhranshu Mishra:** Two questions. One is on the yields. We mentioned that we have pretty much teaser rate in April or May. So which means in second quarter won't have had as much of an impact of those teaser rates. So why is it that the first quarter was 17.4. Any possibility of increasing the yield by around 100 bps to 300 bps in late second half, otherwise we are seeing a return ratio? Second is on the AUM growth. Sir, we had a guidance of around 125 to 15%. You just mentioned in the previous question. And your guidance around 10%. So you have a decrease in your AUM guidance for the full year. Is that a correct understanding, sir?
- George Muthoot:** I think regarding the yield of comparisons with Q1 and Q2, I think I had explain it in detail to 5 minutes back. So I can explain that part in detail. But to answer one part of your question, that's also I had answered that our yield going forward should definitely be inching forward. The third part of your question was about the guidance. We always said 10% to 15%, but because of all the growth which is not happening in Q1 and Q2, we still stand by the 10%, not that we have reduced it, we said 10% to 15%. But because of the present situation, we should be looking at, at least 10%.
- Shubhranshu Mishra:** Sure. And if I can squeeze in just one last question sir, the second quarter disbursement and collections are always higher than the first quarter. This is the only second quarter in the last 2, 3 years where the collections as well as monthly disbursements has dipped by quite an extent. Why is that, sir? The last 3 years, sir, last 3 years, if you compare 1Q versus 2Q are always an increase over 1Q.
- George Muthoot:** Okay. So not necessary that sometimes the situations would have changed. The economic situation would have changed. I don't have any other explanation for why it is not there as a trend in the last 3 years and this year. I don't have any strict reason for that, nothing specific on that.
- Moderator:** The next question is from the line of Shweta Daptardar from Elara Capital. Please go ahead.
- Shweta Daptardar:** A couple of questions. Why the tonnage has not moved quarter-on-quarter?
- George Muthoot:** The tonnage is actually a function of the gold price. If the gold price is low, the tonnage will be higher because people have to bring more gold to take the same amount of gold. If the gold price is high, they need not bring 100 grams, they only need to bring 95 grams. The gold price is low, they have to bring 105 grams. That is exactly the function of the gold price. If the gold price is high, the tonnage will be lower. If the gold price is low, the tonnage will be higher. That is exactly the function of that. Because people bring only the required amount of gold. We can't ask people to bring more gold. So that is the function of that. But what we need to look here is the disbursement amount because our profit or our income is based not on the gold with us, but with the other. The second part, gold is only a

collateral and even today, our average may be less than 70%. So we still have good margins.

**Shweta Daptardar:** Okay. Sir, I thought because gold price has also not moved much, exactly why I raised that query. Anyways, I got the moot points. Sir secondly, somebody touched upon this question already on AUM per branch. So while you mentioned it takes a year or 2 for the branches to stabilize, so can you just guide on the path back incrementally how much does a new branch add to the overall AUMs?

**George Muthoot:** I told you it take a year for the branch to reach the breakeven level. So after 1 year, it becomes making profit, then it starts growing only. So it takes 2, 3 years or 4 years for the branch to reach its full potential.

**Shweta Daptardar:** Okay. So one last question, which also you have partially answered already. So you mentioned that you are hopeful of 10% full year growth, but if I look at quarter-on-quarter movement and if we expect a 10% growth, does that mean Q3, Q4 will be two robust quarters going forward?

**George Muthoot:** That's what we hope to. Even I cannot say whether it's robust quarter.

**Shweta Daptardar:** Sir, where I'm coming from is because you also mentioned that you do not see much of competition coming from unorganized side, barring of banks who are largely focusing on high-ticket loans, and we are already on competitive rates. So is it fair to assume Q3, Q4 will be much better and therefore, 9% to 10% growth is plausible?

**George Muthoot:** That's what I said, yes.

**Moderator:** Your next question is from the line of Amarnath Bhakat from Ministry of Finance of Oman. Please go ahead.

**Amarnath Bhakat:** Can you just give a clarity regarding this branch opening related RBI approval. How many approvals do you have for opening the new branches? Or is that problem has resolved?

**George Muthoot:** I think there is no problem, just only that RBI has kept the new branch permissions on hold for a year or so. But now they have given us permission to open branches. And we have requested for 150 branches, which they said, okay. And of that, we have opened 25 branches. The other branches are in various stages of construction. Probably by end of December, we should be able to open 150. And thereafter, if we feel we need more branches, we'll apply for more branches.

**Amarnath Bhakat:** 150, you applied for, you got it, right?

**George Muthoot:** Yes.

**Amarnath Bhakat:** Okay. So that was very comforting. Now if I look at sir your revised or current ROA and ROE, which is now came down to, say, ROA of 6% and an ROE of around 18%. Now can we take this is a new normal because previously, your ROA, ROE is much higher, of course, the situation was different. Now considering the current situation, for our

all position basis, can we take this 6% ROA and around 18%, 19% ROE is something normal going forward?

**George Muthoot:** I think we would like to see it go up and we would expect it to go up slowly also. We would not like to keep it as the normal. We'd like to grow, so we should see at least slowly going up.

**Amarnath Bhakat:** Sir, one more question. In the staff side, I can see your number of staff added only in the Q2 is around 587. If I deduct the Q2 total minus Q1 total, 587 staff in 1 quarter, while the business is not that much growing, can you elaborate why the staff is growing? What is the purpose of adding that much staff in 1 quarter itself?

**George Muthoot:** 500 staff out of say, 20,000 staff is nothing, sir.

**Amarnath Bhakat:** I'm talking about the adding itself is 2% more, means 587 added in 1 quarter.

**George Muthoot:** That is not a great number, sir. It's just 1%.

**Oommen Mammen:** So if we open 150 branches, now we have at least recurred 600 regular staff. So when we are looking at opening in next couple of months, we have to train them. So earlier this was going as a regular process. Now this has come up. So we recruit, and some employees leave also. So all those things have been kept in mind when it comes to the recruitment part.

**Amarnath Bhakat:** Sir, what is the subsidiary part? Especially I can see the fantastic growth happening into this microfinance side, especially. If you can give a little more light about that part because it appears to be growing very fast. What is your outlook in respect of this microfinance side of the business?

**George Muthoot:** Microfinance side, good business which is well appreciated by everybody. The customer, the regulator, the government, everybody would like to see the microfinance business grow. And then we see lot of potential there, it is putting purchasing in the hands of people and they see the sector offers good potential.

**Amarnath Bhakat:** Sir, keep in mind my purpose of asking the question is, have you something minded at what percentage you intend to grow the microfinance book at 20% or 30%, some kind of an idea can you give, that at what percentage you're trying to grow that particular book?

**George Muthoot:** No, we don't not have any particular guidance on the microfinance percentage, et cetera. As and when the demand peaks, we will grow that business also.

**Moderator:** The next question is from the line of Bunty Chawla from IDBI Capital. Please go ahead.

**Bunty Chawla:** Most of the queries have been answered. So a few data points, if you can share. Sir, one is that during the quarter, if you can share what was the auctions which we have done?

**Oommen Mammen:** We did INR578 crore.

- Bunty Chawla:** INR 578 crore. Okay, sir. And secondly, if you see the presentation part in that where you've shared Stage 1, Stage 2 assets loans, there has been a slightly hike in the Stage 2 loan assets from INR461 crore to INR864 crore. So how one should see that part going ahead? Any impact in terms of Stage 3 assets going forward? Or any provisioning which could be required during next 2 quarters?
- Oommen Mammen:** If in a particular quarter, disbursements are higher 12 months afterwards. Naturally, the Stage 2 could be higher depending upon the collection efforts which we do. This will fall into the overall risk management metrics for us. We look at what is the interest, suppose the customer has regularly paid interest. We don't see much risk in that particular portfolio. So we allow these customers to some more time. That's how we have the Stage 2 and sometimes even the Stage 3 also go up. Unlike other financial institutions, here it has to be seen slightly differently.
- George Muthoot:** Because if we fully collateralize with gold, so even if somebody reaches Stage 1 or Stage 2 or Stage 3, we are not going to use our money. We are giving extra time to the customer.
- Bunty Chawla:** Okay. So we don't require any ECL provisioning because of this regulatory part as a going forward, my sense was that?
- Oommen Mammen:** We have to make, suppose Stage 2 goes up, certainly interest will increase because Stage 2 also requires ECL provisioning.
- George Muthoot:** But ECL provisioning will not result or ECL book or Stage 2, that's the point we were trying to say. Provisioning, et cetera, is just provisioning in our books. We are not using any money there.
- Bunty Chawla:** Okay. And lastly, sir, on the cost of funds, though on the yields you have spoken, so how one should see the cost of funds moving for the full year FY'23 as compared to FY'22? As we are seeing repo rate hike and other hikes are happening in the bonds also.
- Oommen Mammen:** I think it should be somewhere around 8%. We should be able to manage. Let's see how it is. At least in the third quarter, we should see it remaining around 8 percentage.
- Bunty Chawla:** Okay. So for full year, 8%, we can consider till now?
- Oommen Mammen:** I'm not sure about the fourth quarter. It depends upon how the rates are going up.
- Moderator:** The next question is from the line of Madhuchanda Dey from MC Pro. Please go ahead.
- Madhuchanda Dey:** My question was about your loan growth outlook. We have seen kind of 1% kind of a sequential growth in the loan book this quarter. And when we interact with the private sector banks, we seeing that gold loan has been identified as a kind of a trust area for them. So what I really wanted to understand from you is if they are putting a focus on gold loans, obviously, their aims are going to be much lower than yours. In that case, which is some pocket of the market which you are targeting to grow your loan book by 10%? If you could give some qualitative understanding about the same.

- George Muthoot:** No, madam. I think we have given a guidance of at least of 10%. Hopefully, in the next 2 quarters, we should be able to achieve that. So there is no specific markets, et cetera, which we want to tap, under which we know other market, which we don't want to tap. We have 5,000 branch which caters to the local people there. And we don't leave any type of customer or any type of a loan, size, et cetera, behind. So whatever comes, we will do, and that is what we will be hoping to do in the next 2 quarters.
- Madhuchanda Dey:** I just want a small understanding from you, sir. I mean what is that banks can't do that you can do?
- George Muthoot:** We are putting too much into details, madam. I don't think of what bank can do, what we cannot do, et cetera, but is we improve always. So we will do that, what you mean by saying what banks can do and what we can't do.
- Madhuchanda Dey:** I mean is there a segment which is something where the banks cannot penetrate which will remain quoted for someone specialized like you? That is what I'm trying to understand.
- Oommen Mammen:** Banks have always been doing it. The fact that NBFCs are excelling certain activities because we are able to do it in a cost-effective manner, better service to the customers. That is a key differentiator for as far as any industry is concerned. So the same applies to us also.
- Madhuchanda Dey:** Okay. So what you're trying to suggest is, if it's a cost factor which will give you an edge over banks in certain pockets of the market?
- George Muthoot:** No, it's not the cost, it's the service part.
- Madhuchanda Dey:** And the service quality, the better service quality?
- George Muthoot:** And the service quality.
- Moderator:** The next question is from the line of Shreya Shivani from CLSA. Please go ahead.
- Shreya Shivani:** I have 2 questions. First is on your borrowing profile. We can see that the share of term loans from banks has risen up to 56% now. It used to be at rate 47% in the second quarter last year. So any color you can give to us on this, where would you see this mix going with that increase? Or will you be trimming it down? My first question is on that. And the second is on the liquidity on the balance sheet. I think you guys have mentioned last time that you've reduced it and will maintain it at this level. I can see it is at 12% level for second quarter. So will it continue to be at 12% going ahead, just the confirmation on that?
- Oommen Mammen:** As far as the level of borrowings from banks, it is all depends on the cost factor availability of funding. So depending upon the scenario, we try to tap that particular market, bank funding was easily available at some point of time. We tap that market. We wanted a better yields, better rate of interest. So we tap that market. So the whole borrowing program is based on the availability at what price. So those factors were acceptable for us. So that's why the bank borrowing proportion is higher.

Yes, on the liquidity part, liquidity level have been kept high, slightly higher because the first tranche of ECB was getting due for payment by October-end, which we repaid as of now. So we were preparing for that about INR3,700 crore of repayment. So that's why we have kept a slightly higher liquidity as of September 30. Though we have brought down the liquidity levels during the quarter. In the intra quarter, we had brought down the liquidity a little bit.

So I think our endeavor is always to keep a normal liquidity. We don't want to keep a higher liquidity and bear a higher interest differential. So I think going forward, we'll try to improve our liquidity to a certain extent. At the same time, we need to take care of the LCR recoverment as well the comfort of the debt investors, et cetera. So we will try to reach at a certain reasonable level.

- Shreya Shivani:** Got it. The next tranche of ECB repayment is due when?
- Oommen Mammen:** That is, I think, in September 1, 2023.
- Moderator:** The next question is from the line of Mahrukh Adajania from Nuvama Institutional Equities. Please go ahead.
- Mahrukh Adajania:** So although this has been partly answered through many questions earlier, in response to many questions earlier, I would seek some more clarity. So who are your main competitors right now? And I mean what is the time frame they're evolved in? Because when we speak to State Bank, they say that they were not earlier doing non-agri gold loans. And only over the last 2 to 3 months, they are going aggressive on non-agri gold loans. But we don't have separate numbers from them. Likewise, are there any fintechs who are directly competing with you in your segment?
- Oommen Mammen:** Ma'am, I think you answered that yourself. We also don't have much understanding on their orders and portfolio earlier and what is their portfolio as of now. So I think with all those finer points, we'll not be able to answer that question from you.
- Mahrukh Adajania:** Right. But any practical sense, the feedback you get from branches and stuff like that?
- Oommen Mammen:** See, banks have probably around 60,000, 70,000 branches across India. We are only having 4,500. So every bank tried to do every business little bit. So certainly, if it is 4,500 against 70,000. Naturally, it is a competition for 4,500 branches.
- Moderator:** That was the last question for today. I now hand the conference over to management for closing comments.
- George Muthoot:** Thank you. Thank you, all investors. Thank you for supporting us. And from our side, we will assure that we will do our best in the coming days and coming months. Also to keep in mind the interest of our investors and all other stakeholders and I'm hopeful of doing better in the next 2 quarters. Thank you.
- Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

