"Muthoot Capital Services Limited

Q1 FY '25 Earnings Conference Call"

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**MODERATOR:** **MS. SHWETA DAPTARDAR – ELARA SECURITIES PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Muthoot Capital Services Limited Conference Call hosted by Elara Securities 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shweta Daptardar from Elara Securities Private Limited. Thank you. And over to you, ma'am.

**Shweta Daptardar:** Thank you, Riya. Good morning, everyone. On behalf of Elara Securities, we welcome you all to Q1 FY '25 Earnings Conference Call of Muthoot Capital Services. From the esteemed management today, we have with us Mr. Mathews Markose, CEO; Mr. Ramandeep Gill, CFO. Without further ado, I now hand over the call to Mr. Gill for opening remarks, post which we can open the floor for Q&A. Thank you and over to you, sir.

**Ramandeep Gill:** Thanks, Shweta. A very good morning to all of you. I welcome all of you to the investor call for the Q1 Earnings. In this quarter, the company has done asset sourcing of INR498 crores. Out of that INR498 crores, the INR300 crores came from MCSL portfolio and INR200 crores came from co-lending--- remaining INR198 crores came from co-lending portfolio. The company has acquired a total new customer base of 65,227, which basically acquired in the form of 2-wheelers, used loan which has been started by -- start by the organization in which the company has done a fresh portfolio of INR12 crores in this quarter as well.

LCV, in which the company has done a fresh portfolio of INR3 crores. Corporate loans, we are having outstanding of INR134 crores but we haven't done a single transition in this quarter. And as I said, the INR300 crores, out of that INR300 crores, INR278 crores came only from the 2-wheeler portfolio sourced and originated by the MCSL.

The GNPA of the company, if we talk about compared to the last Q1, we have been able to bring it down by 55.4%, thereby taking it to 9.84%. NNPA of the company, we have been able to bring it down by 28.1%, thereby taking it to 3.41%. In our slides, we have also shown the earlier -- early NNPA of the company. The early NNPA of the company has also gone down by 56.6% year-on-year and it stood at 0.59% as we speak. This takes the total AUM of the company to INR2,182 crores as compared to INR1,992 crores in the Q1 of the last financial year, thereby recording a growth of 25.43% despite doing an ARC deal of INR255 crores in Q2, which has bring down the portfolio but still we have been able to grow by 25.43% year-on-year.

The total balance sheet of the company stood at INR2,405 crores, whereas borrowing of the company stood at INR1,751 crores, taking the debt-to-equity of the company at 2.78x. We have been able to bring down our borrowing costs as well in this quarter but by a very small margin. But yes, we -- if you see the investor presentation, wherein we have highlighted, even if the rate -- even if the MCLR rate has increased by 0.70%, our borrowing -- cost of borrowing has increased only by 0.14%.

The total customer base of the company stood at 443,639, while operating in 20 states. When we say the portfolio in South, where our retail portfolio in South, it is concentrated at 54%. In this, we are at 8%. In North, we are 18% and remaining portfolio 15% concentrated in East. The company in this quarter has been -- as compared to the last quarter, as compared to the Q4 as well, in Q4, we have done a business of INR434 crores out of which there was a mixture of 70-30 between co-lending and the MCSL. This quarter, there is a mixture of 60-40 and the guidance is to take it to 75-25, 75 as our MCSL and 25 as our -- as the co-lending book, from Q2 onwards.

With this -- by doing this, what it helps to the company. If we talk about the yield of the company, which was -- where we were operating, we were going down. At every quarter, it has reached to 20.11%, has gone up to 20.80%. So therein, we can see that, yes, the yield of the company has increased. Talking about the core financials of the company now, the company has taken -- has recorded a profit of INR11.41 crores as compared to INR11.06 crores in Q4.

In this quarter, the company has taken 2 additional hit in the profit, I'll say 3 additional hits in profit. INR5 crores, we have provided additional overlay so as to maintain a PCR of INR75.5 crores -- we have provided an additional overlay so as to maintain a PCR of 75% so as to follow our ECL policy. The PCR remained high -- as high as if we compare with any industry peer, 75% is basically high, we can say that and the company want to follow that approach for next 2 quarter as well by keeping the PCR of 75 percentage so as to see that the portfolio is stable and everything is okay, we can bring down to the industry par at 60%.

The requirement of ECL as per IRAC norm stood at 3.88% on the entire portfolio. Whereas following the ECL policy of the company, we have provided at 7.88%, almost 1.8x of what is required as per RBI in terms of provisioning. Second thing for the profitability. We have done the appraisal for the employees in this quarter by changing the appraisal cycle and making it par with the industry wherein appraisals will be done in the Q1.

That additional hit of INR1.5 crores, we have also taken in this quarter. We can say like that. And even though these are the 2 major changes wherein the company has been able to -- so this -- after -- this profit has been reported after taking these 2 hits. And this profit is reported at 11.41% -- INR11.41 crores, still higher than the Q4.

Yes, if we compare it with the Q1 of the last financial year, wherein our MCSL portfolio was higher as compared to the holding. So as the yields were higher, we are again back on the track of MCSL portfolio, as I said 2 minutes back, of increasing the MCSL portfolio. The CRAR of the company remains as healthy as 28.82%. We have been able to work on the NPAs from the last 1 year. In this quarter, again, the guidance is to bring it down below 6%. When I say below 6%, it would be the GNPA because the third thing which hit my P&L is basically the old portfolio, which I say, the pre-COVID portfolio, wherein we have seen some roll forward on that, some roll forward happened in Stage 3 and plus for the old portfolio.

That roll forward happened amounted to INR5 crores. Therefore, if you can see that, though the absolute amount of NPA has increased by INR5 crores, that NPA pertains to the pre-COVID book, which has not been sold out in the last ARC transaction. But yes, it's high time to take a call on that book as well in Q2.

As far as the new book is concerned, we will continue to operate well and doing good. The overall portfolio on the loan book, which we have generated post-COVID, the GLP on that book stood at 4.5%, right? And so these are the 3 additional hits we have taken in this -- in the P&L. Out of that, the GNPA hit and the appraisal hit will not come right from the Q2 onwards. And as I said, we have additionally provide to the overlays of the company, INR5.5 crores. So that is something which the management will take a call on Q3 because we have an additional overlay of INR67 crores now, as we speak.

So these are the major changes which the company has done. In the last Q1, when we reported our numbers, we reported only 3 things: 2-wheeler book, 4-wheeler book and personal loans. In this Q1, when we reported, we reported 2-wheeler book, 4-wheeler book, EV 3-wheeler book also, loyalty loan also, LCV also, used car too. So these are 5 major -- these are the changes which have been done by the company.

Second thing which I really want to add on that, yes, company has already started focus more on the EV as well. And few days back, we have also initiated some press release wherein company is going big with Axis Bank so as to secure funding from Axis Bank. Our cost of recovery is still, all these Stage 0, 1 and 2 we have done in-house, as I was saying from last Q1, from last 12 months or so that we are able to -- that we'll be able to bring our soft collection in-house. We have been successfully able to do so. And cost of recoveries which used to be 4.5% earlier has gone down to 3.5% now.

The good thing is, we -- the NACH acquisition, wherein we have been able to take funding directly in the bank that used to be somewhere around 48% -- 45 to 48% 12 months back, that has gone up to 58% to 65% as we speak and that helped in saving the cost of recoveries as well because our cash collection has gone down and our NACH collection has gone significantly up.

The total portfolio, as we speak about the standard portfolio comes to INR1,087 crores, whereas the NPA comes to INR196 crores for the company. When we take a split of NPA, yes, we don't have any NPA on the commercial vehicle because it hasn't been started. On the 4-wheeler, there was a small NPA of 2% that too, which is coming from a portfolio which we got pre-COVID. 2-wheeler, 9.5% is our NPA. 3-wheeler, we don't have any NPA as of now. Loyalty loans, there is a small NPA that came, again from the pre-COVID portfolio as well.

So for co-lending and all the partnerships which we have done, there is no NPAs, as we speak and we are carrying a book of INR720 crores for them -- from them. Corporate loan, as I said, there is no movement in the corporate loans in this quarter. The balance was INR181 crores in March that has been brought down to INR134 crores in June. Focus was given more towards the retail. While preparing and while reporting the provisioning of the company, the provisioning has been divided into various stages. Stage 1, when we speak, it has been divided into Stage 1a and Stage 1b. Same goes with Stage 2a, Stage 2b. Now this b signifies that soft NPA in various stages have been considered separately and the same treatment has been provided.

Earlier also we used to do that. But now for more transparency purposes, we have been able to divide our ECL model into various stages and stop classifying each and every stage. That was the whole purpose of revising the ECL model. When we say ECL model has been revised, it has been -- not been revised only to the retail portfolio. We have also taken the co-lending part. We have also taken the corporate loan part and loan buyer into the ambit of ECL model. You know -- so as you know, the organization, while following the percentages under the various stages, that percentages should apply equally to each and every product, which has been offered by the company. So this reason was pending in the last year, which has been successfully done now.

When we talk about the ARC transaction, which the company has done in the last year, specifically in the Q2, the company carried a working portfolio of -- security receipt of INR102 crores. That has been brought down to INR53 crores as of June and company is receiving a regular receipt on that, which is a good sign. The target is to close the security receipts funding maximum by next year or so, so as to make it a 0 in the book. As for the liabilities of the company promoter remains strong, they are continuing to holding 62.62% of the company. The retail has increased from 24% to 26.24% in this quarter. Body corporate stood at 5.90%, whereas FPI is 1.32% and others stood at 1.74 percentage.

The company has -- in terms of funding of the company, we have been able to acquire INR358 crores in this quarter because we have done INR498 crores of the new business. The target, as you know because -- and then the funding is basically is -- was a mixture of short term and the long term funding. The cost of facilities, which have been sourced by the company stood at 9.65% whereas overall cost of borrowings stood at 9.84%. The company has been able to roll over all its working capital demand loan. And there is a good thing, which has happened is, our fixed deposits book, which was INR30-odd crores in March has been increased by INR6.5 crores at cost of fund of only 8.2%. So we can see the change. We can see the traction over there as well.

In terms of what we planned for this financial year and what we are. I have also shown that in the investor PPT. Budget versus variance, we do not find any variance in terms of loan sourcing. We have planned for INR300 crores. We did INR498 crores of business in this financial year. We have planned for profitability. And the profitability, as I said, we would have crossed it so easily. But yes, there is a gap of only INR1.22 crores but which is okay, we'll be able to take it in Q2 only. But as I said and I'll repeat it again because of 3 factors: one, INR5.5 crores additional provided in the overlay. Second, we have done the appraisal, which has impacted at INR1.7 crores. And the third portion wherein we can say that it's from the old book, the GLP has increased. So that is the reason.

Our ECL on that portfolio has gone up, on which the company will be taking a call in the Q2. So that is an overall mix -- overall view from the company in terms of the financials. I would be happy to take questions after that. Prior to that, I would like our CEO to speak on that. Sir, Mathews sir, over to you.

**Mathews Markose:** Yes. Okay. Good morning, investors. It's indeed my privilege to connect with all of you once again and share our views on the Q1 numbers. Raman has already explained the numbers to you.

I want to talk about the business performance. We had a very, very strong business performance in Q1. I remember in the last call, we have given a guidance of about INR400 crores of disbursement in Q1. But we ended up with almost INR500 crores, INR498 crores to be precise, which is about INR148 crores -- 148% growth over the same quarter last year.

Q3 is generally the best period in our business, as we all know. And in Q3 of last year, we have done INR478 crores of disbursement last year. This year, in Q1, we shall -- we have surpassed that number by a good margin. So our expectation, of course, these results very much. And the next 2 quarters are going to be really big for MCSL. And Raman also explained how MCSL share of business has significantly gone up and therefore, a positive rub off effect on our yield as well. So I think in one of my earlier calls, I had mentioned that I was not too -- when somebody had asked, that I was not too worried about the numbers at this point in time because we are very, very confident about the input parameters that we were putting into the business.

And I think we couldn't have been more right from the management because all those inputs that we put into the business over the last 2, 3 quarters has started to show results in our overall business numbers. The Q1 numbers, disbursement numbers are indeed a reflection of all the good work that the entire team has put in. Now we have started getting newer lines of credit from bigger institutions. So we recently got an impact funding of INR100 crores from Axis Bank in collaboration with GuarantCo. And we got a line of credit of INR120 crores from IDFC Bank.

So I think on all the fronts, we are seeing positive movements. This impact funding is for, especially for focusing on electric vehicles. And we have 2 very strong partnerships on electric vehicle finance with wheels EMI, where we are funding electric 3-wheelers and with Greaves for funding electric 2-wheelers. So those 2 partnerships are growing very strong. There is no issue on the portfolio. There is 0 NPA on that so far.

I had also mentioned in one of our earlier calls about making collections from a cost center to a profit center. And I'm very, very happy to announce that we have indeed been able to do that. Quarter 1 of this year, we've been able to collect overdue charges, which is equivalent to our cost of collections. So from a revenue neutral, as far as collection is concerned, though, Raman also said that overall cost of collection has come down to about 3.5% that the entire cost has been able to recover -- we have been able to recover as a company through overdue charges. So that's I think is a big step.

Similarly, we are tracking the cost-to-income on sales side. So about 79% of the sales cost, which includes, of course, paying salaries and incentives, have been able -- we've been able to recover through our fee income, only on our fee income. So -- and now remains impact for us, for the business group. And we've also submitted an application for corporate agency for insurance. And the final application has been submitted, the preliminary application was approved by IRDA and we hope to get the license in Q2.

Once that happens, then we'll have a huge scope on increasing our fee income. Because even today, we almost have a 95% penetration of accident insurance for our customers and about 30% penetration on credit life as well. But we are not able to realize that income as of now because we don't have a corporate agency. But once we get that, that will be an additional fee income to our overall book.

On the other lines of businesses that we have talked about, commercial vehicle, the entire team is set now. We have started doing -rolling out numbers. We did some INR2-INR3 crores so far in the last 1 month but the thing is that for Q -- H2, you will see real serious numbers from commercial vehicles. The used car business has started picking up steam. We have expanded across the country and disbursements have started growing.

Our Raman -- CFO also mentioned about the extra cost that we incurred in the form of employee benefits in terms of giving annual incentives because of appraisals, et cetera. That is because we have regularized our appraisal cycle. And earlier, we used to have appraisals happening in October and November for the year ending -- now, ended in March. But now we have regularized that for every year in -- of April -- sorry, in March, we did appraisals in April. And we pay out the -- in terms of some bonuses. So we are able now to attract more talent from the industry. Our quality of manpower has significantly improved and we are hopefully also going to -- we have applied for a certification for Great Place to Work, which we actually aim to get in the Q2 of this year.

So I think, all in all, we see, from the management side, very, very exciting times to come for MCSL in the next 2, 3 quarters. Thank you.

**Moderator:** Thank you very much. First question is from the line of Subhankar Ojha from SKS Capital Research. Please go ahead.

**Subhankar Ojha:** So a quick question. What is the breakup of our borrowing? And what's the incremental cost of borrowing for us?

**Ramandeep Gill:** Mr. Subhankar, I'll just answer your question. Just 1 second. In terms of breakup of the borrowing of the company, the borrowing has been divided mostly into 5 parts. First is basically NCD and MLD of the company, which is -- which comprises, somewhere around 29% of the funding. The working capital demand loan from the bank and the working capital term loan only from the banks. That compromises 46%, whereas in corporate we have a small portfolio for CP as well, which comprises only 11% of where we are.

And then PTC and the DA, the company has done, DA, we have a very, small portfolio of approximately INR2 crores. The remaining portfolio comes from PTC only. It comprises again 8.5% for the company. So -- and these are the -- and then there is a funding of -from FDs and sub debt, which is a very small portfolio, again, it comprises 8%. So 2 portfolios wherein we can say that demand loan and term loan from the bank plus entities, they alone contribute 74%.

Talking about the next thing, that what is an incremental cost of funds. As I said, the company has taken INR358.50 crores of the -as a new funding in Q1, which comprises from short-term funding and long-term funding the cost -- overall cost of funding for this quarter stood at 9.65% as compared to 9.9% this company has reported in Q4. The total cost of funding stood at 9.84% on a book level.

**Subhankar Ojha:** Okay. Okay. And secondly, sir, I mean, with respect to the slide that you have for the budgeted and the actual, do you have a similar figure to share for FY '25?

**Ramandeep Gill:** For the entire slide?

**Subhankar Ojha:** For the entire financial year?

**Ramandeep Gill:** Yes, yes, we can. We can share. We can share. And I will be sharing it. So how do you want me to take it? If you can give me your ID...

**Subhankar Ojha:** Yes, I'll just share my email. I'll e-mail to you then. That will be okay.

**Ramandeep Gill:** Yes, yes. That will be okay.

**Subhankar Ojha:** Great. And secondly -- second, so with respect to your, the asset quality, do you have an internal target set for yourself that you want to bring down your NPA level to a particular level by the end of the financial year?

**Ramandeep Gill:** Sir, I will be taking this. We have done this into 2 parts. If we talk about due will all -- for -- from all the investors, we have been receiving the questions from last 3 quarters of the increasing of sourcing, business and all. So it was a conscious call in Q1 that in Q1, we will be increasing our sourcing, specifically the retail portfolio.

In Q2, because we know that the sourcing is important and business is important and whatever in our numbers, with me and my CEO had said in Q4, we wanted to do that in Q1 as well. Then bringing down the NPAs, basically, as I said, if I reported INR195 crores as my NPA, INR141 crores pertains to the pre-COVID era. It's a huge chunk, right? If I do that, if I take a call on this portfolio, what will happen is, as I said, we have done a deal of INR255 crores in Q2 of last financial year.

Our overall portfolio will go down. So we wanted to follow a balanced approach. Q1, yes, we have definitely good sourcing and our business numbers have been increased. In Q2, we will be having a mix source wherein obviously, we'll be beating our Q1 numbers by approximately, that will be increasing some 40% business more what we have done in Q1.

But yes, target is to bring the overall GNPA lower than 6% only, as I said 15 minutes back only. That overall GNPA will be brought down below 6% by Q2. And it would be somewhere -- it could be hovering around somewhere 4 to 5, 5.5%, as we will speak in our March presentation of this financial year ending. Because industry, if you see specifically who are there in the 2-wheeler, 4-wheeler, this GNPA, which is there in the industry, it comes somewhere around 5 to 6% only. So we'll be back specifically after Q2, then we will be taking a call on a small portfolio, either we will be taking an ARC or we'll be doing something else for that portfolio so as to bring the overall GNPA below 6%.

**Moderator:** The next question is from the line of Bhargav, who's an individual investor.

**Bhargav:** Sir, my question is for Mr. Mathews Markose:. Sir, as we're already within more than 40 days, total. So are you confident that you are going to do INR600 crores disbursement in the Q2? So roughly around 40 days, you might be having at least INR200 crores.

**Mathews Markose:** Sir, in July, we already crossed INR200 crores. We ended July with INR205 crores. So we will easily cross INR600 crores, sir.

**Bhargav:** Okay. And on the ARC part that you are talking, so will it be done in the Q3 itself?

**Mathews Markose:** Sir, that between the CFO and me, we will take a call. So our guidance initially to all investors is that by end of March, we will bring it down to 6%. So we still have time but we will take call based on the overall numbers. And we also need to decide whether it should be an ARC or some other form of transaction.

**Ramandeep Gill:** Mathew's sir, can I just take it, please?

**Mathews Markose:** Yes, yes, please.

**Ramandeep Gill:** So Bhargav ji, 1 thing I want to add here is, right now, our GNPA is 9.74%. In order to take it to 6%, I need to take a call on our GLP of only INR45 crores, right? If I take the GLP of INR45 crores our from the book, the GNPA would be somewhere, hovering around somewhere around 6%, 6.5% only. So that is something which we would be internally taking the call in the Q2 only, right? The second thing is in terms of business for Q2, as Mathews sir had said, we already crossed INR200 crores. Then the festive season like Onam is coming in this quarter itself. So obviously, the numbers will spike up as we have witnessed in the previous Q2 for MCSL.

**Bhargav:** So even if you do the ARC, will we end up at INR3,000 crores that you had guided earlier? Or is in that impact?

**Ramandeep Gill:** Yes, sir. No, no, that's what I'm saying. Even if I'm having the previous NPA portfolio of INR140 crores, I just have to take a call on the INR45 crores of the portfolio, so as to bring the GNPA by -- bring down by 56%. Second is, guidance on the INR3,000 crores. As I said, for Q1, we have already beaten our sourcing numbers. For Q2, we are on track. And we are 100% sure, with god's grace, if everything goes good and well, we'll be able to take our portfolio for more than INR3,000 crores by the end of the March.

**Bhargav:** Okay. And the final last question is, is there any buybacks, like to create wealth creation for the shareholders because from the highs of -- in 2018, from INR1200 levels, we are going to almost INR300. So is company looking for any buyback or anything for the creating wealth creation for the shareholders?

**Ramandeep Gill:** So as of now, we can only say that we can -- we'll be talking to the individual investors for sure. We wanted to have 1 individual investor meet as well, which we will be conducting. There in all the proposals, when we will be speaking internally that what needs to be done. We will be taking input from all our investors. And then all these things will happen, like buyback and rights -share buyback or ESOPs, everything will happen in that meeting. So we wanted to have that meeting soon and that meeting will be happening sooner in Q2 or immediately after the results of Q2.

**Bhargav:** Okay. Will you post it in the BSE site, sir? Is it a private?

**Ramandeep Gill:** Yes, yes, No, no, we will be doing. First, we will be having the individual calls. Then basis on what the agenda of the meeting will look like, basis on that, we will be formally posting it into the BSE site.

**Mathews Markose:** We will reach out to you individually, sir.

**Bhargav:** Okay. Sir, a small question. Like you said, the management outlay and the compensation because of it profit is getting impacted by some INR4 crores, INR5 crores. So from Q2 onwards, will that INR4 crores, INR5 crores add to the PBT? Like for example, we got INR15 crores. Let's say, from Q2, will that PBT will be around INR20 crores?

**Ramandeep Gill:** Sir, I will answer your question and again repeat my point. As I said, in order to make our employee appraisal parallel to the industry, right and sales force is equally important because we don't want to have an appraisal cycle, which is -- which is something else -- and we want to follow the industry thing. So what happened is, we have taken that hit in the Q1 only, that was a onetime hit for the entire financial year. The hit came to INR1.5 crores. Second thing, as I said, we have provided additionally as an overlay in order to keep our ECL PCR at 75%. These are the 2 major things, which I said. And that has -- that these are only onetime hit, which we have taken.

For Q2 guidance, if I say, 2 things will take the profits on the higher side. One, as I said, our MCSL yield and overall yield on the blended portfolio is going up very -- that I've already -- also shown in the investor presentation, which have been shared with you people, right? That will go up. And second thing, all these 2 hits will not come. So sir, we are expecting more profit specifically from Q2. But yes, for that, the sourcing has to happen in all 3 months. First month we clicked, we are just hoping to click in the next 2 months, too.

**Moderator:** Next question is from the line of Taran Gupta from Elara Capital.

**Taran Gupta:** So I want to ask, with sizeable fund augmentation. Now what's the business growth target in terms of AUM and disbursement?

**Mathews Markose:** I didn't get your question properly. Sorry.

**Taran Gupta:** So with sizeable fund augmentation, now what's the business growth outlook in terms of AUM and disbursement? So with sizable fund augmentation, now what's the business growth target in terms of AUM and disbursements?

**Ramandeep Gill:** In this financial year?

**Taran Gupta:** This financial year.

**Ramandeep Gill:** Mathews sir, if you can.

**Mathews Markose:** So the earlier guidance given was between INR2,800 crores to INR3,000 crores would be our AUM at the end of the period. And disbursement target would be closer to INR2,000 crores.

**Taran Gupta:** Okay. And my second question is, will you see elevated opex for a fairly long period as you focus on the collection and legacy asset cleanup?

**Mathews Markose:** I think our CFO has already clarified that our opex on collection has come down significantly from a peak of about, I think, 6.5%, 7% to around 3.5% now. And today, we are collecting about 60% of our regular collections through NACH, electronic mode, where our cost is very, very low, 0.07%. And another 10% is collected through our tele calling unit, where our cost is only about 1.5%. So the next 20% that is collected through our in-house sales team, where are cost is about 7%, 7.5%.

And the last big cost is the agencies, where our cost is about 10%. So blended cost is only at around 3.5%. So we don't see any opex increase on collection plan. On the sales front, month-on-month, our productivity of sales executive is going up. So what we started from last year, so about 6, 6.5 to today, we are reaching closer to 12. So obviously, that also reduces the opex there. So there is no challenge in opex as we speak.

**Taran Gupta:** And my last question. Sir, any change in co-lending partnership tie-ups in light of increased delinquencies in small ticket retail loan?

**Mathews Markose:** No, no change in partnerships. We are going strong with all our partners and will continue to go strong.

**Moderator:** The next question will be from the line of Rishikesh from RoboCapital.

**Rishikesh:** Sir, could you please share views that you do for each of the business?

**Mathews Markose:** I will take it. Sorry, I don't understand. Okay, fair enough.

**Ramandeep Gill:** Sir, I understood, sir. Yes, yes. So in terms of business line, if we talk about for the retail portfolio, we are operating a yield of somewhere around 21% to 23-odd percentage, that is specifically to my 2-wheeler portfolio. For used car and LCV, we are operating somewhere around 18%, 18.5%, right? And if you consider these products are also look 4 years and more.

In terms of my PL and in terms of the loyalty loans, which I had mentioned earlier -- I think, again, we are operating it somewhere in 22%, 23-odd percentage. So co-lending, we are having a yield -- which is a blended yield of somewhere around 12.80%.

**Rishikesh:** Okay. My second question is actually on, with regards to your NIM. We have increased our loan book but our NIM or the NOI number achieved which is, if you see quarter-on-quarter has been flat. So how do you see the NIM growth or the NOI growth going ahead?

**Ramandeep Gill:** Yes. So as I said, there are 2 parts to it, I will answer that. In this quarter, if we see that the blended yield of the company has gone up by 0.70%, right, whereas our cost of funds has gone down by 0.06%. Contributing -- so when I say I will talk about some part of opex is there, right? So this is just a -- these are just results of 3 months. But yes, we can see that.

How it has contributed? Contributed in 2 forms. One is basically every quarter, we are presenting improved results. So we have been able to take sourcing and funding and we have been able to attract banks now, right? As you know our CEO has already updated about collaboration, which we are doing with Axis Bank and we already -- also received a sanction from IDFC as well, right?

There are 2 more banks wherein we will be materializing this sanction and our cost of funds will further go down in this quarter. And then speaking about the yield. The yield, when we talk -- as I said, out of INR498 crores, INR300 crores came only from the MCSL book. So in this quarter as well, we will target some, say, a rough number of INR650 crores, if the organization is doing. Out of INR650 crores, we project some INR450-odd crores will come from our MCSL book. With that, the portfolio yield, blended yield on the entire portfolio will go up. Thereby, it will help us in increasing the NIM, right?

And as I said, the funding side also, the cost of funds are going down. Third thing, this is over and above the, I mean, result I'm speaking. As our CEO has already said, we have turned our opex, still opex may -- we have -- we are seeing each and every cost as of now, specifically the cost of recoveries.

As I said, it's going down each and every quarter. Second thing is, the charges, which we are receiving or the kind of more -- where the loan has already been closed, the repo loss, which used to be higher for the company has gone down. So all these sectors are contributing to the overall profitability of the company. Talking about the NIM, as I said, the yield will go up and the cost of funds will go down, which we are already witnessing there.

**Rishikesh:** Okay. So can we see a quarter-on-quarter growth in NII going ahead?.

**Ramandeep Gill:** Quarter-on-quarter growth in AUM?

**Rishikesh:** NII, net interest income.

**Ramandeep Gill:** Yes, yes, NII. Yes, yes.

**Rishikesh:** So like what I want to know is, if our loan book, let's say, is growing from INR2,000 crores to INR3,000 crores, so by which quarter would we see the NII growth growing in tandem with the loan book growth? Can we say by Q2 itself, we will see that number? Or you are saying by Q3 or end of the year, you will see that in there?

**Ramandeep Gill:** So I'll tell you, if we talk about Q2 and if you take H1 as a whole, you will see that jump, right? So if you analyze all these numbers for H1, you will see a jump. But yes, if you combine H1 plus H2, by the end of the year, you will see a sea change in that for sure.

**Rishikesh:** Okay. Got it. Okay. And lastly, what will be your credit cost guidance for FY '25, as well as FY '26?

**Ramandeep Gill:** Sir, I'll say that talking about -- we talk about the loan portfolio. And second, if you see the notes also, the company has revised its ECL. Our LGD, which used to be on the higher side, has gone down. Why? Because of improved efficiencies, which we have seen over the past 2, 2.5 years, right? So we are saying that on all these stages, wherein we are providing over and above only what has been required under the IRAC norm, right? We want to do, we want the same percentage to be applied specifically for next 2 years only. Third thing is, on the loan portfolio, as I said, the overall GNPA of the company on the new portfolio is not even 4.5%, which is a good sign. And I'm expecting this cost to only go down but not now.

As I said, the policy is there, wherein we are following 75% as a PCR. If we want to have a revision of it, we will be seeing the revision in Q4 of this financial year. As of now, it's going to remain the same.

**Moderator:** As there are no further questions, I would like to hand the conference over to the management for closing comments.

**Mathews Markose:** So thank you very much for the continued confidence that you've put on us. And from the side of the management, let me assure you that we are really working hard towards meeting all your goals. We will ensure that we will not let any of the investors down. We will continue to add value to our investors.

As Raman was saying, we will be reaching out to each one of you individually after this result and we will discuss further. I think based on our potential and our performance, we still continue to remain undervalued but I think we will surely change the situation. We will reach out to each one of you individually and discuss further on this. We continue to be focused on adding value to all our shareholders. Thank you very much and God bless all of you. Thank you.

**Ramandeep Gill:** Thank you.

**Moderator:** Thank you. On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.