November 12, 2026

BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Wing,
Rotunda Building,
P.J. Towers, Dalal Street, Mumbai 400 001

Scrip Code: 544055

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai 400 051

Scrip Code: MUTHOOTMF

Dear Madam/Sir,

Sub: Transcript of Investor Conference Call of Muthoot Microfin Limited –Unaudited Financial Results for the quarter ended September 30, 2026

This is with reference to the intimation dated October 27, 2026, filed with stock exchanges, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, regarding the investor conference call to discuss the unaudited financial results for the quarter ended September 30, 2026, which was scheduled on November 06, 2026.

We are enclosing the transcript of the earning call and the same is available on the website of the Company on the link: https://muthootmicrofin.com/financials-and-investor-presentations/?tab=6

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,
For **Muthoot Microfin Limited**

Neethu Ajay
Digitally signed by Neethu Ajay
Date: 2026.11.12 14:09:21 +05'30'

Neethu Ajay
Chief Compliance Officer & Company Secretary

“Muthoot Microfin Limited Q2 FY '27 Earnings Conference Call”

November 06, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 6th November 2026 will prevail.

MANAGEMENT: **MR. THOMAS MUTHOOT – CHAIRMAN, MUTHOOT MICROFIN LIMITED**
MR. SADAF SAYEED – CHIEF EXECUTIVE OFFICER, MUTHOOT MICROFIN LIMITED
MR. PRAVEEN T – CHIEF FINANCIAL OFFICER, MUTHOOT MICROFIN LIMITED
MR. UDEESH ULLAS – CHIEF OPERATING OFFICER, MUTHOOT MICROFIN LIMITED
MR. RAJAT GUPTA – SENIOR AVP, INVESTOR RELATIONS, MUTHOOT MICROFIN LIMITED

MODERATOR: **MR. ARUN ANTONY NALKARA – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to the Muthoot Microfin Limited Q2 FY '27 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 this conference call, please signal an operator by pressing "*", then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Arun Antony Nalkara. Thank you and over to you, sir.

Arun Antony Nalkara: Thank you. Good morning, everyone, and welcome to the Q2 FY '27 Earnings Conference Call for Muthoot Microfin Limited. First of all, I would like to thank the Management of Muthoot Microfin for giving us this opportunity to host this call.

From the Management side today, we have Mr. Thomas Muthoot – Chairman; Mr. Sadaf Sayeed - Chief Executive Officer, Mr. Praveen T - Chief Financial Officer; Mr. Udeesh Ullas - Chief Operating Officer, and Mr. Rajat Gupta - Senior AVP, Investor Relations.

I would now like to hand over the call to Mr. Sadaf Sayeed for his opening remarks, post which we can open the floor for Q&A. Thank you and over to you, sir.

Sadaf Sayeed: Thank you very much. Good morning, everyone. Thank you for joining the Earnings Call of Muthoot Microfin. We are discussing here Q2 results of FY '27. I trust you have had the opportunity to review our financial results, investor presentation and press release, all of which are available in the stock exchange and our company's website.

Before I get into the numbers, let me highlight a few key developments for the quarter:

We recorded our highest ever quarterly disbursal of Rs. 2,900 crores. We kept our credit cost within the guided range of 2.5% to 3%. We were at 2.6%, brought our average cost of borrowing for the first time in the history of the company in single digits. We are at below 10%, 9.93%, and reported a quarterly profit of more than Rs. 100 crores, Rs. 110.8 crores for the quarter standalone. These results reflect improvement we are seeing across our business. Our portfolio continues to grow, collections have strengthened, our lending mix is becoming more diversified, and our funding costs are easing. Importantly, we have been able to make this progress while maintaining discipline on asset quality.

The measures we have taken over the past several quarters are now beginning to translate into better operating and financial performance. At the same time, we remain watchful of the macroeconomic environment, particularly this year's uneven monsoons. The El Nino conditions have led to a drought-like situation in Maharashtra and Karnataka, and we have mapped our exposure to these districts where the deficit rain has been there. If you can see our presentation,

we have given a particular slide. The exposure for us is very limited. It is around 3.6% of our portfolio is in these two states, which is on-book portfolio, about Rs. 550 crores. There are 34 districts which are affected in these states combined, some severely, some a little bit moderately, with Karnataka amounts to just 0.49% of our on-book portfolio for group loans, and Maharashtra is 3.1%. But most importantly, I would like to highlight that more than 81% of this portfolio has a natural calamity cover, the NATCAT insurance that we are offering to our customers. And as I mentioned in our last call, less than 2% of our portfolio is directly dependent on agriculture or any rain-sensitive areas where they are located. So, from that perspective, the portfolio is very well insulated.

We have also given in our collection efficiency numbers, the numbers for October, we have seen in October collection efficiency, overall collection efficiency further improved. Our collection efficiency for the quarter is at 98.1%, but for October, it has reached to 99.2%. And I can also appraise you of the presentation which we have for November, the E-Nach presentation, 5th is the date for that presentation, so yesterday was the date. And we have seen a 2% improvement in presentation clearance. So overall, the collection efficiency and the collection scenario remains to be positive. So far, we have not seen any adverse impacts in our collection, in fact, collection continues to improve month-on-month and quarter-on-quarter. Our collections have remained steady, our field teams are staying close to the market, and they can pick up early signals and act accordingly.

NATCAT cover is not new for us; we have offered it to our customers since 2020 including cover against drought. It has been tested in real situation; it has helped us to limit the impact of Fengal cyclone which was in Tamil Nadu late 2024 and kept our portfolio largely unaffected through the floods and heavy rains and even the recent monsoon deficit and also the rains in certain areas which have been heavy. So even if the condition worsens, most of our customers in these areas have support to fall back on, with limited exposure, strong insurance cover and steady collection, we do not expect a material impact on our business at this stage.

Coming to our business performance:

We disbursed Rs. 2,900 crores in Q2, a growth of 28% year-on-year and 10% over the previous quarter, taking our first half disbursement to Rs. 5,545 crores. With a seasonally stronger second half and festive season ahead, we expect this momentum to remain healthy. Our AUM grew by 22% YoY; this is above our guidance of 18%-20%. We closed the quarter with Rs. 15,323 crores of asset under management. We had revised our guidance to 20% last quarter, and we remain committed to it. We will definitely achieve the guidance and may go beyond. One of the areas that we have focused on is portfolio diversification. We have made very good progress in this.

Right now, our portfolio, the breakup between JLG and non-JLG product remains 69-31. It was around 83-17 in the end of March. We targeted 70-30 mix for the year, but we have already surpassed it, and we continue to build a stronger portfolio there because we are seeing very good

response in terms of take-up and also the asset quality. A large part of this growth has come from individual lending business, particularly the Muthoot small and growing business. This portfolio has now reached Rs. 4,164 crores, accounting to 27% of our total AUM and performance has been very encouraging. Delinquency level remains very robust. We have given our presentation 90 plus is just 0.02%, and it is almost like 2 years into this portfolio. So, the performance is reasonably seasoned. Of course, it has to see a little bit more time, but so far, we don't see any early indication. The way we have built this portfolio is also very important. We have largely graduated our existing JLG customer who have demonstrated a strong repayment track record and have a credit score of 700 and above. So, this is a portfolio which is graduating our customer and we are carefully selecting our customer and graduating.

Out of the 32 lakh customers, we have graduated so far 2.7 lakh customers, and these are all customers who are having excellent track record and a relationship with us, long-standing relationship and a 700 plus score. Alongside this, our gold loan business is also scaling up through our co-lending partnership with our parent company, Muthoot Fincorp. We have disbursed around Rs. 453 crores of gold loans during the quarter. We are seeing very encouraging traction in secured lending. We have also started disbursement under Micro LAP, which will further expand. I can update you in the month of October, we have crossed Rs. 100 crores AUM in Micro LAP portfolio as well and this portfolio is also behaving very well. We have also around 18 months of seasoning on this portfolio. The delinquency is near 0 in this as well. Overall, our active customer base stands at approximately 32.7 lakh. Of these, around 50% of our customers are unique to Muthoot Microfin, while another 31% are us plus one. So, almost 81% of the customers are having either us or one more relationship and that has been our focus effort to retain our good customers and continue to increase our wallet share with our customers.

Let me also talk about the work we have been doing to improve operating efficiency:

We have taken several steps over the past year, and we are beginning to see the results:

- First, we introduced a branch profitability module under which every branch is assessed on its revenue, operating cost and credit cost. This has helped us to identify branches that were not generating adequate return. We identified 80 such branches and have since taken steps to either merge, rationalize or redeploy resources.
- Secondly, we have strengthened our underwriting capabilities through in-house credit scorecard developed by our own risk team. We have also made significant investment in technology to improve quality and speed of our credit assessment. For instance, through our Generative AI initiative, discussions with the customers are recorded in local language and there is a credit memo automatically prepared where the system can analyze all the photographs that have been clicked to their CD and give a recommendation in terms of the creditworthiness of the borrower. We are using account aggregator platform to get the banking information. We are using e-KYC, E-sign and very easily digitizing our repayment mandate also with the customer so that

there is an E-Nach collection. As a result, we have been able to also improve our digital collection. Now, digital collection amounts to 47% of our overall collection month-on-month basis and the guidance of 75% that we were guiding for 2030. We are very confident that we would be able to achieve much earlier that 75% digital collection.

- The third and most important aspect is we have grown our new product portfolio without adding any new infrastructure. Individual loans run from our existing branch infrastructure with centralized underwriting team. Gold loans are serviced through Muthoot Fincorp branches. This allows us to expand our product offering while keeping incremental infrastructure costs under control. The results are clearly visible. There is AUM growth per branch. We have reached around Rs. 9.1 crores outstanding per branch as compared to Rs. 7.3 crores earlier. AUM per loan officer has also reached around 1.8 million (errata: actual number to be read as 1.8 crore). And OPEX to GLP has come down from 7% same period last year to 6.1% this quarter. And most importantly, our cost-to-income ratio, which we were guiding that we would be below 50%, we are already at around 48.1% standalone for the quarter. Definitely, for the full financial year, we will be on our guidance, and we will bring a lot more efficiency. Our aim for AUM per branch is to be around Rs. 12-Rs. 13 crores and OPEX to AUM to be between 5.5%-5.75%. We are confident that we will be able to reach that number.

On digital collection, definitely, we will reach around 75% digital collection pretty soon. On the network side, we have now 1,675 branches. We continue to deepen our presence in our core market, which is South India. While expanding our operations in carefully selected states, we have selected Assam, we have selected Andhra Pradesh. We are deepening our presence in Assam and Andhra Pradesh and Telangana, and we will be also entering into Jammu and Kashmir very soon. Definitely, these new areas where we are entering, that will allow us to acquire new customers and increase our overall client base. Meanwhile, we continue to offer more products to our existing customers and cater to their needs. Our most important improvement is in our operating performance accompanied by the improvement in asset quality. Our overall collection efficiency has reached to 98.1%, an improvement of 477 basis points if you look at year-on-year.

X bucket collection efficiency has reached 99.9%, almost every rupee that is used coming on time. On our GNPA, we have had an improvement of 32 basis points QoQ. It stands at around 3.38% as of now. Our net NPA is 1.05%. And our provision cover continues to remain strong at 69.6%, almost 70%, with a credit cost of 2.6%, which is what we are guided for. All of this now reflects in our financials. In Q2, total income grew by 27%. We reported Rs. 733 crores of total income. And our net interest margin, which is a very important aspect, has improved from 12%- to 12.5%, which is a very significant development that we are seeing. And it has both impact of our better collection, reduction of NPA, so yielding portfolio has improved, and at the same time, reduction of our cost of funds. Our PPOP has grown by 67% year-on-year to Rs. 249 crores. And profit after tax has reached Rs. 111 crores. And our ROA is at 3% and ROE is 14.8%.

For the first half, the total income grew by 23%, so Rs. 1,403 crores. And PPOP grew by 56%, to Rs. 448 crores, with a total profit for the first half at Rs. 192 crores. This is in line with our guidance. Usually, Q3 and Q4 are even stronger quarters. So, we definitely feel that on the profitability guidance, we are on track and we should be able to achieve our profit guidance that we are given.

Moving to the liability side:

Last quarter, I said that with the benefit of our rating upgrade, which is CRISIL AA-, our cost of fund will come down and reach a single digit by end of the financial year. We have reached there in quarter 2 itself. Our average cost of borrowing has come down from 10.13% to 9.93%. And our incremental cost of borrowing has come down to 9.69%. During the quarter, we raised Rs. 3,213 crores, taking our first half fund raised to Rs. 5,947 crores. This includes Rs. 250 crores of NCD at a coupon rate of 9.25%. Both public sector and private sector banks continue to support us. More recently, we had a CARE Edge global rating revised our outlook to positive. This builds on the CRISIL upgrade and will help us access funds at better rates. We close the quarter with Rs. 1,701 crores (errata: actual number to be read as Rs. 1,835 crores) of liquidity on the balance sheet and Rs. 4,328 crores (errata: actual number to be read as Rs. 4,442 crores) of unavailed sanctions in our hands. So, liquidity is not a constraint, and we have good room to negotiate for better rates. Going forward also, our guidance is that rates will remain stable and we will only be able to negotiate and bring them down further.

Coming to the guidance:

Our FY '27 guidance remains fully intact. We are confident of achieving it. And on growth, we are on track for 20% AUM growth. On credit cost, we expect to do better than guidance level. On net interest margin, we are confident of being on the upper end of our guidance. We will definitely do more than that. And on ROA, we expect to be also on the upper end and beat that guidance. 3.3% is the upper bracket for ROA and 18% is the ROA. We definitely feel that we would be able to beat that guidance. And we remain fully committed to our long-term target of Rs. 30,000 crores by 2030. We have a strong capital adequacy ratio of 25.5%. And with the kind of profitability that we are seeing and the portfolio performance, we feel that our growth numbers can be achieved without raising any further capital at the moment. And we will continue to grow with the same momentum and build strong numbers and continue to pursue our strategy of diversification and ensuring that our customers get best products that are available in the market and best of service. We will continue to overachieve on our guidance as we have done all the parameters that we laid down on growth as well as our asset quality, credit cost, ROA, ROE. We are absolutely on track, and we continue to remain on track, and we are confident that we will achieve this guidance for the next year.

I will stop here. I will just give a context in terms of the industry:

The industry has also come out of a difficult phase in FY '25 and then there was FY '26 recalibration and now FY '27 which is a phase where the industry and most of the leaders are seeing a good momentum and good results. I feel that this momentum will continue. There is a renewed vigor, more calibrated approach and there is no overzealousness where people are following the same guidance principle that we had put in place as an industry that nobody should add more than three lenders and that even though the market has improved, we continue to follow those guidance and be more vigilant about it and ensure that the customer gets the best service, but without getting over leveraged.

In our presentation, you have seen that since FY '24 till September FY '26, overall exposure among our customers has only grown from Rs. 62,000 crores to Rs. 64,000 crores. So, there is not a huge increase in the exposure to the customer, but at the same time, Muthoot Microfin exposure has grown from Rs. 12,000 crores to Rs. 15,000 crores. So, we have been able to replace a lot of loans and increase our wallet share among our customers without overleveraging and that is what our strategy is going forward also to be the preferred lender, preferred service provider to our customers. We are using technology; we have our customer app where 2.2 million customers have already subscribed to that app.

One of the new initiatives that we have started is Suvidha loan through the app where customers who are eligible for loans, we are already credit tested and we have checked their track records and given them the opportunity where they can transact directly to the app and borrow the loan and this loan happens within 30 minutes, even faster, but right now it is within 30 minutes and there is no physical interaction with the customer. In some cases, there is some assistance which is required that is provided but most cases there is no assistance even on a weekend, on a Sunday, there are disbursements happening. I think that is the future of microfinance and also for Muthoot Microfin.

We will be able to disburse loans, assess the customers over a fly and we will be able to disburse these loans digitally and for those loans also, we have disbursed right now only Rs. 1.5 crores worth of loans through this process, but all of those loans are through E-Nach, and the repayments are coming very swiftly. So, we see this as an empowerment tool for the customer, and we see this will become a preferred way to go for the customer where she does not have to come and subject herself to physical verification, she can do it online. At the same time, it is complete liberty to the borrower whenever they want to borrow, whatever they want to borrow, they can do it and our credit assessment process is very strong and we are able to assess the customer over a digital platform very quickly and make a decision on them and this is a campaign-based product where already filtered customers are given this facility and we feel that this will help us to maintain customer loyalty as well as bring in operational efficiency, move more swiftly towards digitization and definitely in the long run, this will become a key part of our overall disbursement process.

I will stop here and happy to take any questions that are there.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Varun Dubey from Share India Securities. Please go ahead.

Varun Dubey: Good morning, sir. And congratulations on your strong set of numbers, sir. Sir, you have given in your presentation that around you have exposure to Maharashtra and Karnataka about 3.6% of your portfolio and 82% is covered through NATCAT. So, what about the other states? What kind of exposure do you have because there are several states who have actually declared drought? And would you go slow on disbursements in these states? What is your strategy going to be?

Sadaf Sayeed: So, we are a well-diversified organization. We have coverage in 21 states. The affected states which are majorly are Karnataka and Maharashtra for which we have given our number of 3.6%. In terms of other states, we have not seen any trend. For other factors like there were floods in Assam and in Bihar, we do not have any impact on those because we already have NATCAT protection. 85% of our portfolio is covered under Natural Calamity insurance. So, we don't see any challenge. And as far as disbursements are concerned, we are consistently disbursing our loans. So, we have seen almost 27% increase in disbursement actually. And we will continue to be on that track. But we are watchful of those districts where there are challenges. So, definitely in those districts, we will adopt a calibrated approach. And we will focus on more of secured loan product in those districts. And only customers who are paying as well, we will continue to give loan to them. If there is any disturbance, we will of course be mindful of that and we will recalibrate what we want to disburse. There are only 34 districts which are affected in these particular regions.

Varun Dubey: So, you said about secured loans. But there are several companies who have been facing issues with gold financing as well, especially in the smaller tenure of gold financing. So, have you faced any challenge in that? And what kind of asset quality has been there in gold financing? If you can throw some light on that?

Sadaf Sayeed: So, we have not seen any challenge at all. One, we are conservative on our loan in LTV. Secondly, most of our assessment is based on income. So, we already have a track record of the customer. We already have the income level of the customer. And based on their eligibility only, we are funding them. So, from that perspective, the gold lending that we are doing is very well balanced in terms of assessment of the capacity of the customer and tied up with the collateral value as well. And we are going conservative on the LTV. So far, we have not seen any challenge.

Varun Dubey: Just wanted to understand something, you said that your rate of interest has come down below 10%. So, in a rising rate environment, what could be the outlook? And I will just combine 2-3 questions. And then also just wanted to understand what is your status on the CGFMU because I think so you have applied for this? So, where does it stand right now? And one more thing, sir. If you can tell me what would be the impact on the IRDAI draft regulation?

Sadaf Sayeed: Sorry, I didn't get the last question on this.

Varun Dubey: So, the IRDAI draft regulation?

Sadaf Sayeed: So, I think as far as the CGFMU credit guarantee is concerned, we have applied for it. There is a budget allocation still awaited at the CGFMU level. Once that is there, definitely we are in the forefront of the queue. That would be available. Having said that, irrespective whether we have a CGFMU or not, we already have a natural calamity insurance. 85% of our customers are already having that insurance. So, we don't see any challenge there. And related question with respect to IRDAI, at the moment, it is a draft. We have also given our feedback on the draft. We don't see this as an immediate challenge. I think once the final version is there, we will be able to comment on it. But at the moment, there is no impact on it. As such, the insurance revenue from our book is very limited. It is less than around 5% of our total revenue. So, the impact would not be there so much even if the guidelines come in the frame and form which is there today. So, on the overall earnings of our business, it would not impact. We offer these products as a pass-through. So, the customer, whatever premium they are paying, we pass it on to the insurance company and they give the insurance cover to them. So, that will remain for us the model. You had one more question. Sorry, I missed that.

Varun Dubey: So, on the cost of fund, they have come below 10%. But now, we have a rising rate environment. So, do you expect them to be below 10%, or will we see some rise from here?

Sadaf Sayeed: Yes. So, definitely, we have seen the rate hike of 25 bps which has recently happened. And the pass-on of that will happen over the course of time. But the anticipation is that there would be further rate hikes. But at the moment, we have been able to negotiate better. We have Rs. 1,800 crores of liquidity on the balance sheet and another Rs. 4,000 crores of sanction in hand. So, we have enough in our kitty for us to be able to sufficiently negotiate. So, one of the benefits that has happened with the individual loans and other products which are slightly longer tenure product that the portfolio sticks on our book for longer. So, we can take our time to negotiate with lenders in terms of borrowing. We are like generally in a microfinance portfolio. The loans are co-terminus. So, the replenishment and the deployment of fund is immediate because otherwise, the portfolio goes down. With the diversification, that also leverage has been available to us. Apart from that, we have had a conscious effort of diversifying our source of capital. We have used the NCD. We have done Rs. 250 crores NCD at 9.25%. We will further do more NCDs also. And as the global macroeconomic environment changes and there is a stability in the hedging cost, we will also use our ECB route. We already have a couple of sanctions in our hand where ECB is available to us. We will definitely draw them down. Maybe the first one would be this quarter itself. And that will help us to continue to maintain our interest rate. We are confident. The biggest reason why we are able to bring this cost of fund down is the PTCs that we are doing are at a very fine rate. There is a huge demand of priority sector portfolio among the private banks and foreign banks. And they are doing on an average at around 8% the PTC transaction. So, we are able to get better rates there. So that really is helping us to

bring the cost of fund down. And we feel that the competitive tension will remain. And we will be able to negotiate better and continue to maintain our rates.

Moderator: Thank you. The next question is from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

Aslesh Sonje: Hi, good morning. Sir, the first question is on the MFI portfolio in Maharashtra. If you can talk about the X bucket collection efficiency trend in the state in the month of September, October. And if you can also give us some color on what are the borrowers saying about the repayment ability?

Sadaf Sayeed: Yes. So, I think the collection efficiency has remained strong. If you look at overall and specific to the states, it has remained stable. It has not deteriorated even in the peak of. You would have to keep in mind that this was a month, especially September, where there were a lot of festivities also were there. And a lot of holidays were there. But despite that, the collection efficiency has remained stable. On X bucket, Karnataka remains 100% and on Maharashtra, which was already at around 98%, it remained at 98%. So, from that perspective, there is no impact on collection efficiency from the current situation as we see. Even in October, where there were even more festivals and holidays, the collection efficiencies have remained strong. And we don't see any impact coming in near terms also. Karnataka has pretty much stabilized and there is no challenge there. Maharashtra also, incrementally, we are seeing collection improving only. There is no challenge. Overall collection efficiency for our company in October has improved from 98.1%to 99.2%, which is a very healthy indicator. And also, our representation for November, as I said, has improved by 2% in terms of post-presentation clearance. So, all the indications are quite positive for collection efficiency.

Ashley Sonje: Sorry, sir. Just a clarification. The Maharashtra X bucket collections is trending at 98%, is it?

Sadaf Sayeed: Yes, correct.

Ashley Sonje: But just qualitatively, what are the borrowers saying, sir? Is it an income problem over there?

Sadaf Sayeed: No, so whatever are the customers who are falling behind on their payments for the first time, we are calling them. And more than 60% of that customers have told that they will continue to pay. The balance customers are also saying that they have been told by their leaders not to pay right now, but they are willing to pay. So, the approach is to have a kind of independent connection with those customers and to convince them to pay. And I think most of these customers, like we have seen in other scenarios also, they come back and pay.

Ashley Sonje: Got it, sir. And any collective action which is happening from the SRO side or RBI side to address the issues here?

Sadaf Sayeed: So, from the SRO side, collectively, we have decided to be more vigilant and responsible. So biggest challenge in this scenario is miscommunication. A lot of the time, the communication goes like that coercive collection practices are being used and stuff like that. There is a standing guidance from both the SROs that be more empathetic and more careful in collection. There should not be too much of a harsh collection, which is anyway, microfinance industry does not follow. Secondly, to avoid any sort of miscommunication, the SROs have already detailed the media that what is the function of MFIs and what is the job that MFI is doing. Sometimes other lenders, unregulated lenders are also confused with MFIs. So, they have made that distinction that not to confuse those lenders with MFIs.

Ashley Sonje: Understood, sir. Perfect, sir. Thank you very much.

Sadaf Sayeed: Thank you.

Moderator: Thank you. The next question is from the line of Neeraj Khandelwal from NMTT Family Office. Please go ahead.

Neeraj Khandelwal: Sir, my question was on this purchase of loan assets from Muthoot Finance. What is it? This is the first time that we are seeing such type of transaction where the loan assignment has been purchased from Muthoot Fincorp of Rs. 200 crores. If you can give more background on this?

Sadaf Sayeed: Yes, so these are loans that we are originating on the referral program. So, we have two models under which we are offering gold loan. One is a referral where we only get an upfront fee for the loan that we have originated. Second one is where we do a co-lending with Fincorp where we have 60% share, Fincorp has 40% share. Initially, when we were originating, most of the business was booked under the referral program. To get that portfolio back into our books, we have purchased that portfolio. So, this is the same gold loan portfolio. These are largely our customers. Some will be mixed also. But that is the transaction. And going forward also, like as we originate portfolio under the referral scheme, we will continue to have that portfolio because these are the customer owned by Muthoot Microfin, will continue to be on our books.

Neeraj Khandelwal: And what is the average yield on this particular portfolio?

Sadaf Sayeed: So, see, effectively, when we originate, we get 1.5% upfront fee. And then on the margin, we are getting around 9.8% yield on this portfolio. So effectively, upfront and generally, these are the 3-6 months kind of a tenure weighted average, if you can say it is around 5 months kind of a tenure. On that, effective yield is in the range of around 12%-12.5%.

Neeraj Khandelwal: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ajay Dubey, an Individual Investor. Please go ahead.

Ajay Dubey: I hope I am audible.

Sadaf Sayeed: Yes, Ajay, you are audible.

Ajay Dubey: Perfect. Thank you. Thanks for the opportunity and congratulations on a good set of numbers. The first question I had was related to the El Nino situation that we are seeing around the country. I understand that our exposure to Maharashtra and Karnataka is not very high, but what is the situation with exposure to Assam and Bihar, for example? That is the first question. And related to that is, do we have any kind of NATCAT insurance on the portfolio in these situations?

Sadaf Sayeed: Yes. First of all, Assam is one of the areas that we have newly entered. So, our portfolio exposure there is limited. We are just about less than Rs. 100 crores portfolio there in Assam. And all of those customers have a natural calamity insurance, 100% there. And in Bihar, we are close to around Rs. 1,000 crores of portfolio in Bihar. And as of now, we have not seen any challenge from that broad situation. But during the monsoon, there was some part which was affected due to floods. There, we had availed the benefit of NATCAT insurance. Around 85% of our portfolio continues to have cover of NATCAT insurance. And there is no challenge there that we have faced in terms of post the floods as well. A drought situation has not had an impact on Bihar collection efficiency. It is improving every month and every quarter it is improving.

Ajay Dubey: Perfect. And the second question I had was about the ECL release this quarter. So, if I understand correctly, there was roughly around 540 million of ECLs released. So, I wanted to understand the approach behind it because your competitors, if I understand, are starting to build buffers during the stage of the cycle. So, I wanted to understand what drove the release and what is the nominal credit cost if the release stops?

Sadaf Sayeed: So, on the credit cost, I think the credit cost remains stable around 2.6%. The ECL basically is based on the portfolio experience. And also, there are factors such as macroeconomic, GDP guidance, and inflation guidance, which has an impact on that overall ECL calculation. So, as the portfolio continues to improve, the ECL model will show a lesser requirement. We continue to maintain a healthy cover of around 70% on our portfolio in NPA and we will maintain that. And that is what has resulted in a little bit of a release of ECL. We continue to have a buffer of around Rs. 24 crores, which is not really a management overlay, but there is a buffer for contingencies like these drought-like situations we have in our overall ECL model. So, we will continue to build on that Rs. 24 crores. And definitely, there is a requirement that would be utilized to cover for any sort of an impact on the portfolio. Maybe, Praveen, if you want to elaborate a little bit.

Praveen T: Yes, I think you have covered. I think one more point here is that for some of these provision releases to use it to the write-off and clear it off. But otherwise, the coverage remains stable at around 69.9% close to 70%. So that has been remained. And one more point here is to note is that as we grow, the secured portion of the portfolio is also growing in the balance sheet size.

Currently, it is around 4.5%. If you look at 6 months back, which was less than 1%. So that also will play a role in terms of the overall provisioning coverage will depend upon the composition of that as well. But to summarize, one thing is that there is other provision overlay, which is around Rs. 24 crores carrying in the balance sheet. Plus, the overall coverage remains stable.

Ajay Dubey: Perfect. That answers my question. Thank you and all the best for Q3.

Sadaf Sayeed: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Sadaf Sayeed: So, once again, thank you very much for joining the call. As we mentioned in our opening remarks, we remain committed to our guidance. We will continue to build a robust, strong portfolio with diversified asset base. On all the parameters, the fundamentals on the growth, we are doing very well. On availability of funds, liquidity is sufficient for us. We have own balance sheet as well as sanctions in hand. On the cost of fund, it continues to trend down, and we will continue to negotiate better and make sure that our cost of fund continues to be stable or coming down even though we are entering into a rising interest rate scenario.

Thirdly, the asset quality is improving very well. We are seeing better collections from our existing portfolio and the new portfolio that we are originating is very prime quality and there is absolutely no delinquency in the individual loan. There is very minor 90 plus is 0.02%. Similar is for LAP and gold loan remains robust. So, that will help us to improve our asset quality and consequently, our credit cost is also trending down. We are stable at around 2.6% which is on the lower spectrum of our guidance. We are confident that in coming quarter as we build more portfolio of higher quality, this credit cost will come down. We will keep in mind that we maintain some provisions for our portfolio. At the same time, the guidance of ROA, ROE would be achieved. For the first 2 quarters, we have already reported Rs. 192 crores of profit. We had guided towards Rs. 425-Rs. 450 crores of profit.

Knowing that Q3 and Q4 are very strong quarters for lending business, we definitely are very confident that we will be able to achieve those numbers and we will be able to give the kind of ROA, ROE that we have committed and we have put all the fundamental things in place and all the macroeconomic environment. Also, we have sufficient insulations in terms of our natural calamity insurance, the collection practice, the diversification, the underwriting practice. We will calibrate our disbursement in the areas which are affected. Irrespective of that, because of our diversification, we will continue to have our disbursement target met.

So, we are looking forward to the remaining part of the year, and we anticipate a strong growth and a very strong performance and anticipate that we will be achieving all of our guidance numbers. I wish you a very Happy Diwali on behalf of Muthoot Microfin and thank you for

continuing to support us and we look forward to interacting with you on regular basis. Thank you very much.

Moderator: Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.