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Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001, Maharashtra
Scrip Code (Equity) - 511766
Scrip Code (Debenture and CP) - 975282, 975513, 975662, 976146, 976183, 976213, 976233, 976363, 976458, 976806, 976898, 976933, 976965, 977929, 729732, 729733 and 730251

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051, Maharashtra
Trading Symbol - MUTHOOTCAP

Dear Sir / Ma'am,

Sub: Transcript of Conference Call to discuss the Unaudited Financial Results of Muthoot Capital Services Limited ("the Company") for the Quarter ended June 30, 2026

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a copy of the transcript of the Conference Call, held on Friday, July 17, 2026, to discuss the Unaudited Financial Results of the Company for the Quarter ended June 30, 2026.

The same is also uploaded on the website of the Company and can be accessed via the weblink as given below:

Weblink: https://admin.muthootcap.com/uploads/Transcript_bbcada91f8.pdf

This is for your kind information and records.

Thanking You,

Yours Faithfully,
For **Muthoot Capital Services Limited**
DEEPA GOPALAKRISHNAN Digitally signed by DEEPA GOPALAKRISHNAN
Date: 2026.07.20 13:28:57 +05'30'

Deepa G
Company Secretary and Compliance Officer
Membership No.: A68790

Encl: *As Above*

“Muthoot Capital Services Limited
Q1 FY27 Earnings Conference Call”
July 17, 2026

MANAGEMENT: **MR. MATHEWS MARKOSE – CHIEF EXECUTIVE OFFICER – MUTHOOT CAPITAL SERVICES LIMITED**
MR. RAMANDEEP GILL – CHIEF FINANCIAL OFFICER – MUTHOOT CAPITAL SERVICES LIMITED

MODERATOR: **MR. MANEET KHIMAWAT – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Muthoot Capital Services Limited Q1 FY27 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand over the call to Mr. Maneet Khimawat [0:00:30] from Elara Securities. Thank you, and over to you, Mr. Khimawat.

Maneet Khimawat: Thank you. Good morning, everyone. On behalf of Elara Securities, we welcome you all to the Q1 FY27 Earnings Conference Call of Muthoot Capital Services Limited. From the management today, we have with us Mr. Mathews Markose, CEO; and Mr. Ramandeep Gill, CFO. I now hand over the call to the management for their opening remarks. Thank you, and over to you, sir.

Mathews Markose: Thank you, Maneet. Good morning, everyone and thank you for joining us today. On behalf of Muthoot Capital Services, let me extend a very warm welcome to all our shareholders, analysts, investors and members of the investment community. I sincerely appreciate your continued confidence in the company and your participation in today's earnings call.

So let me start with the highlights of quarter 1 FY '27. I think our Q1 FY '27 has been an important milestone in our transformation journey, and we believe that Q1, we will remember for the significant strengthening of our balance sheet and franchise. I would like to start by highlighting three key achievements that we made during the quarter.

First and foremost, we received a CRISIL rating upgrade to AA minus stable. We believe that this is a very strong external validation of the transformation that the company has undergone over the past couple of years, and it reflects a sustained improvement in our asset quality, our governance standards, our funding profiles, among many other things.

And more importantly, I think it enhances our ability to access diversified sources of capital at a very competitive price because that is a very critical aspect of our NIM and ROA, etcetera, et cetera. And therefore, it will position us well for the next phase of growth. Second, our public deposit franchise crossed INR100 crores.

While this number may not be very big, but considering that we just recently started scaling up on this, and we recently launched our online FD module and all that is a significant achievement. And this is important also from the fact that it gives us a very stable, diversified and granular funding base, and it's a very important pillar of our long-term liability strategy.

So this is one business that we want to continue to focus on and scale it up to a significantly large amount. Third, I think we delivered a substantial improvement in our asset quality. Our GNPA level reduced to 3.94%, representing a decline of about 182 basis points year-on-year.

And this is a function of our disciplined execution on collection, sustained recovery and the successful resolution of the stressed asset.

So this is a very clear demonstration of our focus on quality even while we pursue growth. I think these are really foundational measures. And coming to the business performance, the external environment has been very favorable. Q1 automobile industry saw good growth. The 2-wheeler industry recorded a 14% year-on-year growth. At Muthoot Capital, we delivered a 6% growth, which may be slightly moderate compared to the industry growth.

But all our internal analysis indicates that the gap was not driven by market demand, but primarily due to the fact that our credit acceptance ratios were kept moderate. We were approving about only 35%, 40% of the cases that were getting logged in, and that was as a measure of continuing to focus on our quality.

As we go forward, some of the measures that we are taking is that building our own -- so we were using different scorecards from partners. Now we are -- our own data analytics team is building our scorecard internally, which will be differentiated for existing to credit and new to credit.

And we are also bringing in a multiproduct -- multi-bureau strategy to enhance our credit profile. And on the -- parallelly, what we have done is that our own retail portfolio has been considerably increasing. So we have reached 84%, which means our co-lending book has been steadily declining.

That is a conscious call that we took. So over -- if you compare Y-on-Y last year, Q1, we had about INR120 crores of disbursement through co-lending. And this Q1, in the first month, we stopped, we only disbursed INR20 crores. So overall dip in numbers Y-o-Y is a function of that, but MCSL alone has grown.

And our portfolio yield remains healthy at about 21%. And as we move forward, I think our focus will continue to be on accelerating high-quality retail book, improving credit conversions and expanding our liability franchise. And of course, leveraging technology. I think last couple of years, we have invested a lot on technology. And now we are continuing to invest in AI-driven technology.

We have brought in AI in multiple fields now. Our entire X bucket collection is being done by AI bots. So AI bots continue to collect about -- so this month, our resolution on with AI bots on the X bucket was as high as 55% and we'll continue to expand there. Other use cases of AI has been on our welcome calling, our audit and compliance, our automatic ticket segregation of customer complaints.

So we are investing heavily in AI. We've done a couple of trainings already for our senior management and all relevant people on AI. So that continues to be our focus area, and we will continue to invest in that as a technology because we see that consuming a lot of space in the BFSI segment.

And we remain confident that the investments that we have made so far in strengthening our franchise will enable us to deliver sustainable and profitable growth in the periods to come. So I think with those opening remarks, I'll now hand it over to our CFO, Ramandeep, to take you through the detailed financial and operational performance of the quarter. Thank you once again. Over to you, Raman.

Ramandeep Gill: Thank you, sir. Good morning, all. We'll start with the asset of the company. So as Mathews sir has detailed it, the retail portfolio of the company, which was a year back close to INR2,300 crores, now we closed at INR2,851 crores. We have seen a significant growth in that retail portfolio.

Co-lending portfolio, which was close to INR1,000 crores a year back, now it has been closed at INR499 crores. And safe to say that we are having a zero incremental business from the co-lending. And the corporate loan book, we are not doing from last 2 years, that book has been degrown again by 16 percentage. So overall, the focus was on the retail portfolio which has shown a significant growth of INR500 crores year-on-year basis.

Of that retail portfolio, we have seen growth in all the parameters, whether we can call 2-wheeler and CV also used car as well. Put together, my CV and used car, they have shown a growth of around 40% from year-on-year as compared to the previous financial year. My 2-wheeler, since we have excluded that DA and the ARC portfolio, we can see a minor degrowth, which is stable portfolio only at 1%.

Other than that, construction equipment, which we have recently started, has again shown a very good growth of 75%. And then as I said, corporate loan, we are not growing as of now. The portfolio has been evenly split throughout the India, wherein South part is containing 40% and the remaining part has been contributed by East, North and Western part of India.

That has also been shared within the investor PPT as well. The business of MCSL stand-alone comes to INR535 crores as compared to INR508 crores, which we have done in the Q4. So there is also a growth. Generally, we see Q1 business slightly lower than the Q4. This is the first time in the last few years wherein Q1 business has picked up, specifically the MCSL disbursements.

Then as Mathews sir has said, the yield on the product has been closely tracked now. We started used 2-wheeler, which has given a yield of 26%, while my 2-wheeler and the loyalty loan and others, the blended yield for the entire 2-wheeler has come to 22%, while my CV and CE having the blended yield of 17.5% and used car is operating at 18.6%.

Right now, we are almost -- as I said, the co-lending business has already been closed. So the entire business from the Q1, except some 4% to 5% has come from co-lending, which is -- which we have done in the month of April itself. Other than that, the entire business has come only from the MCSL retail.

And when I say retail, the dealer channel has shown a significant growth as compared to the Q1 of last year, wherein we can see that last quarter -- last Q1 of the financial year, we did

INR421 crores from this channel. Now we have concluded INR465 crores alone from this channel. So therein, we are seeing the growth.

Coming to the asset quality of the company, 96.06% of the total portfolio of the company remains standard, while 3.94% remains substandard. Out of that, there is a stand-alone case of corporate loan, which we already spoke in last 2 quarters, wherein we -- retail GNPA of the company stood at 3.49% only that one case is contributing INR15 crores to INR16 crores. That's the reason the GNPA is coming just at 4%.

On the bucket-wise, the company is having 85% lying in the zero bucket. Last year, at the same time, it was 78%. On the first bucket, the company is having a portfolio is 7.34%. On second bucket, it is 2.76%. And then we have the NPA and all, which is 3.94%.The segment-wise analysis also we did, which we have already shared, wherein we can see that GNPA from my CV portfolio along with the CE is coming only 0.35% itself.

While my used car portfolio is showing at 1.31% only, the remaining GNPA is contributed by the 2-wheeler portfolio. Last year, at the same time, the GNPA was 5.81% for the retail. Now we are closing at 3.50%. There is no change in the PCR of the company. It stands at 50%. Hence, the NCR is -- hence, the NNPA is 1.94%.

So therein -- now we'll speak about this asset quality and then we -- Mathews sir has said and we have given a detailed note also, note number 6 with the results. The company has undertaken one ARC deal with PARAS. So this deal, the overall objective was to bring down the GNPA; at the same time, the portfolio which is not contributing, wherein we are not getting as much recovery as we should have got.

So therein, the company has taken an average valuation of 45% on our portfolio that we have sold for around INR203 crores. So that was onetime cleanup act we wanted to do in the Q1 itself so that by Q2, Q3 and Q4, we should have a portfolio wherein we are getting recoveries from the MCSL itself.

Secondary part, the portfolio, which we have sourced in the last 14 months and all, therein the GNPA is only 1%. So that gave us confidence that, okay, the new portfolio is behaving well. That was the sole reason of doing a deal for the ARC of the portfolio, which was 2 years to 3 years and more, which is there in the books of MCSL.

So that deal has also been concluded in this quarter itself. Our source of recoveries, the major source wherein last year, as Mathews sir said, bank and electronic mode, which used to be INR75 crores, it has now reached to INR100 crores, which is again a very significant achievement. The total income wherein other income we have classified from insurance partner from cross-sell since the company is holding IRDA.

So therein, the total insurance income comes at INR2.47 crores, that is parked in the other incomes as well. On the liability front, we -- the promoter shareholding remains at 63.33% and remaining has been contributed by corporate retails and others. While we have acquired a lot of banks during the last financial year, we relied very less on the NBFCs and the NCDs.

And now the overall cost of funding, which we have already shared, we have seen INR0.80 down as compared to the last financial year. That is that change has come only in my term loan, which we have taken from the bank loan. Overall change in the borrowing, we can see from the last quarter Q1 to now this Q1, we can see INR0.43 down.

And that too rating upgrade has happened now. So we are expecting another INR0.40 to INR0.50 down in the upcoming deals as well. On the fixed deposit part, the company has touched INR100 crores in this year -- in this month itself. So the liquidity position of the company remains stable, wherein the company is always having a balances over and above the LCR balance, which is required to be maintained from the RBI.

So when RBI is 100%, the company is -- averagely company is having a fund balance of 125% to 130%, which we have already -- we always maintained throughout this quarter itself. The over and above the balance wherein the liquidity, which has been classified as a high-quality liquid assets, that has been invested in my SLR investments, PTC investment, SLR deposits and collateral deposits with the bank.

Whereas the over and above 100% has been invested in the fixed deposits with the bank itself. The company has taken an overall yield of 6.71% on those investments. Liabilities front, the company has closed the borrowings at INR3,318 crores at a borrowing cost -- incremental borrowing cost in the Q1 at 9%. This will go down in this quarter as well.

That has a very fair mix of banks, NCDs, PTCs, fixed deposit and others. Then there are the last 2 slides, which we have shared, which is the overall organization. The company is having an AUM of INR3,300 crores, wherein we have excluded the portfolio that we have sold out through DA and also the GNPA portfolio of INR120 crores that has already been sold out to ARC.

The company has reported a PAT of close to INR8 crores, which has taken the shareholder funds to INR678 crores. The overall balance sheet size of the company has grown by 1% from Q4, which is INR4,079 crores. The Q1 business, as I said, INR564 crores, which takes our line loans customers to INR577,834 crores.

The Blue Wheel, which we have shared with the investors as well, wherein we can see a growth of AUM on 4%, the GNPA has gone down by 182 bps. One reason, which is a very specific reason is basically, yes, we have done the ARC. That effect we can also see in the NNPA as well. PBT is close to INR11 crores, CRAR at 22.07% and the debt to equity -- the gearing of the company stood at 4.88x. The total business, which the company has done in this quarter is INR465 crores. Over to you, Maneet, for the questions now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sucrit D Patil from Eyesight Finance Private Limited.

Sucrit D Patil: Good morning to the team. I have two questions. The first question is Mr. Mathews is just beyond the headline disbursement growth, I want to understand how are you planning to structurally reposition Muthoot Capital's 2-wheeler and retail lending portfolio over financial year '27-'28 to defend margins in a rising cost of funds environment while still maintaining strength against rural stress and identifying competition from other Fintech companies? That's the first question. I'll ask my second question after this?

Mathews Markose: Okay. Thank you. So first of all, our portfolio, you would see that quarter-on-quarter, we are diversifying our portfolio. So the 2-wheeler used to be our warhorse for a long. It was actually the single product for us for a long time. Now we have diversified and our other 2 -- other 3 businesses, which is construction equipment, commercial vehicles and car is steadily growing against that.

So this diversifies our portfolio and the portfolio that is growing is at a much significantly lower GNPA levels by the basic nature of that -- those products. You have slightly more qualified customers, you get more documents, you do a direct personal discussion, people meet them contrary to a 2-wheeler where a customer walks in and the decision is taken in 5 minutes and all that.

So it's a completely different profile that we are catering to. And there, even on our existing portfolio, we can see that the GNPA levels are sub 0.5% and all that. So that reduces the pressure on us on keeping higher provisions, etcetera. Two, we have got a rating upgrade, which will significantly alter our funding.

So as it is -- we already started seeing -- I think Raman has already taken you through that numbers. We already started seeing at least a 50 bps reduction in our borrowing cost and which will continue to happen. On the third side, we are also aggressively building our liability franchise, which is at almost 150 bps lower than our borrowing cost.

So that will also come in handy. Fourth is that our geographical distribution also is in such a manner that we are not maybe in direct head-to-head competition with the large banks where the rates are disproportionately low. So our markets are largely the Tier 2, Tier 3 players. And we have a very nuanced approach of the competition whom we face. And the competitors that we face in these markets operate broadly in the same interest rate range as we do.

So I don't see a significant pressure on the top line in terms of NII, et cetera, as of now. And we are steadily watching the portfolio. As I mentioned in my opening remarks that we are also coming up with our own origination scorecard where our data analytics team is working on. We are planning to rework on our risk-based pricing also where we will be -- you are pricing the higher-risk customers significantly higher so that it covers the possible credit loss that we will incur.

So -- and this risk-based pricing will be a very dynamic one, which we will continue to monitor on a weekly basis. And wherever we see that any portfolio is coming down on the rates, we will be able to alter those rates because it's our internal scorecard till now, we were dependent on a vendor to do that and vendor would review it every quarter, et cetera. But now with our own internal data analytics team doing it, we will be able to do it on the same day itself, but of course, we will monitor it on a weekly basis. Yes. You can ask the second question. I hope it answers.

Sucrit D Patil: Yes. My second question is to Mr. Gill. With credit costs showing some early signs of pressure and capital adequacy moderating, what frameworks are you putting into place to sustain provisioning discipline along with funding digital transformation and maintaining the dividend commitments, especially pertaining to any regulatory compliances that may keep on changing over the coming quarters?

Ramandeep Gill: Sure. Sir, I think 3 ticks that we have done, and this is what I wanted to share while -- and this is for everybody on the call, sir. First thing is, while we see the total AUM growth is not that much on the book, the best part, what we have done over the last 1 year is we stopped co-lending almost.

Now how this has helped us, which we can see in the results. I'm not talking about now ECL. I'm not talking about any impairment of the world. Our total income -- so the overall growth was only 1%, 2% on the -- our total income on the same book, which was INR147 crores, has now has gone up to INR160 crores. This is substantially because we are doing our own sourcing.

While the GNPA remains the same as per the Q1 of last year, if I exclude the ARC portion, what we have done. So which means there is a INR12.5 crores increase in the revenue. Why? Because the blended yield is going up as MCSL is sourcing on its own, number one. Number two, the finance cost of the company, as I have also explained and Mathews sir has also explained, it has already gone down by 0.50%.

Now there comes the third portion, which is the impairment of the company. See, we are tracking it. So what we have done is, as I said, last 14 months MOB. So the 2-wheeler is somewhere around 75% of the book. So wherein we need to see that entirely impairment will come from here itself. So on 14-month MOB, we are seeing a GNPA of 1 percentage, which used to 3% and 3.5% when we spoke in the last year Q1.

So therein, we are seeing a reduction. But at the same time, macroeconomic factors has also been taken. So we have -- last year also, we engaged EY and this year also, we have engaged EY. Therefore, if you see the Note number 5, which we have placed, we have additionally taken INR2.5 crores on the impairment because we know that in Q2.

When the ECL -- so ECL model is something which we are going to revise every year so that we should know that any macroeconomic factor, which as you have asked, is impacting the impairment, how it could be done. So we have done an analysis in the Q1 itself. For us -- so last time that we did this analysis in the Q2 of last year, that gave us a reversal of INR5 crores.

This time, we don't want that factor. We just thought, okay, let us see how it is impacting my PD and LGDs of the world. So LGD remains same. We were expecting, okay, with macroeconomic factors, some probability of default factor may go up. But at the same time, the GNPA on the 14-month book has gone down from 3% to 1%.

Still, we kept around INR2.5 crores as an additional impairment, which I have also shown in the note. So therefore, that gave us extra space that whenever we have revised our model, which is due now in the next 4 weeks or so, therefore, we don't have to take additional P&L for the entire year.

And number three, last time, if you see my ECLs, the impairment that we have taken, though the company is at 50% PCR at a whole, my used car and CV -- during last year, we have taken an LGD of 50%, which was very -- which was on the higher side, while their GNPA remains static throughout the year itself. Rather, used car GNPA has gone down from 1.75% to 1.36%.

Therefore, we are expecting some downgrade -- some revision in the LGDs as well, wherein 50 will become 40, 42. So there is also some advantage might come, but we are not going to take it because we want to see this through whole financial year that how it's going to pan out. Therefore, we are providing additionally if required, we will take a final call on the -- in the Q4 that if required, we need to -- we need any reversal, we'll take that reversal. Other than that, whenever we see any profits are happening and if we are able to provide further more for impairment, we'll do that, sir. I hope sir, I have been able to answer.

Sucrit D Patil: Thank you very much sir for the guidance and best wishes.

Moderator: The next question is from the line of Amit Mehendale from RoboCapital.

Amit Mehendale: Sir, my first question is on AUM, where we had aspiration of about INR10,000 crores of AUM. So how do you see AUM as at FY '27 and '28? And also if you could indicate any ROA aspirations we may have budgeted for?

Mathews Markose: Yes. Thank you. So on the AUM growth, as I had mentioned earlier, we are -- so in the Q1 of this year, our credit acceptance rates were far below the industry numbers. So where industry gives about 75% to 80% approval rates, we were only at about 35%, 40% approval rate. So that was being cautious.

Now we've seen how the last 1.5 years portfolio has behaved. And now, therefore, we are bringing in a scorecard-based model, which is getting built internally. And we are going to scale up our disbursements from Q2 -- end of Q2 to the rest of the year. And of course, Q3 happens to be the biggest time of the year.

And you, of course, have a bumper Q3 because of Diwali, Dhanteras and the entire festivities coming in. So that is the time when we want to be ready for the market and take advantage of that quarter and scale up our numbers. This year, the AUM projections that we had given was around INR4,000 crores to INR4,200 crores, and we will reach those numbers this year. That's the projection, yes. And Raman, can you take on the ROA part, please?

Ramandeep Gill: Yes. So as of now -- so in this year, as I said in the last call also, we have taken a pretax ROA of around 2.5% for this financial year. And we are going to work on that. As of now, we have reached a stage of 1%, but there are -- now from the next quarter itself, wherein we are expecting the business to grow.

Therefore, we are also expecting, as I said, the interest income, we have already seen a growth. So we are expecting that this impairment piece, which was an issue for us in the last financial year, that has been over now. So we are not expecting much increase in that cost during this financial year. So we are on track. This is what I want to say on the ROA tree.

Amit Mehendale: Sure. My second question is on the ROA for our used car book because the yield there is significantly lower at say, 18.6%. So can you provide ROA tree for that? Or what ROA do we expect for this product?

Ramandeep Gill: Sir, sorry, can you just repeat your question? I missed it. ROA for used car -- sorry?

Amit Mehendale: Yes. ROA for used car because see the yield is significantly lower at 18.6%. And if I take cost of fund of, say, 10%, 10.6% and then some amount of opex the product will be dilutive to ROA at a console level. So I just wanted to hear your thoughts on what do you expect the ROA to be in the near term, like FY '27-'28?

Ramandeep Gill: Yes. Sir, we track that. We track that this vertical-wise profitability of -- rather for used car as well for CV as well because CV and CE also, if you see it is on the same line, 17.5% to 18% itself. The best part about these 2 is the impairment factor. While CV is hovering around only 0.36%, the 4-wheeler is 1.31%, whereas as compared to 2-wheeler, which is around close to 3.5%, right?

And productivity is something which we are -- which we need to see for all this. So therefore, the last quarter, we have prepared the vertical-wise P&L for -- and therein, we have seen the ROA tree for used car. 18% and 18.5% was my total income, which I am receiving from the used car.

On that, I am having a minimum expense which we see for the impairment. I'm excluding the finance cost, which we have already said, though we are INR0.50 lower only, but still by taking your finance cost and then there is an impairment cost of around 0.5% as compared to 2% to 2.5% for the other product we have.

So therefore, we are expecting an ROA tree of around 1%, 1.5%. But at the same time, used car is going to have a breakeven in this financial year. So we are looking forward for that. Then we will set a formula, okay, at this range, these are the number of units which used car has to do so as to make a profit of this for the whole month.

So that formula also has been provided to the respective business heads as well. So they are working on that. And sir, even if you see the used car business, as I have shown in my portfolio as well, used car business has also been grown. If you see the last year -- last year to this year, there is a significant growth in the used car business as well. And on the total contribution to the AUM, used car alone has gone up to 8.5% for the company, which was only 2% in last year. So as and when the business is growing, we are expecting a good numbers in the top line from the used car, sir. And so as to give you the ROA.

Amit Mehendale: Just to clarify what type of....

Mathews Markose: I just like to add to what Raman has said, I think now we are tracking vertical-wise, not only vertical-wise, but also region level P&L. So every regional head, area head has a P&L and vertical-wise. So that gets monitored and reviewed every week, every month so that -- and it's bottom up. So therefore, everybody knows understands how the P&L needs to be managed. Yes.

Amit Mehendale: Yes. I'm just looking to clarify the numbers. So what type of opex are we forecasting for this used car business?

Ramandeep Gill: One thing, sir, I have just opened my used car business only. So sir, I am expecting at a breakeven level of around 4% of opex, which the company has to operate. Right now, we are at 6%, 6.5%.

Amit Mehendale: Yes. So you are expecting some reduction in opex because you are sourcing it or what with 4% percentage...

Ramandeep Gill: Yes. So sir, opex will go down as and when productivity will increase, which we are seeing now. So last year, the team has come. This year, the business has started growing from the same team itself. As I said, last year, from the same team, it was contributing 2% of the AUM. Now the same team is contributing 8%, 8.5%.

Mathews Markose: To add some number to that, what Raman said. So last year, our average productivity for car and CV used to be INR13 lakhs, INR14 lakhs. Right now it is INR20 lakhs plus, and we are expecting it to go to INR30 lakhs, INR35 lakhs. So that's where the entire dynamics of this business will change.

Amit Mehendale: Right. Perfect. And the last question is on the LTV. Whenever we calculate LTV for 2-wheelers, how is it -- how is the LTV calculated? Is it on the on-road basis? Or is it on an off-road basis?

Mathews Markose: On-road price. LTV is calculated on the on-road price.

Moderator: The next question is from the line of Hitansh from Trust Security 0:34:21. Please go ahead.

Hitansh: My first question is regarding the ARC transaction. Can you just provide me the brief about the transaction? What are the numbers? And what was the number previously and the current number? And is there any amount written off from their side as well? And can you just provide about it?

Ramandeep Gill: One second, sir. I'll just give you the entire numbers from the year. Yes. So sir, so when we did an ARC of INR203 crores at this time, this is the third ARC of the company. So you wanted to be specific on the third ARC or you wanted to know the numbers of first and second as well?

Hitansh: Yes, first and second as well?

Ramandeep Gill: Okay. So I'll take it. So this is the third ARC of this company. The first ARC we did in September 2023, wherein the company has sold a pool of around INR235 crores. The second

ARC, the company has done in September 2024, wherein a pool close to INR100 crores have been sold to the ARC. So these are the two ARCs.

The first ARC we did with Phoenix wherein the first ARC is the valuation which the company has got on that pool was INR117 crores, which comes to 50%. On that, the company was having a security receipt of INR102 crores. That security receipt from the first ARC has been gone down by 75%, which means that company is able to recover 75% of that ARC in a span of 2.5 years.

Coming to second ARC, which was close to INR100 crores. Again, the company has got a valuation of 50% wherein the security receipt comes to INR48 crores. Of that, the investment from Muthoot Capital comes to INR41.73 crores. From that ARC also, we have been able to bring down that ARC by 46.71%, which means that 46.71% has been recovered by the company.

Now this -- there comes the third ARC. So third ARC has 2 components wherein write-off pool of the company, which was there, wherein we are -- we have started getting recoveries as we have a specific focus now. So that pool was -- comes to INR83.18 crores. And then there is a normal GNPA pool of the company, which has a DPD of around more than 600 days. So that pool has also been sold to ARC.

So in totality, INR203 crores have been sold in the ARC 3 at a valuation of around 45.61%, which I have already shared in the note. So there -- after this -- during this valuation exercise, what we have done, we have taken a blended valuation. unlike the first 2 deals wherein the valuations were coming at 50%, 55% with the same ARCs.

And therein also the company has shown a significant reduction in the balance of the security receipt. We don't want that higher kind of valuations of those. So we have taken a blended valuation of the entire pool, which comes to 46.51 percentage. Of that 46.51 percentage the company has parked that INR81 crores as an investment in the security receipt in this year financials. So this is what the ARC transaction is sir.

Hitansh: Okay. And my second question is what are the guidance for GNPA and NNPA for FY '27 and going further?

Ramandeep Gill: Okay. So this year, as far as the Q1 is concerned, so we have already taken a call from the ARC from the pool, which was already -- which was always forming part of the GNPA, and we were not getting much of the recoveries. So we were expecting the recoveries from that pool.

That is the reason we have done a very conscious call on the ARC. Therefore, my retail GNPA comes at 3.49%. Then there is one corporate loan, which I've already explained multiple times. I'm excluding that corporate loan for that purpose. Just to add on this -- about that corporate loan as well, we have been able to take this security from that corporate loan during this Q1 itself.

And that security is something which is already parked in my financial as an asset held for sale. So therein, we are expecting that corporate loan recovery to happen in this year itself. So we are expecting between 6 to 8 months, we'll be able to sell up this property, which we have taken from the corporate.

From the retail portfolio, the GNPA is 3.49%. We are expecting if the business is continuing to grow in the same fashion, so we are expecting the GNPA to be sub-4% only throughout the financial year for the retail segment. And there is no change in the ECL policy of the company so as the PCR, so NNPA would be sub-2%.

Moderator: The next question is from the line of Vinay Jadwani, an Individual Investor. Please go ahead.

Vinay Jadwani: My question is please excuse me my question is regarding layman's lens view and this is related to the sale of NPA to the ARC. I want to know the accounting impact of this whole sale. So you have sold that amount and how it's impacting the profit? Already the impaired asset is there or that? I just want to -- please excuse me, I'm just asking from a layman's lens view?

Ramandeep Gill: So I'll take it, sir. So accounting impact will come -- so I'll just tell you, INR203 crores of pool has gone. Write-off pool was INR83 crores, which means that, that pool was not there in the books, of that company has already taken a 100% impairment hit in the last financial year, right? We go step by step.

We'll just go step by step. So write-off impairment hit has already been taken in the last financial year, means last P&L already had that impairment expense. When we saw that recovery from this pool, we have started. So therefore, we have taken a call, okay, if we are able to sell that pool, so then what -- now 100% impact we have taken in the last year of INR83 crores last year.

So we have taken a P&L hit of INR83 crores in the last year. And then we got a recovery out of that pool only INR14 crores from the ARC. So accounting impact will say that, last year's P&L, INR83 crores has been wiped off from the P&L. In this year P&L only INR14 crores has come. So this is what it is. So there is no gain from the ARC. It is just that INR83 crores has already been taken a hit over the years. Now INR14 crores has come back because we are seeing some recoveries out of it. Now coming to the second question.

Vinay Jadwani: Sorry, just to say that INR83 crores has been taken a hit for the last year. And what we are saying that INR14 crores will be added to the net -- to the profit and loss for this year?

Ramandeep Gill: Yes, it is for the last years, not last year, sir. In last year, it is only 1/4 of that. So in last year -- a couple of years, 3 to 4 years, we have taken an impact of INR83 crores on the book, 100%. Now only INR14 crores has come. So there is no gain out of it. It is just that we have started seeing some recovery. So okay, we said, okay, let's take a call out of it. And of that INR14 crores, sir, of that INR14 crores, 85% has been held by the company in the SR only in the balance sheet. So which means that we are going to bank on that INR83 crores pool. You understood, sir?

Vinay Jadwani: Yes.

Ramandeep Gill: So that is not something which is reflecting only in the P&L. Balance sheet, maybe it is also reflecting as an investment in the SR. And if that INR14 crores is not received, I have to do a mark-to-market valuation of that investment. And I have to again take a P&L hit if required. But since I've already taken a valuation of only INR14 crores, so I don't think so we need to take any hit.

And going to the history of the ARC 1 and 2, wherein 76% and 46% has been recovered by the company. So I think we are able to take this INR14 crores as well. Now coming to the ARC of remaining pool, which is INR120 crores, that is forming part of my normal GNPA pool. On that, we already had a provision of 50%.

And then therein, we -- the sale price of that ARC was INR78 crores. The provision held in the book was INR59 crores. Book value, we had INR60.34 crores and the entire income of INR15 crores, we have already reversed. So there is a very small portfolio wherein INR2.99 crores has been received.

Of that INR78 crores proposed sale price, 85% of that, which comes to around INR66 crores, that has been held by the company and the investment in the SR. Okay. So if tomorrow no recoveries come, then there is a mark-to-market valuation. But considering the historical valuation of ARC 1 and 2, we have taken this call, sir.

Vinay Jadwani: Okay. And my second question is regarding the equity raising for the last con call, you have told that you are planning some issue of equity. So can you update on that?

Ramandeep Gill: Mathews sir, do you want to take or shall I?

Mathews Markose: Yes. Go ahead, Raman.

Ramandeep Gill: Okay. Okay. So right now, if you see debt to equity of the company is 4.88x. We are quite comfortable till 6 level, okay? But at the same time, last time, what I have told, I want to continue with that only. We are speaking to investors. There are 2, 3 investors who are already sharing, data sharing has also been happened with them. So as and when the valuation will click, so wherein we are expecting some meetings to happen in Q2 only. So then we can think about it and we can close the deal. But that will be something which will be very known if we do that.

Moderator: The next question is from the line of Manish Arora an Individual Investor.

Manish Arora: Hi, sir. Thanks for the opportunity. Sir are we sticking to the guidance of INR10,000 crores AUM for financial year '28? And if yes, and if we are expecting INR4,000 crores to INR4,500 crores AUM in FY '27, are we guiding for 150% -- around 150% of AUM growth in FY '28 year-on-year? That was my question?

Mathews Markose: Yes. Manish-ji, I'll take that question. So yes, we are -- our objective is INR10,000 crores. That '28-'29 will, of course, you also know about the overall macroeconomic conditions, war, etcetera. We don't know how the entire impact will hit our Indian economy and all that has to be seen.

But yes, that INR10,000 crores guidance is still intact. '28-'29, we will be there. And other guidance on expanding our non-2-wheeler portfolio of car CV, that also is intact. Our current year projection of INR4,200-odd AUM is also intact. All of this, we are very closely monitoring the evolving macroeconomic situation, but the intent and the direction is the same, and there is no change in that. So we are gearing up as an organization for multiple x growth in this vehicle space.

Manish Arora: So sir, in conclusion, I think you are trying to convey is your message is non-2-wheeler would contribute to the higher growth to -- leading to INR10,000 crores AUM, right?

Mathews Markose: Yes. So 2 things on that. Our disbursements may continue to be higher on 2-wheeler, but the runoff of 2-wheeler happens to be very fast. So the other 2 products are longer-term products, so about 48 to 60 months, whereas 2-wheeler is about 22 to 24 months average. So the book runs off also very fast.

So disbursement may be 50%-50% or 60%-40% in favor of 2-wheeler, but the retention of the book will be faster on the other 2. So that is where we see that AUM growing faster than 2-wheeler AUM. But yes, over a next 3-, 4-year horizon, the objective is to bring down the 2-wheeler book to around 30% of the overall book and 70% being contributed by car, CV, CE and maybe we will get into tractors.

So basically, the objective in the long run is to do everything on wheels. We have accordingly adapted our tagline as turning wheels changing lives. So we want to be doing everything on wheels. That's the -- under the Muthoot Pappachan banner, anything to do with wheels will be catered to by Muthoot Capital Services. That's the longer-term objective.

Moderator: The next question is from the line of Ankur Gulati from Genuity Capital.

Ankur Gulati: 2 things if you can give us some colors on INR10,000 crores AUM, what kind of branches are you guys anticipating? What is the branch level productivity as that target AUM? And second, if I strip out the 2-wheeler, then the remaining AUM is roughly maybe INR700 crores, INR800 crores. So we are talking about taking that INR700 crores to approximately 10x. So how are you preparing for it?

Mathews Markose: Yes. So, okay, I'll take that question, Raman. So to talk about a branch level strategy, we will have to first differentiate between our own branches and the group level branches. So today, we -- at an enterprise level, we look at everything holistically at MPG Muthoot Pappachan group level, okay?

So there is a very clear mandate from promoters that across the group, we leverage the existing customer base, cross-sell to -- across the enterprise length and width of the organization. So that's a very clear mandate because today, as it's a very, very famous line, data is a new oil and all that.

So we have a huge amount of data across our enterprise level between the 4 NBFCs and non-NBFCs that we have in the group. So we have FinCorp, which is into gold. We have Microfin, which is into microfinance. We have MHFL, which is into housing and LAP. And we have capital services, which is into vehicle. Other than that, we have Muthoot Chits, hotels and all of these entities have a huge sitting layer of customer data.

And we are actively working on leveraging that. So to that extent, the 6,000-odd or 5,000-plus branches of all entities in the group happens to be an extension counter for me. So today, we are actively sourcing from across branches. So Muthoot FinCorp has 4,000-plus branches. We have a branch activation of about 25% to 30% right now, which means about 25% to 30% of Muthoot FinCorp branches contribute to at least 1 vehicle loan per month for capital services.

And the objective is to, by the end of the year, take it to 50%, 60%, okay, which means around 2,000, 2,500 branches of Muthoot FinCorp will be doing at least 1 vehicle loan per month. Similarly, with the other Muthoot Microfinance and housing. So across the board, we have started doing cross-sell.

For our FD business, Muthoot Chit customers, we have got into an arrangement where Muthoot Chit customers do FDs with us. So there's a complete collateral -- sorry, a complete cross-selling layer that we have made on top of each institution at an independent level. And that is going -- so I cannot -- when I talk about branches, if I talk about only the 34, 35 hubs that we have, it would be grossly inadequate because that is not our strategy, okay?

That is one set on the branches. Secondly, we today work with 5,000-plus dealers across the length and breadth of the country for 2-wheeler, car and CV put together. And every dealer, DSA, who is a sourcing agent for any bank or NBFC is our partner too. So that -- so therefore, it is not a branch-centric business for us anymore.

So it's an entire ecosystem is a play of the branches, the DSAs, the dealers, the sub-dealers, the MBOs, all of them. And all of them are sourcing points for us and entire journey is digitally delivered to the customer. So the physical brick-and-mortar branch is losing its significance to that sense, okay?

Because all -- so today, we have deployed QR codes where a customer can walk into a dealership where even if our manpower is not there, he can scan a QR code and he'll get an on-spot approval. And then that spot approval comes into the nearest mapped sales officer of our institution, and then he continues that journey till closure. So technology is the -- enabler technology is driving the business for us today.

So I think the branch -- brick-and-mortar branch per se, while it is significant to the fact that we have across the group, about 60,000, 65,000 walk-ins into our branches. So they are all -- of course, our customers whom we will cross-sell to. But the digital journey is adding strength and muscle to our overall acquisition. So that's how we are looking at this.

And that is exactly -- so the second question was on how do you take the INR700 crores, INR800 crores to multiple x. So the entire strategy, again, hinges on the fact that we are there for the customer at his place, both digitally as well as physically. So the 5,000-plus branches is something which many large banks don't have. So we have that physical infrastructure.

Plus we have the digital infrastructure because we have made significant investments in digital, AI and all that. So today, all the touch points are multiple -- touch points are multiple for us. So -- and we have today the ability to do underwriting at scale based on our models that we have developed in-house. So that's going to be the future for us.

Ankur Gulati: Sir, I think the second time -- first time we refer to the whole group benefit was last time. So any numbers that you can share in the last 3 months or 6 months, how has that collaboration helped you guys?

Mathews Markose: Which collaboration?

Ankur Gulati: Broader group entities, right?

Mathews Markose: Group entity -- so 15% to 20% of our incremental sourcing every month comes from group entities today. And the objective is to take it to 40% of the incremental sourcing. As we speak, 15% to 20% of our incremental sourcing comes through group entities.

Ankur Gulati: Even if I assume 50%, then the remaining INR3,000-odd crores what you guys will have to set up your own network?

Mathews Markose: Yes. So I said our own network means the entire network of dealer DSAs partners are our network. We don't need to have our own branches to be sourcing business.

Ankur Gulati: And I don't know if you have the data, but let's say, the incremental 15%, 20%, which is coming from the broader group, do you have any opex ratio for that procurement?

Mathews Markose: What ratio?

Ankur Gulati: Expense to income or any other profit metrics only for that?

Mathews Markose: Yes, yes. So that comes at a lower costing for us because we maintain our related party transactions are all above board vetted by our Board, ACB and even RBI does very thorough audits on that. So our acquisition cost is lower compared to the market on all related party transactions.

And not only that, when we say vertical level P&L, we have a complete vertical with a business head called group relations and digital, okay? That business head manages that P&L. And there is a monthly P&L that gets made for group relations and digital channel. So we have P&L for 2-wheeler dealer channel. We have P&L for CV dealer channel.

We have P&L for construction equipment dealer channel, we have a P&L for used car dealer channel. And then we have a P&L for group relations and digital, where all these products get consolidated because group companies are product agnostic. Whatever product need -- a customer needs, they will be able to source. So that gets consolidated. So every vertical is being monitored separately for profitability. And each vertical is independently profitable.

Ankur Gulati: And last thing, if you guys have that metric, the business sourced from group branches, is that coming at, let's say, 1.7%, 1.8% ROA compared to 1-odd percentage for the overall entity today? I'm just trying to figure out that 1/3 of ROA kind of benchmark?

Mathews Markose: So wherever -- as I mentioned, the opex and the cost of acquisition from that channel is lower. So obviously, it has a slightly higher ROA compared to the dealer channel. So it is there. Those numbers are available. We can share it on a different call.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Mathews Markose: Thank you, everyone, once again.

Ramandeep Gill: Thank you.