"Manappuram Finance Limited's Q3 FY'2022 Earnings Conference Call"

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MODERATOR: **MR. ALOK SHAH – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, Good day and welcome to the Q3 FY'22 Earnings Conference Call of Manappuram Finance hosted by Monarch Networth Capital. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alok Shah from Monarch Networth Capital. Thank you and over to you, sir.

Alok Shah: Thanks, Steven. Good evening to all. On behalf of Monarch, we are glad to have Manappuram Finance Limited's management team with us to discuss on their Q3 FY'22 Results and Future Outlook.

From the management side, we have Mr. V.P. Nandakumar -- the M.D. and CEO; Ms. Bindu A.L – CFO; Mr. B.N. Raveendra Babu -- M.D. Asirvad Microfinance; Mr. Yogesh Udhoji -- the CFO, Asirvad Microfinance; Mr. Subhash Samant -- CEO, Manappuram Home Finance; Mr. B.K. Mishra – CFO, Manappuram Home Finance and Mr. K. Senthilkumar – Head, Vehicles and Equipment Finance.

Without taking much of the time, I would request Nandakumar sir for the opening comments, post which we can get into Q&A session. Thank you. Over to you, sir, please.

V.P. Nandakumar: Good evening, ladies and gentlemen. Welcome to our Q3 FY'22 Conference Call. I hope all of you are safe and doing well. In our last concall to discuss Q2 results, I had mentioned in respect of the economy, that we were seeing signs of a sustained uptrend with a resumption of economic activity, supported by the rapid pace of vaccination. Also, that this recovery was beginning to be felt in the unorganized and rural sectors as well. While this optimism held true for the first two months of Q3 there was a marked slowdown in the December month, coinciding with surge in the omicron variant. At the same time, the important takeaway from our Q3 performance is that despite the omicron impact, we have achieved good growth in our business volumes from our core business of gold loans, as also in vehicle loans and home loans. However, the microfinance book posted a modest decline in volumes.

The overall results show a good growth in our gold loan portfolio which is at Rs.20,450 crores, is up by nearly 9% compared to Q2. Importantly, this was accompanied by proportionate growth in gold collateral which, at 70 tons, is up by 7.8% QoQ.

In the last concall, I had also spoken about our efforts to win back high value customers who were being poached by banks and other NBFCs who competed on price. Since then, we have remained aggressive in our efforts to retain and attract high value customers with increased ad spends and better incentives to the staff. And that has had a near-term impact on our yield, OPEX and profitability. Accordingly, our consolidated quarterly net profit of Rs.261 crores represents a QoQ decline of 29%.

Away from gold loans, our microfinance subsidiary, Asirvad Microfinance registered a QoQ decline of 2.4% to Rs.6,859 crores in its microfinance portfolio. That was because we consciously chose to go slow on fresh disbursements to focus on prudent lending in this unsecured business, given the uncertainties around the third wave of COVID-19.

At same time, our commercial vehicles business reported a brisk QoQ growth of 19% to Rs.1,510 crores, while our housing subsidiary grew its book by 11.5% QoQ to Rs.817 crores. This was achieved despite the loss of momentum in the final month of the quarter.

The full details of the performance of our non-gold business and also a comprehensive look at the overall financial performance will be taken up by our CFO. Thank you. And now it is over to our CFO, Mrs. Bindu.

Bindu A.L.: Thank you, sir. Good evening, ladies and gentlemen. Thank you for joining us today. With respect to gold loan demand, we continued our offerings of competitive interest rate, high ticket size gold loan customers. The impact of this new strategy has better growth, but decline on our spreads and margin. We foresee a steady to declining trend in our GNPA.

Now, coming to the operational overview, we are carrying surplus liquidity across all the businesses. Cash and cash equivalents on a consolidated basis were Rs.1,654 crores and undrawn bank line was Rs.3,202 crores. Our CP exposure is 8% of total borrowing in the standalone entity. Our AUM is well positioned across all buckets. Standalone borrowing cost has come down to 7.47% in comparison with 7.94% in Q2 FY'22.

Our consolidated AUM for Q3 was Rs.30,407 crores, up by 7% QoQ and up by 10% YoY. The sequential growth in AUM was largely on account of gold loan growth and our average LTV 65% which is well below among the peer group. Consolidated profit after tax was Rs.261 crores, down by 29.4% QoQ and down by 46% YoY. ROE on a consolidated basis was 13% and ROA was 3% for the quarter. The gold loan business which constitutes 67% of consolidated AUM and the remaining 33% comprises of microfinance, vehicle finance, housing and other loans. This quarter we witnessed growth in gold loan in terms of amount and tonnage. The AUM increased by 8.8% QoQ and up by 1.2% YoY. Our marketing campaign through print and electronic media and more number of employees for local marketing help to achieve a better growth.

Our gold holdings stood at 70 tons, up by 7.8% QoQ and down by 2.6% YoY. During the quarter we were able to add 3.81 lakh new customers. Gold loan average ticket size and average duration was Rs.53,397 and 111 days respectively. Advertisement cost during the quarter was Rs.51.4 crores, up by 126% QoQ and up by nearly 300% YoY. Our standalone PAT was Rs.259 crores, down by 27% QoQ and down by 44.3% YoY due to higher marketing spend and by lower yield. Interest receivable on gold loan was 3.6% on AUM and amounting to Rs.738 crores.

The total number of gold loan customers stood at 25.09 lakhs. The weighted average LTV stands at Rs.2,924 per gram or 65% of the gold price as on 31st December. Gold loan disbursements during the quarter at Rs.24,929 crores and the online gold loan book accounts for 41% of the overall AUM.

Coming to microfinance business, AUM stands at Rs.6,859 crores, down by 2.4% QoQ and up by 28% YoY. And this business reported profit of Rs.60 lakh in Q3 FY'22 compared to Rs.12 crores in Q2 FY'22.

Our collection efficiency from MFI business during the quarter stood at 96% and disbursements during the quarter was Rs.2,000 crores. The company has a capital adequacy of 19.7%.

Coming to Vehicle Finance, the business reported an AUM of Rs.1,509 crores which is up by 19.1% QoQ and up by 52.8% YoY. Collection efficiency for the quarter was 103% compared to 102% in Q2 FY'22. Vehicle finance NPA at 2.7% against 3.7% in Q2 on a comparable basis and 5.6% based on the revised RBI circular.

The Home Loan business had a total loan book of Rs.816 crores which is up by 11.5% QoQ and up by 28.9% YoY. It now operates in 73 branches and reported a profit of Rs.1.8 crores. Collection efficiency for the quarter was 100% compared to 95% in Q2 FY'22 NPA was 6.4% in Q3 versus 6.5% in Q2 FY'22. As per the revised circular, NPA stands at 12.3%.

Loan to NBFCs portfolio at Rs.56 crores and the small ticket MSME loans at Rs.714 crores. Provisions and write-offs for the standalone entity during the quarter stood at Rs.17 crores compared to Rs.10 crores in Q2 FY'22 mainly due to the revised IRAC norms.

Our GNPA is at 1.36% at the quarter compared to 1.59% at the end of Q2 FY'22. The board declared an interim dividend of 75 paise for this quarter. Our capital position is strong and the company is well capitalized with a capital adequacy ratio of 30.2%. Consolidated networth stands at Rs.8,160 crores at the end of 31st December 2021 and the book value at Rs.96.4. Thank you. Over to you, all.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.

Dhaval Gada: So, the first question is relating to the OPEX. So, could you just break down the 217 crores other operating expense excluding the employee cost into how much is advertisement and IT support and other OPEX, some perspective? And also the same for last 3Q'21, so, that will give us some perspective around what's the growth within the OPEX line?

Bindu A.L.: The majority of the expenses between the two quarters remain the same. If you see the increase of this Rs.40 crores between the quarters, majority is coming from advertisement, some 10 crores impact from the depreciation element that is more on account of 116 accounting. Other than that, we can say majority is coming from advertisement expenditure. IT support costs or other operating remains a similar number.

Dhaval Gada: In absolute term like in 3Q how much did we spend on ad?

Bindu A.L.: Rs.51 crores.

Dhaval Gada: This compares to about 40, 50 crores annual run rate that we had in '21 and '20. So, broadly what's the trajectory here for next year, will we continue in the similar trajectory or any color if you could provide on this?

V.P. Nandakumar: We have to go for massive advertisement because we felt like there is a slump in the market because of long lockdown, etc., So, we thought we should give a booster. So, it was a booster dose to the market, which may not continue in the coming quarters, it will be moderated to a much lower level.

Dhaval Gada: So, should we expect it to go back to FY'20 kind of level or…?

V.P. Nandakumar: No, it will be something in between. Our market presence should be made known. So, we have capped at a certain level which is far higher than whatever we expect, but less than less than what we have spent, it will be much more moderated.

Dhaval Gada: The second question was relating to just the overall P&L construct. So, once the ad expense normalizes and as the growth sort of sustains, just overall, how do you see the return profile starting to improve? I mean, we've seen the cost-to-income and overall profitability comprise a lot in the last three quarters. Just directionally FY'23, what's your guidance for the return ratio?

V.P. Nandakumar: Our yield was higher compared to the other player in the market. Because of the particular pandemic situation with the high level of liquidity, etc., we have the challenge and other NBFCs, etc., we are winning away customers, particularly higher ticket customers. So, in order to bring them back, we have to put advertisement, we have to bring down our yield. Even now, the competition in the market that what I read is the NBFCs are targeting business which is where the yield may slip to them to around 17% or so. But we are maintaining our yield at nearly 21%. And we are trying to maintain that. In this process, the growth may get moderated for some time, one or two quarters. And I feel like these NBFC players also may not be able to sustain business at that yield and they will have to increase. So, I feel like amongst NBFCs, our number is a phenomenon and I feel like in the coming quarters the situation will improve. And about the management of OPEX, particularly advertisement I told it will get moderated. The other costs also there is no reason why it should go up. So, it may be maintained. The incentive structure also has been moderated. In these areas we will be able to bring the cost down and the business will have a reasonable.

Dhaval Gada: Just one final question on the OGL. So, if you see the degrowth in that portfolio, it's like about 30%-odd. And if I look at the number of OGL customer, that's also down like 34%-odd. So, what's leading to such a sharp drop given that the OGL ticket is still around 58,000-odd and before that was about 53,000, 54,000. So, some perspective on that portfolio, why are we losing traction on that side?

V.P. Nandakumar: We are not losing traction. What happened is we started giving the same rebate to other customers also, earlier it was limited to the active OGL customers. Now, when that has been brought to the others also, there was a decline. So, this number of 34% are genuine customers who wanted to operate through OGL. So, from here it will bottom up.

Moderator: The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: A couple of questions. Firstly, you mentioned that competition is doing loans at 17% Are you referring to banks or NBFCs? And I'm not quite understanding your reading. Did you say that our growth may slow down temporarily in the near term because of this competition, because we will maintain yield at 20%, so, if you could just clarify what you're implying?

V.P. Nandakumar: See, by competition I have in mind about NBFCs in the public market. So, I am reading from the rates offered by them which they have started recently. My reading is it is because of the excessive liquidity in the market. So, money is available. So, at whatever rate they lend. So, I don't think it is sustainable for an NBFC. So, we decided to keep the rates around 21% which may lead to a slower growth. We are targeting a growth of 10% to 15% per year. So, the growth may be moderated to 1.5-2% per month for the time being. Why because when they are offering at 17%, we want to maintain around 20%, 21%. In terms of interest rates, we don't want to compete. That's the reason why, yes, growth may get moderated to around 1.5-2% per month, but we want to retain this.

Piran Engineer: Teaser loans are 7.5, 8%. What percentage of our loan book would be a teaser? So, the teaser loan is around 20%.

Piran Engineer: That's the share for AUM?

V.P. Nandakumar: Yeah.

Piran Engineer: And also, why have we not seen any growth in Asirvad, because in 2Q, we grew by 15%, in 3Q we've not grown the book while all other MFIs has seen good growth. So, it's like seems to be a bit of flip-flop and strategy here and there. So, could you just clarify exactly, what we are planning to do?

V.P. Nandakumar: See, we have seen uncertain times particularly with onset of this omicron variant. Then we thought of emphasizing on collection and remaining very prudent in the lends. So, our underwriting have been made tighter and our preference was existing good customers. So, when situation improves, we will increase the speed of disbursements. So, here I want to add one more sentence, our collections of the restructured portfolio and other emergency loans given, all inclusive, the collections have come to a level of 97%, 98%. Hopefully this month, it may grow to 99%, next month it will cross 100% of the billing. So, the collection 100% is including arrears. But in our accounting of this EMIs, whatever comes first, if at all any arrears is there, it goes to the arrears first. Only if customer clears full arrears, it is coming to the current billing. What I understand is many of the MFIs, the practices, whatever money comes, it goes to the current

EMI only. Only any excess is going to the arrears. Our treatment in the MFIs whatever is coming, it goes to arrears only, that is how we report our billing collection.

Piran Engineer: Just last data point, what percentage of our loan book is at the three-month tenure? Last quarter it was 53%?

Management: It is more or less same only, 50-50 kind of thing in three months

Moderator: The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: We said that going forward operating expenses would moderate and we would expect that advertising and promotion expenses to come down. And in the same we also added that maybe because the competition is offering gold loans at 17%, we want to maintain our current yields of 20%, 21%, so we'll probably moderate loan growth over the next few months. Wouldn't be fair to say that a large part of the growth that we saw during Q2 and Q3 was driven by this higher OPEX that you had in terms of advertising, promotions or incentive structure for the employees? And now that we are kind of moderating that, we are also seeing moderation in loan growth.

V.P. Nandakumar: See, it is more on account of off offering a lower rate to high ticket customers. So, that is the reason why our yield has come down. So, in nine months performance because of that, if you take from the data available in the market, nine months collateral growth we have grown by 6.28%, whereas the other gold company in the market their collateral growth was 4.09%. And our volume growth stood at 6.37% whereas they stood at 4.41%. So, the yield on the portfolio has remained somewhere nearly around 20.5% for both the companies. So, now at the rate what they started offering in the recent past, it appears to me their yield may translate into an average yield of 17% if they maintain the same interest rate over a longer time that appears to be.

Abhijit Tibrewal: You said that October, November, months were really good. You saw the same kind of momentum that you saw in Q2 and then in December, we saw that the momentum dipped because of concerns around omicron. I understand times are really different, the third wave and the first wave, but if that were to be true, would you have seen better momentum in the months of let's say end January and early February when concerns around Omicron receded and just like in Q2 of FY'21 when everyone did record levels of disbursements, are you seeing momentum really pick up in gold loans or would you say that the demand in gold loans continue to remain tepid?

V.P. Nandakumar: So, in January also, we have not seen much increase in the momentum. To that extent, February also we couldn't see that. Now, I hope that things will get better. Why because the schools started opening, other education institutions, etc., So, I hope all these will create some momentum.

Moderator: The next question is from the line of Ashwani Agarwalla from JM Financial. Please go ahead.

Ashwani Agarwalla: Sir, just want to know the reason that why would a borrower come to Manappuram Finance to take a loan rather than going at another NBFC or a bank who is lending at a cheaper rate?

V.P. Nandakumar: See, one, for the borrowers also, there will be regular connect with some NBFCs. That sort of affinity is there. See, for those customers pledging for a very short duration even though the rate of interest may differ by 2%, 3% that may not be a big issue and many of our customers are short term borrowers. So, for a long term borrower, yes, okay. So, that is why when the competition offers at 17% and we offer 21%, we expect a growth of 1.5% to 2% per month only. Generally, what we feel is going below 21% like what I see in the market from the NBFCs players will not prudent enough

Ashwani Agarwalla: In how much time do you disburse the loan and the time taken by the competition from the banks and the other NBFCs which is giving loans at 17%?

V.P. Nandakumar: We disburse within 15 minutes. If he's totally a new customer, it may take another five minutes more, 20 minutes. That is the case with many of the NBFCs. Banks may take one hour, two hours, etc., because their procedures are more, they are available only for a lesser number of days in a week and their timing also is mostly between 10 to 2 or 10 to 3 only whereas, we are available from 8:30 to 5:30 every day including Saturday. These are the advantages. And we have a strong client base to maintain. That is why if somebody offers at 17%. There may not be any an erosion of small ticket customers. Large ticket customers there may be. That's why I am expecting a growth of 1.5% to 2% per month.

Ashwani Agarwalla: Since our turnaround time is much shorter, is there any chance of any high slippage or slippage in asset quality or where we may not be able to check the quality of the material properly?

V.P. Nandakumar: So, we are not facing that problem in the past throughout our life as the gold loan NBFC, we are able to do that, this is nothing new.

Ashwani Agarwalla: We have seen our advertising expense going substantially. So, what is the additional loan book which we have garnered or the additional profitability on advertising which we have made?

V.P. Nandakumar: See, during the first quarter you've seen our portfolio down to 16,000 crores plus, now, we are nearly 20,500 crores, a growth of around 23%. So, this is the result of that activity because we have seen the demand getting slumped. Just to energize the market, we have to do a few things, one and advertisements can be second thing. Our employees were not ready to go out on the fear of this COVID. Higher incentive is to motivate them. These are only because of that and these will get moderated in the coming quarters.

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

Sanket Chheda: So, my question was if we compare the interest income, YoY, that is the last year's Q3 and this year's Q3, last year's Q3 also our interest rates or the yield was about 26%. So, from there, we have taken about 20% into the yield. But at the same time, our gold loan book is up by 10% from last time. So, the net impact on the income should have been closer to 10%, but the gap still remains at 20%, it's like we are reporting 21% yield, but the impact is similar to what it could have been if the yields had fallen down to 19% or so. So, why is that gap? That's one. And second, if we have taken such a sharp cut into the yield and have reported 8% growth and last quarter also we had reported 13%, 14% growth, why suddenly we are now losing confidence on the growth going ahead if we were to maintain yields now at a level at which we are currently operating in such a high fall?

V.P. Nandakumar: So, we have seen losing customers at a yield of around 25%. That's the reason why we thought of bringing it down to around 20%. As I mentioned, we have seen a decline of around 16,000 from 19,000 in Q1, then we have come to 20,500. So, then why now we want to moderate? Because we feel like going below this 20%, 21%, will not be for a gold loan NBFC. If other players are doing that, let them do and we believe that it is not our cup of tea, we can maintain a growth of 1% or 2% monthly even in this range, maintaining a higher yield than them and that is our strategy. Other data, our CFO will share.

Bindu A.L.: So, if we compare last December, we were at almost 20,000 crores gold loan portfolio and we have seen declines in Q4 and Q1. So, our portfolio from 20,000 crores has come down to 16,000 crores, then from there if we see the average, the main decline in yield happened during this Q2 only, we have seen 1% percentage decline in yield because this low yield product to high ticket customers effectively we started in Q2. So, the impact was lesser in Q2 and maximum impact happened during this quarter. So, year-end numbers are not the average numbers because we have seen two quarters decline in the portfolio, then from there only we were able to build this to 20,000 crores.

Moderator: The next question is from the line of Manan Tijoriwala from ICICI Prudential AMC. Please go ahead.

Manan Tijoriwala: Hi, what is the proportion of disbursements above Rs.3 lakhs ticket size that you have done in Q3 and what is the proportion in the AUM as on date?

Bindu A.L.: So, we used to track above Rs.1 lakh ticket size. We have seen 3%, 4% increase during the quarter.

Manan Tijoriwala: We see that customer base has remained flattish quarter-on-quarter and the AUM has increased. Since we are acquiring higher ticket, so, are we seeing that there is less demand in the lower ticket size customers?

V.P. Nandakumar: Yeah. See, this COVID does impact the bottom of the pyramid. So, the demand has come down there from the agriculture sector. So, the activities has come down and other construction activities were down particularly private construction. So, everything in the rural economy has come down. This has pulled down the demand of lower ticket size.

Manan Tijoriwala: How rate sensitive our customers in the larger versus smaller ticket sizes? And are we expecting yield to remain at 20% or can we go back to the 25% number at some point?

V.P. Nandakumar: See, all depends upon the market conditions, the RBI's policy, the government's policy, etc., market liquidity, all these are the factors governing the rate of interest.

Manan Tijoriwala: Going back to the 25% yield is not completely ruled out, right or are we going to now look at the 20% yield going forward?

V.P. Nandakumar: I'm not able to rule out that.

Manan Tijoriwala: How would that be possible?

V.P. Nandakumar: I'm not able to access that in the present situation, but one thing what I want to highlight, see, we always maintain asset quality. Our NPA percentage is 0.9% only, less than 1%.

Moderator: The next question is from the line of Nihar Shah from New Mark Capital. Please go ahead.

Nihar Shah: Hi, sir, just a couple of questions from my side. You mentioned about the cost normalizing going ahead, some of the investments that you've made. If we were to think about it from a cost-to-income or cost-to-AUM perspective, what do you think is the steady state levels that you would like to operate at going ahead?

V.P. Nandakumar: So, the cost will definitely come down because when the income goes up, the cost in HR need not grow so much, so, it will remain more or less at this level. The other cost like advertisement, etc., which I feel is only temporary, high incentive to employees, all these will get moderated. So, the cost-to-income ratio, yes, will definitely come down.

Nihar Shah: While you give qualitative understanding of what the competitors are doing, if I have to understand who are these competitors, is it some of the online gold loan players who have come in, the VC funded guys, is it some of the newer NBFCs who've entered and been aggressively going in this segment, one of the more established players, banks, , where is exactly the competition coming from or are other multiple sources of competitive pressure?

V.P. Nandakumar: Mainly from the conventional NBFCs, not new generation digital players. Banks, yes, they offer competition. But I feel like it is the burden. I have seen this situation of competition from banks several times in the past. In bad times, when the avenues for other lending comes down, banks used to be active in gold loan. But when the opportunity comes for the other ones, their focus gets shifted to larger tickets loans like 10 crores, 20 crores, 100 crores, 200 crores like that. This I have seen several times in the past. You can also look at the last 10 years, at times all the banks including the private banks were addressing slowed down. Now also to some extent they are active. But I don't think they will turn out to be a perpetual competitor.

Moderator: The next question is from the line of Dhaval Gada from DSP. Please go ahead.

Dhaval Gada: I've just got a couple of follow ups. First is on growth for next year, so do you still see the visibility of achieving 15% to 20% kind of AUM growth?

V.P. Nandakumar: Yes, I foresee that opportunities.

Dhaval Gada: The second part was on the credit cost. So, overall, we've seen now for almost eight-odd quarters in the MFI business, the elevated level of credit cost, what is your expectation from that business in terms of profitability normalization and overall credit cost moderation, any thoughts around that?

V.P. Nandakumar: See, for the next two, three quarters, I expect some impact. After that it will go to pre-COVID level provided there is no more variant of this COVID entering and lockdown, etc., I don't foresee that also because the world has learned how to live with this COVID. So, I foresee the situation will come back to pre-COVID level towards the fourth quarter of next year, means that 99% collection, etc., This month we may touch 99% or even 100% collection including arrears. This collection is all inclusive, means emergency loan, all restructured loans have come out of that, nothing is parked under these as far as collection is concerned.

Dhaval Gada: So, basically, you're saying that the sort of normal 2% kind of pre-COVID credit cost run rate that we used to have, that we should see from fourth quarter of next year?

V.P. Nandakumar: Yeah, at that level, but for new disbursal the collection efficiency is around 99%-plus. So, the problem is in the pre-COVID portfolio.

Dhaval Gada: One last point on the OPEX sort of clarification part. So, overall, if you see the trajectory for a fairly long period pre-COVID, we used to be in that 300 to 360 crores kind of band and that sort of continued till fourth quarter of '21 and thereafter, we started seeing this delta because of incentivization to employees, higher advertisement expenses, and depreciation changes, etc., Just directionally given that the growth is likely to sort of be moderate in the next few quarters, how do you see the absolute level of OPEX sort of stabilize, it was about 522, 523 crores, will it be in that same level in absolute terms or come down, some color there would be useful to just get full clarity?

V.P. Nandakumar: We have the reasons to do that. In the first quarter, there was a decline of gold loan portfolio from 19,000 portfolio to 16,000 portfolio. We have seen that the employees were not going to the field because of the fear of contracting this COVID, etc., So, that's the reason why just to energize them to do their thing, we entered into massive advertisement and also incentivization. This will not continue. Once the market is okay, we are slowly reducing that. So, it will definitely get moderated going forward. So, the growth we don't need to add more people because the number of branches remain the same, they can build a capacity, where the business could be even double without increasing the headcount, etc., So, all these are the pointers towards lowering the OPEX to AUM.

Moderator: We take the next question from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Sir, a few questions on gold loan book. So, this Rs.1 lakh ticket size and more book is, you said the proportion of the book has gone up by 3%, 4% in the past quarters. But what will be the overall proportion now in more than Rs.1 lakh ticket size in the AUM?

Bindu A.L.: 54%.

Rajiv Mehta: Can we assume that most of it will be a teaser loans. So, you said 20% teaser loans will be here within this 54%?

V.P. Nandakumar: Yeah. Usually, our Rs.1 lakh plus and lower than Rs.1 lakh used to be in the same proportion, 50:50. So, on the one side, small tickets below Rs.1 lakh, the demand has come down whereas for growth we need to more rely on this higher ticket size customers. That's the reason. Going forward, we'll be able to increase the small ticket size borrowers also when the demand in the rural economy picks up.

Rajiv Mehta: Can I get the metro and non-metro split of the gold loan AUM book?

V.P. Nandakumar: Metro used to be 22%, urban is 28%, semi urban is 32 and the balance is in rural categories. Metro means Bangalore Chennai, Delhi and Mumbai

Rajiv Mehta: Just last thing on this interest rate schemes which we were running, which we change the interest rate stance and we went for high value segment. We also lowered our interest rates starting from 6%, 7%-odd for higher value loans. In the recent months, have we kind of raised the lowest interest rate now or are we now making it applicable to higher value loan segments as compared to just above Rs.1 lakh before, any tweaking that we have done recently to protect our yields or margins on an incremental basis say in December or January?

V.P. Nandakumar: Yeah, we have made some tweaking in some categories like between Rs.50,000 and Rs.1 lakh, Rs.1 lakh to rs.2 lakhs, just to ensure the yield going up to around 21% in the next one or two quarters. So, this we have done that. That's why the growth projection and expecting around 2% to 4% only. As long as the competition is that they are disbursing where their yield may go down by around 2%, to 3%, this is what I believe.

Moderator: Ladies and gentlemen, due to time constraint, we take that as the last question. I now hand the conference over to the management for their closing comments. Over to you.

V.P. Nandakumar: Thank you for the questions. Because of the constraints in time, we are not able to share individual data. We are available for any questions anytime. You are welcome. Thank you.

Bindu A.L.: Thank you.

Moderator: Ladies and gentlemen, on behalf of Monarch Networth Capital, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.