



“Muthoot Capital Services
Q2 FY2022 Earnings Conference Call”

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ANALYST: MS. VIDHI SHAH - ANTIQUE STOCK BROKING LIMITED

**MANAGEMENT: MR. MADHU ALEXIOUSE – CHIEF OPERATING OFFICER
– MUTHOOT CAPITAL SERVICES LTD
MR. VINOD PANICKER – CHIEF FINANCE OFFICER –
MUTHOOT CAPITAL SERVICES LTD**



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Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY2022 Muthoot Capital Services Limited Earnings Conference Call, hosted by Antique Stock Broking. As a reminder, all participant lines will be in the 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 Ms. Vidhi Shah from Antique Stock Broking Limited. Thank you and over to you Mam!

Vidhi Shah: Good afternoon to all of you and thank you for and participating in the call. We have with us management on Muthoot Capital Mr. Madhu Alexiouse, Chief Operating Officer and Mr. Vinod Panicker, Chief Finance Officer. Without further ado I shall now hand over to Vinod Sir for opening remarks. Over to you Sir.

Vinod Panicker: Good afternoon, friends. Nice speaking to all of you once again. Very happy to present the financial for second quarter which went by, and we are very happy to point out that things have started improving and after the month of September even in October it was better than what we saw in September and we are fairly confident that things will keep on improving as we go forward. We came up with financial results on Saturday and the broad numbers is what we wanted to highlight, and we will just touch upon on that before I hand over to Madhu and then we will hear whatever queries you have and answer that.

On an overall basis, in the second quarter, we had a total disbursement of about Rs 310 Crores which is definitely a significant improvement over the last quarter, but then in the last quarter for about a month and half we had no business happening. Last quarter we did Rs 136 Crores this time we have done Rs 310 Crores. Same quarter last year was also the time we were just coming back to business. We started our business only sometime in the middle of August last year and we did about Rs 116



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Crores, so while the percentage of growth looks high as it is more because this is the quarter when we had three full months to do business.

Based on that the AUM was at about Rs 1991 Crores including the off books about Rs 11 Crores which is actually a growth versus immediately preceding quarter. First time after nearly five, six quarters that we have actually seen growth in AUM, but down versus the same quarter last year when we were at about Rs 2235 Crores in respect of on book AUM, that is a drop of about 11%. Interest income at about Rs 99 Crores, which was broadly in line with the immediately preceding quarter but about 31% lower than the same quarter last year, but that was due to an higher AUM. I did mention that AUM dropped by about 11%. Average AUM dropped by about 17%, so that was one aspect and second was definitely the fact that in the current quarter there was a very growth of NPA and hence there was a reversal of income that we have done. Last time, an increase in income was because the period of moratorium was going and also the Hon'ble Supreme Court judgment was that accounts cannot be considered as NPA and hence we were not netting it off against the income but were showing it as a higher provision in the books and therefore based on this two, three reason, in the same quarter last year there was a drop of over 31% and we reported an income of 99 Crores in the current quarter.

Finances expenses have gone down versus same last quarter last year and also against the immediately preceding quarter. The finance expense of about Rs 39 Crores that we have reported is including the finance cost on our Rs 350 odd Crores amount that we had drawn from banks to ensure we meet the minimum drawing requirement as per the terms of our sanction and that cost us about Rs 7 odd Crores. If actually we had not taken that amount the reduction in the cost would have been about Rs 32 Crores versus the 39 Crores that we have now reported.



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The net interest income at 60 Crores was slightly above the immediately preceding quarter and about 37% lower than the same quarter last year.

Operating expenses grew versus immediately preceding quarter from 27 Crores to 40 Crores. That was expected, because with things opening, we were getting an opportunity to go out and collect the money. Collection agencies were brought in. Other outsourced agencies were brought in, which increased the cost of collection. Actually the main gap between the two would be the increase in the collection cost which went by from over 5 Crores to just slightly above 15 Crores.

The loan loss provisioning in the current quarter we had booked about Rs31 Crores versus about Rs 50 Crores we booked last time and Rs 38.5 Crores that we booked in the same quarter last year. In the loan loss provisioning, because we had a terrible July after which we saw the NPA numbers coming down in the month of August and remaining steady in the month of September, the overall NPA provision I would say curtailed at about 20.7 crores then subsequently we thought that it was prudent for us to make additional provisioning of about 10 Crores and therefore we made an additional provision of 10 Crores and therefore booked a total provision of about Rs 30.7 Crores. This led to profit before tax being at a negative Rs 10.6 Crores and after tax a negative of Rs 8.1 Crores. On a half year basis the total business that we had done is about Rs 446 Crores and I would say compared very well with same half year last year where we did only Rs 133 Crores, 1981 Crores on book and including off book is 1991 Crores versus Rs 2235 crs (Gross Rs 2269crs) Crores that we reported last term.

Overall income is about 197 Crores versus 274 Crores for last year ,while it is 28% higher had enough to do with higher AUM and in the last quarter, we had interest on interest income which was getting accounted because of the moratorium period and therefore that figure got higher, so those were the two reasons and like I mentioned the income reversal on NPA



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was not actually booked against the income but it was shown separately in the provisioning only. Total finance expense which did go down by about 21%, down from about 100 Crores to about 80 Crores and net interest income stood at about 118 Crores over 174 Crores. Operating expenses were slightly higher, about 5% on a half yearly basis from 64 Crores it went to 67 Crores. Loan loss provision last time was about 72 Crores now it is 81 Crores including the 10 Crores additional provisioning. Hence we have reported half yearly PBT of negative 30.6 Crores and PAT negative of about 22.8 Crores. The AUMs have grown first time after 5, 6 quarters and we are very confident that it will continue to grow and with whatever disbursement are happening and whatever we have seen in the month of October, we are confident that November and December is going to be even better because we are getting into Diwali and other festivals and things are improving on the ground. So we have the confidence that it will boost the AUM which will lead to higher interest income and NPA we are fairly confident that we will get it contained in this quarter and we will see some reduction actually happening in the current quarter.

I would now handover to Madhu for his initial comment.

Madhu Alexiouse: Thank you Vinod. Good afternoon to all of you once again and thanks for being on the call with us today. I will take you through the broad numbers in terms of what is happening on the field and how we have been placed after the second wave of lockdown was over and then probably, we can get into more details through a Q&A session.

From two wheeler industry perspective, as we communicated last time that it would be somewhere close to what it had been on FY2021 about 1.5 Crores, so we are seeing that happening actually. H1 was about 65 lakh wholesale that happened in the industry. A very positive sign coming from the market in the sense that almost all dealers, all our touch points became active as July ended and from August onwards, I think it was very good for all of us. August onwards month on month we have been



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disbursing more than 100 Crores which is a very positive sign. From industry perspective again we saw Q2 to be very good jump from Q1, definitely not at par with Q2 last year, but there are in certain areas in the country in the third and fourth week of September something called Sharad, so probably because of that there could be slight dip from Q2 last year but definitely the signs that we saw in October especially with Navratri and then Dussehra and then as we move into Diwali we have seen a very positive uptake as far as two wheeler sales are concerned and we can see the dealer movement as well from the touch point perspective, how the numbers are moving at each touch point. So from industry perspective very positive Q2 and we are hoping that Q3 would be as good as it could be as far as Diwali and Dhanteras these festivals are concerned. This week itself it has started showing up. We saw a very good uptake in east during the pooja season in the month of September that is another positive point for us in the sense we went in the east in a big way and that really helped as far as Q2 is concerned. We hope that with Diwali all this non Kerala areas across the country should do very well. From touch point perspective, as on July we started moving very aggressively across the country wherever we were active, close to 70-75% of the touch points we are active now and has we go forward and Vinod mentioned in his initial comment that lot of fear related to COVID is now not there and I believe that we should be in all our touch points by mid of November and as we close December I think we should be active in 100% of our touch points.

From collection perspective also because we were able to move physically and do lot of collections, there had been very good improvement in collection efficiencies, especially from lower bucket the collection efficiencies are at in fact closer to what it was before wave 2. There are certain areas, which are doing at pre COVID level, so we are seeing a very positive trend as far as collection efficiency in each bucket is concerned. NPAs we could contain that, at least incremental NPA we could arrest in August and September and as we get into Q3 and Vinod mentioned that as well that we should start reducing our NPA on an absolute term basis. So



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this is overall picture from my side on a broad level, but we can get into more details into numbers and if there are more questions, we can dwell deep into certain numbers that you wish us to take us through. So over to Vidhi if you can open for Q&A.

Moderator: Sure Sir. Thank you very much. We will now begin the question and answer session. The first question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good afternoon, Sir. First thing is on the numbers, so you have sold some repossessed vehicles, so against your average ticket size for loan how much are you able to recover when you are selling these repossessed vehicle.

Vinod Panicker: Average recovery is around 50% of the amount due from the customer.

Sarvesh Gupta: So if a loan of 50,000 has been given on an average you are able to recover Rs. 25,000.

Vinod Panicker: Let us hope and pray that it does not happen in the first few installments, it happens over a period of time. Let us say he has been given a loan of 75,000. He has paid let us say 20 to 25,000 and then subsequently the vehicle is repossessed because he does not continue to pay and at that time our average outstanding that we have when this vehicle is repossessed on an average is around Rs.35,000. So the average loss that we suffer is about 50 to 52% of this average amount.

Sarvesh Gupta: No 75,000 he has paid 20,000 so that is 55,000. Now if you are saying you are able to recover 35,000 the loss is not 50% right.

Vinod Panicker: The loss will be calculated as a percentage of whatever is due at the point of time.

Sarvesh Gupta: So the loss is 55,000 right.



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- Vinod Panicker:** If it is 55,000 the vehicle would be of that quality so we end up collecting 25 to 28,000 of 55,000.
- Sarvesh Gupta:** Okay so understood. So that is 50%. Now in how many cases when you want repossession you are able to do the job actually physically, because in many cases something else might be happening like fraud, like the customer not being reachable, if you are not able to repossess it because of variety of reasons right, so in how many percentage of cases where you want to repossess and you are able to repossess.
- Vinod Panicker:** Vehicle repossession is normally looked upon as a nuclear option. If there are no other way to collect the money from the person then the vehicle is repossessed, so that is not the first option we exercise, because we give a reasonably long rope to the customer because obviously once the vehicle is repossessed the responsibility of everybody ends and only the legal person has to then start the working. So we are not interested in that. We give sufficiently long rope to the customer to pay.
- Sarvesh Gupta:** Sir what is the policy around that. How long rope can you give. Like 90 days is the NPA after that how many more days can he be given.
- Vinod Panicker:** Everything depends on the attitude of customer. There are times when we go even up to 9 months that is to answer the question.
- Madhu Alexiouse:** Let me pitch in Sarvesh. Vinod mentioned that repossession is not the first option we use for the simple reason that as a group we believe that customer engagement is very important and mostly customer being in tier 3, tier 4 centers and cash transaction is high, it is worthwhile to connect with customer and do all possible activity to collect the money and generally the success rate in that is higher compared to repossessing and selling where you incur a 50% loss on sale. So repossession we do not have a very water tight policy that this is when you will repossess. So we have our internal team who does the collection, every case we have feedback, what is customer saying whether he is reachable, not reachable.



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You have rightly mentioned the vehicle is kept for customers so we have those feedbacks and basis that then the regional managers or the state head decide which are the vehicles we are going to repossess. Average we repossess close to 1000 two wheelers per month and that is after a proper scrutiny by the collection team. If it is a case where we are not going to get money, we would repossess.

Sarvesh Gupta: Yes. That is understandable. Of course you will give a long rope and everything. Now between 3 to 9 months when the account is NPA. The question is very simple. Let us say that once you decide that this customer is not going to pay right. You are not able to collect from whatever means whether be it characteristic you are not able to collect. Then in what percentage of cases as per your experience you are able to repossess. Where you want to repossess, but you are able to repossess what is that ratio.

Madhu Alexiouse: I think most of the cases we are able to repossess. The point that you are mentioning whether the case has escaped or customer not reachable the percentage would be very low.

Sarvesh Gupta: So does that mean that in case you want to repossess this 20% of your book which has gone bad. You will be able to collect 10% is that the right assumption or because what I was trying to arrive is that what is your maximum losses because of this. On an average you feel that you will be able to recover 50% of outstanding if you were to repossess the vehicle after giving sufficient due time and consideration as per case to case right.

Madhu Alexiouse: Mathematically fine but in this 90 plus cases we will have many cases where the POS would be let us say 10% of the loan amount or 20% of the loan amount which customer is gradually paying. All of them may not end up into repossession or loss. So what happens once the customer POS is reaching let us say 20%, 30% of his overall loan value and when they are paying 1 or 2 installments due to whatever difficulty they are facing we are



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also comfortable in the sense that because POS is less, I can repossess any day and I would not incur the loss.

Sarvesh Gupta: But ultimately what you are telling me that when you want to repossess after giving sufficient time. If you want to repossess you are able to repossess the vehicle and these vehicles are not sort of going out of your hand only so that is one. Second thing which was very surprising in this quarter is that in this quarter we were expecting your gross NPA I am not talking about percentage terms, absolute amount should have gone down that has been the case everywhere even in your competitors, in all NBFCs. So why such a starkly downward performance on the NPA front even in this quarter you were not able to do better than last quarter.

Vinod Panicker: July we did see a substantial increase in the NPA numbers. It came down from the month of August. In fact it came down in the month of August. It remained constant or steady in the month of September.

Sarvesh Gupta: No, no Sir. From June quarter to September quarter there is hardly any company which has reported increase in NPA like this continuing trend. Even your auto financers, two wheelers they have all reduced their NPA while growing the book. In our case the reverse has happened.

Madhu Alexiouse: The increase happened in the month of July. If you are comparing Q1 and Q2 it was actually July where again half of July people could not move out and collect. So I do not know about others, but definitely July was a month where things were not in proper shape. Movements were restricted. Lot of areas, movements were restricted including Kerala, so that is a thing. I mean it was not that customers they were not there or things like that. We could not reach a lot of areas.

Vinod Panicker: The due dates are y 5th of the month and once it actually shifts into 90 plus it is a herculean task pushing it back. Even in July itself there was a lot of pushing which was done to roll back the increased NPA accounts. In July itself it happened, the numbers which went into the 90 plus bucket on



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the 5th of July was significantly high, so therefore that is the reason why in July we did see an increase, but then the team rallied quickly, and they ensured in the month of August and again in the month of September that it went down and then they actually contained at a certain level. We are seeing improved performance even in the month of October and we are confident that with things opening up, with people, having more cash in their pocket, it is a bit to do with the category of customers that we deal with. Things are coming back to normal, and we are fairly confident that we would surely see 100 to 115% collection versus billing that we do which would be a lot of collection would be from the previous month overdue.

Sarvesh Gupta: So what are the expectations for December quarter and March quarter for the gross NPA numbers.

Vinod Panicker: Now let us talk absolute numbers and not the percentage because percentage will go down because disbursements are there, disbursement are increasing. In terms of absolute numbers we are fairly confident that on a much larger book the NPAs will start going down. I am not saying that it will go down by 30 Crores or 50 Crores but then I am saying that you will see that kind of reduction happening maybe in terms of absolute numbers you will see the numbers going down by about 10%. I am talking absolute numbers again and percentage will definitely go down because the disbursement is there and therefore the AUM which has started going up first time after six, seven quarters and that may keep on going up in the coming quarters. Sarvesh what we can always do is we can do a longer call. Post this call, maybe we can do a separate call. We can address all your queries.

Moderator: We have the next question from the line of Rishikesh Oza from Robocapital. Please go ahead.

Rishikesh Oza: I was asking what the loan book is currently.



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- Vinod Panicker:** 1991 that was the figure as of end of September.
- Rishikesh Oza:** Okay and Sir what growth are we looking at for this year and for FY2023.
- Vinod Panicker:** We are expecting the disbursements to go up. In fact let us say looking at the decent growth in the AUM in the next couple of quarters and I would say that we should possibly be at 2400 Crores or something at the end of the year.
- Rishikesh Oza:** 2400 at the end of year.
- Vinod Panicker:** 23 to 2400, that's the expected range.
- Rishikesh Oza:** Okay and for FY2023 do we continue this run rate.
- Vinod Panicker:** We would want to possibly respond to that at the end of the next quarter, because we will want to see actually run rate and then we would want to respond to that question at the end of next quarter. If things improve this kind of run rate will continue in the next year also.
- Rishikesh Oza:** Okay and Sir regarding our credit cost. What credit cost are we looking for this year?
- Vinod Panicker:** Q1 we had a credit cost of about 11% this time including the 10 Crores extra provision that we did; we had a credit cost of about 7.2%. We see the credit cost coming down on quarter on quarter basis and we are hoping that full year basis it should be around 4.5% . Last time I remember telling that it would be in 3 and 3.5% range, but I see that is being slightly higher at about 4.5%.
- Rishikesh Oza:** Okay and for FY2023 are we looking to get back to FY2020 levels or even more than that.
- Vinod Panicker:** FY2023 I am certainly confident if this current momentum sustains, we should be in the range of about 2.5 to 3%, 2.5% was the normal number



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that we were used to pre COVID, I believe we should go back to those level.

Rishikesh Oza: And also last question if you could share the slippage data for this quarter and year on year and quarter on quarter number.

Vinod Panicker: The slippage the total number of accounts which got slipped in the current quarter was about 27,000 number of accounts of which 10,000 rolled back to being standard, so that is what has happened in the current quarter, 27867 and 10,400 those are the actual numbers. So from our 140,000 NPA numbers we went to 157,000.

Rishikesh Oza: Okay got it. Thank you.

Vidhi Shah: Sir when you said you are targeting some 2300 to 2400 Crores of disbursement for the year and up to now...

Vinod Panicker: Mam I told 23 to 2400 crs book. I think the question was what would be the book size for the end of year. I replied to the book size. I said that about 23 to 2400 Crores of book is expected.

Vidhi Shah: I am guessing we will be anticipating some collections also to increase in the second half so will we be able to see such a growth happening in AUM despite the higher collections and repayment or the number of disbursement will nullify the collections which are happening.

Vinod Panicker: When we are saying that from the 2000 will go to 23, 2400 we are definitely seeing the disbursement will outstrip the collection and whatever collections are happening definitely it will be towards improving our overall quality of the portfolio and with the disbursement increasing we are confident. We are not saying that collections will not happen therefore the AUMs will grow, because that is not the kind of growth we will want. Then we are actually talking that the quality of the portfolio will be bad. We are



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not saying that. I separately mentioned about the NPA, the NPA will come down roughly about 10% on a quarter on quarter basis.

Vidhi Shah: Sir if you can just give an idea actually more on the numbers. Like how much of accounts were in NPA by June end and how much in July and from there how do we see the numbers now in September. So if you can give those numbers so we can understand how deterioration happened in July and how much recovery has happened in the last two months.

Vinod Panicker: What I have with me currently are the quarterly numbers which as I told Sarvesh. It actually went up from about 140,000, some 27,000 accounts got added in the current quarter and subsequently against the 27,000 roughly 10,000 moved out of NPA. Therefore the total figure was at about 157,000. Month on month figures I will need to possibly take out. I can give it to you separately maybe on a separate call .

Vidhi Shah: With the macro environment subdued for two wheeler sales and what strategy do we see applying on the growth with such reversals happening.

Madhu Alexiouse: When we say things are opening up, one of the things what is very critical is there are various other section of the society that need to open. Like the schools need to be fully functional, colleges need to be fully functional and of course lot of other things, restaurants, theaters, and other social activities need to go up which we are very sure is going up. Now when all this things open up, naturally the sale bounce happens. Now without this we are at somewhere close to what a normal quarter should have happened let us say 40 to 45 lakh per quarter sale that is happening and once this opens up which I believe November will be a month where we will see a significant change in the way people move around, physical movement and physical activity happens starting with festive season of Diwali, I think that should set up a new benchmark for sale for whatever happened during last one and half year, so we are fairly confident that industry sales would pick up as people move around and that is where our confidence comes for example I mentioned about our touch points which



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month on month we have increased our touch points then we had very clearly identified in the beginning of the year that right now we are operational at about 250 districts across the country. We have clearly identified which are the districts and counters we will consolidate our position not that we lost the counter but where we used to have high amount of business, but due to COVID it went down. We will focus to consolidate that position. We have identified growth areas as well plus all the expansion that we said, we will go slow, that we will open from Q3 onwards, so all these things taken together would ensure our distribution network is fully calibrated and then we are there across all the counters where we were there and also expanding to new areas. So distribution network is taken care through this, allowing all this physical movement. Industry opens up, school, colleges and lot of other things that would further give us the sales and third and most important thing from the marketing strategy we were very active in all the festive seasons very actively we have pursued our marketing initiatives from various campaign, physical campaign, digital campaign, and then southern states we involved into radio campaign, so that activity had continued without any stop on that, so from all perspective in the sense that whether you are there in the distribution piece, whether you are there in the go to market activity and whether you are there in the sales promo we had been very active in this and during the last 3, 4 months it has given us huge rewards so from number perspective we are really not worried. From market share perspective we have seen our market share really improving from let us say approximately, last time we were below 1% as far as Q1 is concerned against the total industry volume. We are at around 1.4% from retail sales perspective and from finance perspective we were around 2.4%, we are at around 3.9%, so we are significant inroads into all the areas where we said these are our consideration areas, these are growth areas we have made significant progress there, so we are fairly confident as dealer number moves up, as the demand and customer walk in improves and more and more sectors open up we should be having the first right of rejections of these cases in the sense that we should be at the counter



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where we get the case first and then it goes to elsewhere, so we are very confident that we should be able to maintain a better run rate than it was before.

Vidhi Shah: That is helpful and lastly on hard bucket collection. This quarter we see the numbers improving so can you please explain how did the collection from the hard bucket, what strategy did we see and how do we see that going ahead.

Madhu Alexiouse: So there are certain states where we have a separate team for the lower bucket, separate team, for the hard bucket, so there is a very clear cut focus there, then we also organize lot of collection melas whereby through the notices and through the communication to the customer we bring them to the negotiation table. They come to our offices or wherever we call them, it can be collection agencies office, our own office, or Muthoot Fincorp branch. We call them, negotiate there. We did close to 150 collection melas in the month of September and we saw a very good response there. During the course of this call we were mentioning that we believe that customer engagement is very important that is what we are trying doing because there is no fixed formula, that do A,B,C and you will get these numbers. It is not like that. We need to engage with customers. These were difficult times for everyone including our customers, so we believe that if they need some extra time, fine, but meet them, understand whether they are there or not. Identify clearly customer is traceable, vehicle is traceable, reach an understanding that he makes the payment partially or breaks it into two or three like that. So basically across the board we kind of engage with customer in a very positive way. We have been able to meet customer regularly, that is the key. Unlike just giving it to collection agencies and drive for either repossession or collection we did not do that. Of course that is there, collection plus repossession is there, but between that there are lot of things we are doing and basically engaging with the customers. Secondly with our Muthoot Fincorp branches, lot of customers go to branch, enquire, and pay there, so there



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are customers in 90 plus who would voluntarily come and make the payment that is also there. As we go forward, we are going to intensify, if you want to know we are going to intensify our collection melas that is how more and more customers would engage and I know that if I repossess vehicle today I will incur a huge loss, so I would rather talk to customer, help him out in the difficult time, collect as much money as possible and reduce my POS against that asset so this is what on a broader way we are doing. Vinod if you would like to add something.

Vinod Panicker: I think Madhu you have covered everything. Mam you rightly said that the collection in the quarter on the harder bucket has been significantly higher than what we have seen in the five quarters before that. About 9% of the total collection was in the harder bucket and we see this numbers going up as we get into the third quarter and fourth quarter. Our intention is that we reduce our absolute numbers in terms of the NPA and that is where I said that we see a 10% kind of reduction likely to happen in the third and fourth quarter and we are fairly confident that will happen and the strategies that the team has in place and the buoyancy that one is seeing on the ground makes us all confident that whatever we are hoping and doing with asset will actually happen.

Vidhi Shah: From almost 1,57,000 accounts how many customers have not paid a single EMI yet after COVID.

Vinod Panicker: I will certainly put it differently. I will say that out of the 157,000 customers there are 30,000 customers who have paid something, may not be full EMI, but they have paid something but they have not paid enough to move out of NPA. That is some five installments are outstanding the person would have possibly paid one installment or one and half installment. In fact in the presentation that we have uploaded we said that amount collected is roughly about 7.16 Crores from these kinds of accounts and that figure is spread over close to 30,000 customers and they would have also paid. Now the number of people who have not paid



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post COVID would be a separate process and we can possibly share that with you separately.

- Vidhi Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Sir on this 10% reduction of NPA. Sir you are talking about 10% reduction in Q3 and then further 10% reduction in Q4 on the absolute gross NPA.
- Vinod Panicker:** We are talking about roughly being close to about 300 odd Crores, 300 to 310 Crores by the end of the year.
- Sarvesh Gupta:** And secondly, I had one general question may be Madhu can answer this. We are also seeing a huge replacement in two wheeler sales by the EV. For example OLA has plans of selling million vehicles so companies are coming up with huge plan to sort of disturb the two wheeler market, so what is the role of financier like you in the EV game plan because if that were to become a significant share of this space and given that lot of these startups have the propensity to not be averse of losing money. They can even finance these vehicles on their own or they can set up their own dealerships rather than going through third party dealership, so how that space evolving and how do you see your role in that sort of a space.
- Madhu Alexiouse:** See I can divide your question into two. One that what kind of strategy maybe EV OEMs are doing and the second piece is what would happen to the financiers. From EV OEM perspective, I think one of the key things would be how they setup the dealership, maybe they can sell through a platform or online or whatever it is, but putting up a dealership network and competing with the current OEMs is a big task, Okay., so for any OEM, any manufacturer who is into cars or commercial vehicles or two wheelers biggest challenge is the distribution because it involves a lot of investment by the dealers plus match the standards of services, so it is a big

investment which is kind of what we call it, entry barrier for people to come and just manufacture vehicle and sell. There is a big entry barrier. From the perspective that how much EV is going to replace the combustion engine two wheelers, it is difficult to predict right now because we need to look at the price point, Okay. Price point one, second the charging capabilities, and third most important is about the battery on which lot of research is happening, how the battery efficiency can be improved and lot of activities happening in that front. I would focus on the price point because other two things are more of infrastructure related issues which of course this OEM need to address if they have to be successful. Price point right now the vehicle that has been launched are on a very high price segment and given our two wheeler customers who are very price sensitive, I think that is where key challenge would come in EV, but we are seeing the way Hero Electric or many other OEMs they have come with segment where they can compete with the current market, so that price range is where the game would be and that is where the financiers come into play because evaluating that segment of customers, having the distribution, I mentioned about distribution, the kind of reach that finance companies can give is huge and that is added advantage for the OEMs in a sense that with finance reach it is easy to sell the vehicle because the finance is available in that area and I am not talking about Mumbai and Delhi. I am talking about tier 3, tier 4 centers where you may not find many dealers, you will find sub-dealers or brokers operating there so if financiers are able to provide you that distribution, which is happening currently and that is where the dependence on finance companies happen. With the current relationship for example we would be having database of more than 18 lakh customers whom we have funded over the years and who have paid us well. Similarly lot of other finance companies have this customer base, so any new company comes to get that kind of base is a challenge and that is where the finance companies can contribute to any OEM who comes into market and win-win situation is created. I think between the current industry and the new challenge that comes it is more of partnership model that is going to happen and all



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working together would bring the right mix of the winning proposition and to that extent we had been open in terms of tying up with lot companies, one of them publicly available is Hero Electric that we tied up. We are there across like 100 plus dealers. We are operational in about 80 district as far as their reach and our reach is concerned which is common and we provide them services there. It has started well last year, immediately after the Auto Expo and just after that the COVID hit, first lockdown happened. Now it is improving I believe that as we go forward, we should be able to have couple of more OEM partnership. We are talking to couple of them who are in the price range where we want to operate. Electric two wheelers is something which we are very actively and aggressively pursuing and MCSL would be there in this product and I see that not a formidable threat right now for the other OEM when the EV comes up. My belief is that it is going to be more of coexistence rather than competition for various reasons that I mentioned and once the technology becomes good in the sense that battery becomes efficient, charging becomes available across, dealerships are there, service capabilities provided across the country, although EV does not have much to service beside battery and motor. Once that happens I think then the competitions would eat up and I see at least one, one and half year that they should kind of come into place. As of now as far as MCSL is concerned we are very bullish, positive and this is one of our key projects that we are pursuing.

Moderator: As there are no further questions, I now hand the conference over to management for closing comment.

Vinod Panicker: Thanks, all of you for being on call with us. We tried to present the numbers that we have achieved in the last quarter. If anybody else who was on the call and anybody has any queries, we will be more than happy to address them. We said at the beginning of the call, we are fairly confident about Q3 and even more confident about Q4 and we sincerely hope that we will come back to you at the end of the current quarter when we do the call to discuss the Q3 financial. We are fairly confident that the



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numbers will be far superior to what we have seen in the second quarter which was definitely an improvement over the first quarter, and we are confident that we will end the year on a high note. Thank you very much.

Madhu Alexiouse: Thank you everyone Madhu here and as we discussed and Vinod also mentioned we are seeing a U turn in the sense that whatever could have happened, wave 2 is over and we firmly believe that we should be on the road towards what would have happened in FY2020 bench marking that and growing further. As we meet in the next quarter, I think we should be able to give a very positive and good result to all of you, but just to assure you that we are there in full action and very confident. The confidence level itself is very high and the recent festive seasons also kind of give us that confidence. How the OEM grows, how the industry grows is secondary but as far as MCSL is concerned and with the flagship that is Muthoot Fincorp Limited, our branches across the country, I think we are very solidly placed, very close to customer and we should be able to tie up each and every two wheeler customer. We have improved our market share. We are very confident that we will continue to do that. Thank you all once again and in advance happy Dhanteras, happy Diwali to all of you. God bless. Thank you very much.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.