Management Discussion

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Sir. Yeah, thank you, Rituja. Good evening everyone. I am Abhijit Debrival from Motilal Oswal and it is our pleasure to welcome you all to this earnings call. Thank you very much for joining us for the Manapuram Finance call to discuss Q2 FY27 earnings. To discuss the company's earnings, I am pleased to welcome Mr. VP Nandakumar, CMD, Dr. Sumita Nandan, ED, Mr. Bhuvanesh Thadasankar, Group CFO and CFO, Mr. Manoj Phasanga, MD and CEO, Ashirwad Microfinance, Mr. Amandeep Singh, CFO, Ashirwad Microfinance.

Mr. Rakesh Sharma, CEO, Manappuram Home Finance. Mr. Suveen PS, Deputy CEO, Manappuram Home Finance. And Mr. Robin Karuvelli, CFO, Manappuram Home Finance. On behalf of Motilal Oswal, we thank the senior management and the investor relations team of Manappuram Finance for giving us this opportunity to host you today. I now invite Mr. Nandkumar for his opening remarks, post which we will open the floor for a Q&A. With that, over to you, sir.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Thank you. Good evening everyone and a warm welcome to Manappuram Finance, Mood 2 FY27 analysts and investors. I hope you all had a joyous Diwali. And I extend my wishes for the festive season. Thank you for asking the time to join us today. We sincerely appreciate your continued trust and confidence in Manappuram Finance. It's a pleasure to connect with you once again. We review our performance for the quarter 2 [Foreign Speech] and share of priority on the monster heads operational environment.

Indian economy continue to the monster and relies plan to the second quarter of 2027, even as the global environment remains unsettled. Idea political tension, trade-related uncertainty, and fluctuations in commodity prices. Domestic activity drew support from consumption, services, public infrastructure investment, and a gradual improvement in private sector investment. The gold market presented a distinct set of values during the quarter. Domestic gold prices remained significantly higher than a year earlier, although they had moderated from the recent peaks and remained volatile.

Going forward from the same, data indicates that Indian gold demand By volume, this was sequentially the dealer customer profile. But in May, lower year-on-year in value terms, however, even was higher reflecting elevated prices. For growing lenders, this development have important implications. I think Domestic gold prices have softened modestly in the first half of FY27 from their peak in March quarter. They remain well above the year-average level. This continues to support the value of eligible collateral and customers' access to secured financing.

At the same time, the recent moderation and continued volatility reinforce the importance of prudent beyond-to-value practices, accurate valuation and pricing, and robust risk management. Our Q2 FY27 performance Should be seen in the context of the opportunities and operating conditions across our businesses. Our rural franchise remains the principal driver of the group's performance, accounting for 83% of consolidated profit from the franchise, while our diversified businesses are We managed by- managed with a focus on factory quality, operating discipline, and sustainable returns.

This is the quarter consolidated after some transition. Storage 73 crores, we have 73,323 crores. [Foreign Speech] I'm so sorry to interrupt you,

Operator
Mr. Nandakumar. We are unable to hear you so clearly. Your voice is sounding muffled.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Am I audible now clearly?

Operator
It is still sounding muffled, sir.

Unidentified Participant - Analyst
How is it now?

Operator
Maybe if you're connected on the handset, uh, can you connect? If you're connected on Bluetooth or anything, can you just Uh, switch on the handset mode.

Unidentified Speaker - No designation available, Manappuram Finance Ltd
Okay, please

Prithviraj Patil - Analyst, Investec
Go

Unidentified Participant - Analyst
Ahead, sir.

Prithviraj Patil - Analyst, Investec
Is it okay

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Now?

Unidentified Participant - Analyst
Yes, please go

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Ahead. Okay, so during the quarter, consolidated assets under management stood at Rs 73,303 crores, up by 50.1% year on year and up by 5.3% quarter on quarter, while the consolidated revenue was Rs 3,356 crores, up by 10.2% year on year. Profit after tax stood at Rs 701 crore compared to Rs 217 crore in the corresponding quarter of the previous year. On a quarter-on-quarter basis, That increased by 19.9% from Rs 585 crore in FY27. The performance reflected due to higher growth in home loan. Our focus remains on ensuring that business growth translates into quality earnings.

We continue to assess opportunities across our lending businesses with a clear emphasis on customer sustainability, prudent underwriting and collections, and the efficient use of capital. Our balance sheet and funding positions remain important enablers of our strategy. We continue to work with a diversified set of funding partners and maintain liquidity and capital buffers appropriate to the scale and the nature of our operations. Coal lending remains the foundation of Manappuram Finance. Our longstanding presence in this business with a legacy that goes back to 1959 has given a deep understanding of customer needs, the nuances of gold prices, and the operational requirements of secured lending.

During the quarter, our gold loan business continued to benefit from the relevance of gold-backed credit for customers seeking timely and convenient financing. Elevated domestic gold prices have increased the collateral value of household gold holdings beyond the price cycle. However, the demand rests on a structural need. For many households, small traders, and farmers, a gold loan is the cheapest form of secured credit. And a way to access liquidity without selling an asset of financial, personal, or family significance.

Borrowing against household gold also continues to shift from informal sources to regulated lenders. Higher gold prices also require lenders to remain disciplined. Our emphasis is on responsible customer acquisition, appropriate loan-to-value levels, accurate appraisal, secure custodial custody of pledged gold, and timely monitoring of accounts. We explain long-term and auction procedures clearly to our customers. These practices protect our customers as well as the quality of our portfolio. Competition is intensified as banks and NBFCs widen their reach.

Our response is to deepen our presence where we can serve customers best. We plan to add around 500 branches by March '27 to our existing consolidated network of 5,375 branches. Alongside this, we continue to strengthen the customer experience through technology and process improvements. We further- we, we see further room to grow in the organized cold loan markets by serving customers responsibly, improving service standards, and using technology to make access to credit in a more seamless manner.

They are growing strongly, and we intend to keep that growth disciplined. We expect full-on growth of 25 to 30% this year, supported by branch expansion and digital channels, and governed by the same appraisal and loan-to-value and customer standards. A diversified lending business remains an important part of our long-term strategy. They allow us to serve customers across different borrowing needs and life stages while broadening the organization's sources of business and earnings. We are, however, Mindful that each segment has its own risk characteristics and operating cycle.

In microfinance, the sector has been working through the stress of the past 2 years. Industry assessments have begun to point to improving collective and a gradual recovery of in-residence balance, although conditions are not uniform across regions and institutions. Our response has been to strengthen borrower assessments, improve collection intensity, recalibrate customer acquisition, and focus on responsible lending practices. As it was, my company remained profitable till the quarter end. We'll continue to grow cautiously, guided by repayment behavior and portfolio quality.

In retail finance, we have paused debt dispersal. Our focus is on strengthening collections, protecting asset quality, and running down the existing book in an orderly manner. We reassess the business in FY28. Our housing finance and the MSME lending business remain focused on customer segments whose repayment capacity We understand well, and we are prioritizing disciplined underwriting, operating efficiency, and sustainable risk-adjusted returns over rapid and cheap expansion across these businesses.

The objective is consistent: to strengthen the underlying portfolio. Improve operating performance, and build franchises that can contribute meaningfully to the organization over the long term. Asset quality remains central to the way we manage the organization. We continue to monitor portfolio performance at both the consolidated and the business segment, business segment levels, recognizing that the risk profile and recovery dynamics differ across products. As on September 30, 2026, standalone gross non-performing assets stood at 1.79%.

Net non-performing assets at 1.24% and the, and the provision coverage ratio at 31.3%. Our go-long

business is underlying collateral supported by disciplined appraisal, custody, and auction process remains an important risk mitigant. The portfolio loan-to-value ratio stood at 64.5% at the quarter end, which is within regulatory limits. We remain appropriately focused on provisioning and the recognition of stress. Our approach is to address asset quality challenges in a timely manner rather than defaulled corrective action.

Our capital adequacy stood at 22.3% as of September 30th, 2026, compared with the applicable regulatory requirements of 18%. Our liquidity position remained adequate, supported by available cash and liquid assets committed and unutilized bank lines and access to diversified funding channels. We will continue to manage capital liquidity and funding costs carefully, ensure that our growth plans remain aligned with our risk appetite and balance sheet capacity. Looking ahead, India's medium to long-term financial services opportunity remains significant.

Rising formalization of credit, wider digital access, growing financial awareness, and the financing needs of households and small businesses provide a meaningful opportunity for responsible lenders. At the same time, the outlook will be shaped by inflation, interest rates, and funding costs, onshore conditions, end-user demand, oil and other global commodity prices, and the ability of the borrowers to sustain repayment capacity. We believe our established rule of franchise, customer relationship, distribution capabilities, and experience in servicing unbanked customers provide a strong foundation.

By combining these strengths with disciplined execution across Our diversified businesses aim to build a more balanced and sustainable financial services platform. Before I conclude, I would like to thank our employees for their commitment and hard work, our customers for placing their trust in us, our banking and lending partners For their continued support, and for shareholders for their confidence in Manappuram Finance. With that, I will hand over the call to our President and Group CFO, Mr. Bounesh Karasenga, who will take you through the detailed financial and operational performance for the quarter.

We will then be pleased to take your questions.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Thank you. Good evening, ladies and gentlemen. This is Bhuvnesh. Uh, thank you for joining us for our discussion on our financial results for the 2nd quarter and half year ended September 30th, 2026. Our consolidated AUM for Q2 FY27 was Rs 73,303 crores, up 5.3% sequentially and 60.1% year-on-year. Gold Loan continues to be our key growth driver with an AUM of Rs 60,640 crores. Up 6.4% quarter on quarter and 92.5% year on year, supported by strong customer demand. Gold loan business constitutes 83% of the consolidated AUM, uh, versus 82% in Q1 of this year and 69% last year.

For Q2, consolidated PAT before OCI and minority interest was Rs 701 crores, which is up 20% sequentially and 223% year on year. We closed the first half of the year with a consolidated PAT before OCI and minority interest of Rs 1,286 crores, which was up 268% year-on-year. Coming to the standalone businesses, our standalone AUM for MIFIL as at end Q2 was Rs 63,733 crores, up 4.5% sequentially and 68.5% year-on-year. Gold loan AUM in the standalone business was Rs 58,097 crores, up 6.3% quarter on quarter and up 92.2% year on year.

Gold loan constitutes 91% of our standalone AUM versus 90% in the prior quarter and 80% in prior year. Uh, for the quarter, our standalone PAT before OCI and minority interest was Rs 665 crores, which is up 20% sequentially and up 77% year on year. For the first half of the year, our standalone

PAT was Rs 1,217 crores, which was up 58.4% year on year. Our standalone GNPA as at 30th September was 1.79% versus 1.56% during the previous quarter. Credit cost for the standalone entity was 1.4%. Standalone borrowing cost has gone down by 2 bps in the second quarter Coming to the gold loan business, strong momentum in customer acquisition continued and we were able to add 3.15 lakh new customers.

Our outstanding number of customers was 27.2 lakhs, an increase of 2.9% quarter-on-quarter and 11.7% year-on-year. Our average gold loan LTV remained stable at 64.5% in Q2 versus 65.6% in Q1. Online gold loan book constitutes about 91% of the total gold loan book. Coming to the microfinance business, Ashirwad AUM stands at Rs 7,919 crores. And this includes a gold AUM of Rs 2,508 crores, which is up, uh, 10% quarter on quarter and 28.5% year on year. For the quarter, MFI disbursements was at Rs 1,461 crores versus Rs 1,055 crores in the prior quarter.

The proportion of the new MFI book has gone up to 79% versus 68% in Q1 and 23% in Q2 of last year. PAT before OCI was Rs 32 crores in Q2 FY27. Versus Rs 21 crores in Q1 and a loss of Rs 168 crores in Q2 of last year. For the first half, our EBITDA was at Rs 53 crores versus loss of Rs 436 crores in the first half of last year. Net NPA is at 1.1% versus 1.4% in Q1 FY27. Ashirwad CRAR as at 30th September stood at 29.2%. Coming to the vehicle finance business, in vehicle finance We have reported an AUM of Rs 2,169 crores, which is down sequentially 15.3% and about 46.5% year-on-year.

Focus is on collections, with GNPA standing at 16.9% versus 13.4% in the prior quarter. Loans to MSME and allied business, the AUM was at Rs 3,361 crores with a disbursement of Rs 238 crores versus Rs 191 crores disbursed in the prior quarter. GNPA in Q2 was at 6.4% versus 5.9% in the prior quarter. The home loan business had a total book of Rs 1,814 crores, marginally declined quarter-on-quarter by about 1.7% and down 4.5% year-on-year. Quarter 2, the disbursements was Rs 121 crores versus Rs 103 crores in the prior quarter.

Board has declared an interim dividend of Rs 1 for this quarter. Our capital position is strong and our capital adequacy is at 22.36%, and consolidated net worth stood at Rs 17,298 crores as at September 30th, 2026, with book value per share at 184.2. We can now proceed to the question and answer session.

Questions & Answers

Operator
Thank you very much, ladies and gentlemen. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from the line of Gaurav Gupta from Capital Farming Consultants. Please go

Unidentified Participant - Analyst
Ahead. Yeah, hi, I hope- yeah, I hope I am audible. Yes, you are. Please go ahead. Yeah, yeah, uh, thanks a lot. Uh, so I have a couple of questions. Uh, my first question is like, uh, there are- there has been commentary from a couple of your peers the NBFC, especially in the gold loan segment, that there has been some increase in the delinquencies among those who have been borrowing gold loan, right? So if you can share some color on your customers, that how is the delinquencies, or if

there has been some increase in the tendency to not repay in 30+, 60+ kind of buckets.

So that is the first question. Uh, second question is, uh, in our last call also, uh, management said that we are targeting somewhere around 500 branches, uh, to open during financial year '27, right? But what we have observed in the first 6 months ending September 30th, the number of branches added during first 6 months is, uh, hardly 100, or I would say even less than 100, right? So, so considering that just 70 branches has been added in first 6 months are we still guiding on that we will be achieving 500-odd branches during FY27, or we are downsizing that guidance, right?

And the third question is specifically on some operational aspects that of late we have been observing as analysts and as shareholders, right, that the senior management personnel who joined our organization post Bain Capital deal, right, some of them have resigned. So, so any, any commentary or any guidance on the management stability, right? Because that matters a lot when you are expanding your book, giving confidence to the investor community, right? So, so these are my third questions. Thanks a lot.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So concerning recent diligencies, first of all, you should note our average GLTV remains around 65%. Perhaps the lowest in the industry. So our stage 3 is only 1% in gold loan. So, uh, we are the players who have the experience over the last 4 decades in handling gold in different scenarios of declining gold prices, etc. And managing it efficiently. Yeah, I, yeah, I understand some of the players, maybe many from the- many new to the industry, whereas we are not new to the industry. We have established presence in the whole loan segment.

The second about is the- our branch opening. Yes, even though we have opened nearly 100 branches so far. So another 250 branches, the work is in full swing, and we expect that to be opened in another couple of months. And we are really confident about reaching 100 branches with regard to branch opening. Regarding the operational aspect of CEO, the earlier CEO has resigned on health ground, etc. So personal ground, etc. So a new CEO is expected to take charge. The recruitment is already over and he is expected to take charge from 1st of January.

Uh, CTO has resigned because of he has some health issues. So other than that, the company recruitment There is no, uh, attrition. So there is great stability with regard to new recruitment. These are the 2 attrition levels. So, uh, for the CTO positions also, we are closing on some good candidates from the recruiter background in the industry and having done some IT transformation. So yeah, any more clarity is required?

Unidentified Participant - Analyst
Yeah, yeah, some. Just a follow-up, like, uh, uh, in the cost of borrowing, uh, finance team has done a tremendous job while the repo rate has been increased by 25 basis points, but we are able to see that 3 basis points has been saved in cost of borrowing. So would you like to give certain, uh, guidance that going forward, what would be the trajectory? If you can expect certain more, uh, savings on the cost of borrowing? And second, uh, uh, any, any guidance on what we can expect, that what could be the possible or a tentative AUM while we will be closing FY27?

Uh, and any guidance on the possible, uh, AUM? Yeah,

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So the, the second part I will answer. The first part I will leave to the CFO to answer. So we have given the guidance, we are expecting with a Growth of nearly 20 percent, 30 percent AM second

current year. We have been telling about 25 to 30 percent. Or we are expecting a growth of some 30 percent second current year.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Hi Gaurav. So on the cost of boring you rightly noted that you know despite difficult choppy. you know, volatile market conditions, we've been able to hold to, you know, the Q1 levels and maybe shave off a couple of bps. But having said that, you know, given, um, you know, the environment and, um, you know, the, um, you know, expected rate increases, um, you know, from an overall Q4 exit, you could probably expect my cost of borrowing to go up more towards the 9% handle. And that is, uh, we in line with, you know, what was communicated in the Q1 call as well.

So, so that's, that's what we are holding to, that in terms of, you know, the exit cost of borrowing will probably increase by about 25 to 30 basis points.

Unidentified Participant - Analyst
Yeah, thanks a lot. Thank you very much.

Operator
Thank you. Next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Unidentified Participant - Analyst
Yeah, hi, good evening. Congratulations on very good numbers. Uh, firstly, sir, if you can give us some breakup of the gold loan portfolio between bullet loans, monthly interest servicing loans, and EMI loans they're paying. And second, if you can also give some disclosure about How the stage two loans have moved Q on Q in the standalone goal on this?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So hi. So broadly, yes sir, please go ahead.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
No no, Munish, you can go ahead.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Okay sir. So in terms of the composition, I would say. Mostly the book continues to be, you know, the longer tenor book, uh, which- so in terms of the EMI and the shorter tenor book is a more smaller component of our overall, uh, portfolio. So that's what we have, um, in terms of, you know, the staging. I think, um, in terms of the, uh, Stage 2 increases, uh we are looking at single digit as a percentage of overall AUM. So that's where we are.

Unidentified Participant - Analyst
Okay. And when is a long tenure book? Is it- so it implies that these are bullet loans and where the interest is also not actually contractually due, right, on a regular basis?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
They may not be contractually due, but you know, the behavior of the customer, we've seen about almost 60 to 65% of our customers, uh, they, they pay interest promptly even though there's no scheduled payment as such, which is correct. That is what we observed in the past, and we don't see any change in that behavior, uh, you know, uh, going forward as well.

Unidentified Participant - Analyst
On this stage 2- yeah, on the stage 2 spike of, you know, being- it's still a material number. Uh, how do we, you know, plan to, you know, solve this, or how do we plan to ensure that the customer don't move, you know, buckets forward and they're able to, you know, roll back or regularize whatever they have missed, uh, if the loan is shorted any or if the interest is missed, uh, by them in the interim.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So we sent the notices, we contact the customers. When the notices are received, they come and remit the interest and make up the The LTV also to the current level. This is the practice which has been followed and this is nothing new.

Unidentified Participant - Analyst
Just lastly, option

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Is very, very low.

Unidentified Participant - Analyst
Okay. And just lastly, on loan growth, so you said that 25-30% growth. So I think it should have been the first half, the portfolio growth grown by 19%. Uh, and right now the Q1Q growth run rate is 5-6%. So are we seeing that 5-6% growth rate, uh, at the AUM level is continuing even in October-November? And that should be the level of- there

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Are fluctuations in accordance to the seasonal fluctuations are there. So the 4th quarter used to be very good fourth quarters or the growth used to be moderate at a rate of 5-6 percent first quarter used to be good, such like. so as I said we are expecting somewhere percent growth in the whole on AUM this year.

Unidentified Participant - Analyst
Okay thank you sir, best of

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Life. [Foreign Speech]

Operator
Thank you. thank you. Next question is from the line of Gaurav Khandelwal from JP Morgan. Please go ahead.

Unidentified Participant - Analyst
Hi, good evening. Thanks for taking my questions. My first question is on, uh, the Stage 2 of gold loans, and I'm sorry if I missed it. Can you tell us about the Stage 2 gold loans and, uh, when do you expect it to settle down? Some details on that, please.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Stage 2 and Stage 3.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So on Stage 2 and Stage 3, while, you know, we are seeing a bit of a spike, but again, you know,

compared to, you know, peer group, uh, we are much lower than what, you know, peer groups are operating at. Uh, having said that, you know, a couple of things that I would like to, you know, um, note here. Uh, it is largely behavioral, right? In April, you know, you had this changed regulations that came into effect, and you had a set of new products that were launched, which were, you know, the shorter tenor and the EMI-based products.

Now, these products are something that, you know, the customers have never experienced before. They're used to the traditional, you know, 1-year consumption kind of loan, which is traditionally a bullet payment, right? So that's the behavior that they're used to. So in terms of spike, you know, typically what we've seen is that, you know, what it requires to, you know, correct this is basically increase the customer contact and educate them in terms of, you know, the difference between the traditional product and the new products that have been launched.

What we have seen in terms of early reads is quite encouraging in terms of, you know, the spike that we are seeing in, uh, Stage 2. We've seen a large quantum of these customers coming back and paying either in full or in part, and therefore, you know, kind of regularizing, um, the, uh, you know, amounts outstanding, which therefore does not necessitate us to go down the auction path. So I think it's a- I would say, you know, it's a phenomenon which I think should kind of normalize in probably in the next couple of quarters and reach a more normal level as, you know, customers get used to these kind of products.

Having said that, you know, we are monitoring it, the overall levels for any stress, but thus far I think we are quite comfortable with what we are seeing, and we will continue to, you know, keep up the intensity in terms of, you know, reaching out to the customers and, and collecting from these customers.

Unidentified Participant - Analyst
Got it. Thanks for that. And my follow-up question is on competition. Uh, can you share your thoughts on how competition is evolving, and do you anticipate that over the next 6 to 12 months Is there a possibility of yields moving lower in terms of- because of competition?

Prithviraj Patil - Analyst, Investec
Sorry, I didn't get that.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
The competition- competition is there for any attractive product. There will be competition. But our strength is our knowledge, which we have gained over decades of doing that, managing different situations including price risk, etc. So many of the newcomers may not have that capability. So regarding the pricing, our pricing remains one of the lowest in the industry. So we are able to look at our customer acquisition and manage in these, even in a scenario of the price falling down less compared to previous quarter, our new customer acquisition is in all very high.

Total customer base is scaled up by 11 percent year on year and quarter on quarter also we have growing, our customer base is growing by more than 3 percent. conversion also is increase from disturbing the competition.

Piran Engineer - Analyst, CLSA
Thank you. Those are all my questions.

Operator
Thank you. Next question is from the line of Piran Engineer from CTEK International. Please go ahead.

Piran Engineer - Analyst, CLSA
Yeah, hi sir, congrats on the quarter. Uh, just 2 questions. One is, uh, your provisioning of Rs 220 crores on a standalone basis, how much is gold versus non-

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Yeah, I think largely it will be driven by, uh, gold, and we also have some, you know, prudent management overlays that we have taken and built into the, uh, numbers.

Piran Engineer - Analyst, CLSA
Oh, okay, but can you quantify the non-gold part of it?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Yeah, we can- we'll get back to you on that. We'll quantify it.

Piran Engineer - Analyst, CLSA
Okay, sure. And just secondly, uh, how should we think about the trend in OpEx going forward? Because you all have contained it pretty well, but at some point you will have to sort of- you are opening 500 branches, you'll add more people, uh, you'll have to incentivize your employees. How do we think about OpEx growth?

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So that's why we- our

Piran Engineer - Analyst, CLSA
Yes,

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
See, our online volume OGL is around 91%. So our existing branches are also growing without adding more people. So with a more- with more OGL and technology in place, actually we have reduced the men in branches without affecting the customer service. So our ability to shift our customers to online full loan is really helping us. So with- when we add 500 branches, you don't expect much of the employee cost to increase because we are in the process of rationalizing the field employees. So we don't expect that.

So the OpEx to AEM will come down even in spite of opening 500 branches. so the employee cost to AUM will come down.

Piran Engineer - Analyst, CLSA
Understand, understand. Yeah okay so that's it from mine. Thanks and wish you.

Operator
Thank you. Next question is from the line of Shrinkhali Sardar from Oaklane Capital. Please go ahead.

Unidentified Participant - Analyst
Hello sir, am I audible?

Operator
Yes. Yes you are.

Unidentified Participant - Analyst
Sir, just wanted to know the split of gold loan and gold and non gold in GNPA and can you quantify stage two number?

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Pravesh,

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Yeah so I'll take the stage two first so on stage two I would say it is between low and mid single digit, that's what we have on stage two. And in terms of GNP, just a minute. Gold GNP is about 1.04% for the quarter. Okay, sir. From the overall total of 1.79%.

Unidentified Participant - Analyst
And so just one more follow-up, that can you also quantify the number of Stage 2 of quarter 2 FY26 if possible?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So Stage 2 would be much lower. I mean, if you look at, you know, gold Because, you know, the other portfolios have been undergoing changes. So, you know, overall MAFIL, I mean, you had BEF and, uh, you know, other products which are in wind-down mode. So I think, you know, from a gold perspective, uh, it was much lower. It was probably, you know, less than half a percent, um, you know, same time last year is what I will look at about

Unidentified Participant - Analyst
Okay, sir. Thank you.

Operator
Thank you. Next question is from the line of Shabran Shamishra from Celebs Capital. Please go ahead.

Unidentified Participant - Analyst
Yeah, hi, good evening. So, uh, the first question is around the EMI products. Uh, so if we do EMI products, it has to be yield mitigating versus a bullet loan where the interest is getting accrued at the end of the tenure. How is it at a similar kind of a yield? Uh, can you please elaborate on that? Second is basically, uh, data keeping questions. If you can quantify on the auctions, uh, this quarter, what is the gold price, uh, per gram in rupees, and what is the accrued interest as a percentage of AUM?

Thank you.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
The yield on the, the gross yield on the EMI and the bullet payment compliant is, will remain somewhere around 17.5 to 18.5%. So that's the expectation, yield will remain somewhere there within that range. So the regarding the auction, yes, Kunal sir, that you can

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Auction amount is nearly 100 crore in this quarter. Hold price we taken, uh, hold prices on, uh, this quarter 2 is Rs 13,526.

Unidentified Participant - Analyst
And what is the accrued interest as a percentage of AUM? It's more or less same asset of Q1. Uh, what is the number? We'll come back on that number. Right, right. If I can- right, right. If I can just squeeze in one last question, uh, when we speak to various competition, uh, they, uh, whether it's banks or other NBFCs, they come back with the feedback saying that we have started a price war in various, uh, markets, at least 5 to 6 states, wherein, uh, we are offering very low teaser rates less than 1% per month, which basically would be cumulative or an effective interest rate of around 12-13% on an annualized basis.

So if we can speak on that and how is competition yielding to it, and is that a strategy going forward as well, or is that something that the new promoters are asking us to do. So what, what is the idea behind all of this? And if you can speak on this and clarify this, thanks.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So we are not in competition and not on a price war, etc. We wanted to remain as one of the attractive lenders for the consumers. So if you- so we are keeping our rates as one of the lowest in the industry to ensure that our customers are retained and we are able to acquire customers, make them long-term repeat customers, etc. It's a long-term strategy. We feel like that will make our business model more sustainable. And still, whatever we have given the guidance to the market with regard to our ROA ROA and ROE.

We'll stick to that. We told the ROA to be somewhere between 3.5 to 4% and ROE between 15 to 18%. We'll stick to that,

Unidentified Participant - Analyst
Right? And, uh, what is the board-approved policy for the pricing of the loans? Do we have a minimum and, uh, so a floor and a ceiling if the board approved the policy on that?

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Yeah, we have the board-approved policy. We go by the board-approved policy. Yes, this changes from time to time with regard to the market rate, etc. It is taken to the board and that takes the board approval. So it's all markets related. Yeah,

Unidentified Participant - Analyst
Right. Right, right. Thank you, thank you so much. I'll come back in the queue. Best of luck for ensuing quarters.

Operator
Yeah, thank you. Next question is from the line of Sanket from DAM Capital. Please go ahead.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Yes, I heard you saying, uh, Stage 2 is, uh, lower single digit, uh, but it would be helpful if you can put up a number to it. Uh, we are seeing sharp increase in Stage 2 for other peers and hence the question. Uh, so it would be really helpful if you can Spell out the number.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So stage two, I would say it's about five percent or

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Thereabouts.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Okay. This is on the gold area.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Okay, okay. Cool sir. I see. Yeah. And the the other thing that we have seen in PPD is that this quarter you have the classified. Some ARC loss on ARC sale to provisions, how much that amount would be?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
That's about, that's about 14 crores. It's a very small amount.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Okay. And besides that, have we created any overlay since the profitability was strong?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So yes, we have taken some prudent management overlays. Um, over and above the, the ECL provisioning. But that is, you know, something which is dynamic, and, uh, you know, we will decide, uh, in terms of, you know, the environment. And we've just considered it to be prudent to build some management overlays, uh, given the strong momentum.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Okay, how much, uh, that overlay quantum would be for this part of

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So we'll get back to you on that, uh, on that number.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Okay, okay,

Unidentified Participant - Analyst
Cool. Thank you.

Operator
Thank you. Next question is from the line of Sameer Bhai from Diamond Asia. Please go ahead.

Unidentified Participant - Analyst, Diamond Asia
Yeah, hi, uh, thanks for the opportunity and congrats on the quarter. Just wanted to ask, how are you thinking on gold loan growth, especially given the way prices have moved? And say, assuming it stays around current level, by next quarter we will be on a lower price on a YOY basis, meaningfully lower price on a YOY basis. So how should one think on growth for the year and maybe next couple of quarters, if you can kind of Give a sense.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
See, we have told you, told the market from the very beginning, we, we are expecting a growth of 25 to 30%. So we stick to that. We expect we'll be able to grow it around 30% in the current year. And yeah, and we are able to acquire customers also. Customer acquisition has improved, Kolaksa also has improved, so this momentum will continue.

Unidentified Participant - Analyst, Diamond Asia
[Foreign Speech] and just can we can we have the stage to number for Q1 27 as well on the gold

business so

Unidentified Speaker - No designation available, Manappuram Finance Ltd
On the gold business it was about close to 50 basis points

Unidentified Participant - Analyst
Okay, sure. Thanks.

Operator
Thank you. Next question is from the line of Deep Vakil from Bandhan EMC. Please go ahead.

Unidentified Participant - Analyst
Congratulations on a good set of numbers. Am I audible? Yes, yes, sir. We, we had, I mean, some regulations around to classify loans as income generation and consumption Uh, so I think certain- if it's income generation, then we had to underwrite some underwriting around cash flow-based underwriting. So we have any color on that? I mean, what is that proportion of IGL versus consumption loans in us? I mean, in our book? And I mean, what underwriting practices we follow? Or any color on that?

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So and income generating gold loans we underwrite a customer so we we look at this cash flow we look at this other borrowings [Foreign Speech] on the basis of cash flow we consider it is a cash flow based lending so that practice other than the bullet loans is a very different practice Where we have already trained our employees. The numbers can support.

Unidentified Participant - Analyst
Okay. And sir, yeah, sorry, go on.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
No, you were saying something.

Unidentified Participant - Analyst
Yeah, sir, any proportion that you can give of our overall gold loan book? What will be IGL and consumption loan? I mean, some ratio or some metric?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Yeah, income generating loan is a very small component in my Overall gold loan base.

Unidentified Participant - Analyst
Okay, so it's majorly consumption loans then?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Okay. Yes, yes.

Unidentified Participant - Analyst
This

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Is the IGTL, income generating gold loan, is growing slowly because we are introducing that in a- we have introduced that in a phased manner, training our employees to assess cash flow, etc. So you'll

see gradually as a gradual increase in the disposal in IGCL going forward.

Unidentified Participant - Analyst
Okay, and sir, any analysis that we do around, I mean, some percentage fall in gold price and what impact does it have on our LTV? And sir, I think some of the participants asked the question of gold price in rupees, so can you please repeat that number as well?

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
See, at the beginning itself, uh, the opening remarks also, I have told about our average LTV Today, you know, in our books, it's around 65%. So you look at the published data of other lenders, all of them are much far higher than ALTV data, most of them. So that shows our prudent practices in managing the ALTV.

Unidentified Participant - Analyst
Gold price

Prithviraj Patil - Analyst, Investec
Mention [Foreign Speech] 13,526.

Unidentified Participant - Analyst
13,526. okay sir okay thank

Operator
You thank you next question is from the line of Nidesh Rent from Investec please go ahead

Prithviraj Patil - Analyst, Investec
Thanks for the opportunities. The first question is on on distribution of LTV. So what percent

Unidentified Speaker - No designation available, Manappuram Finance Ltd
[Foreign Speech]

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
[Foreign Speech] We'll have to get back to you on that.

Prithviraj Patil - Analyst, Investec
Sure, sure. And second, what percentage of our book will be bullet loan and what will be non-bullet payment?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Most large component, I mean the majority of our book is is largely bullet. And given that, you know, these schemes have been recently introduced, um, you know, in the first quarter, uh, they are a smaller component. Both the IGGL and, and the EMI-based loans, they are much smaller component. Majority is all bullet schemes.

Prithviraj Patil - Analyst, Investec
Majority, basically 90%. We should take 90% plus, or-

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Yeah, 90%. Yeah, yeah, absolutely.

Prithviraj Patil - Analyst, Investec
And the last question is on auction. What is the quantum of auction we have done in this quarter and in first half? 100 crore in this quarter. Okay, and first half?

Unidentified Participant - Analyst
The first half is nearly Rs 20 crore only, so total Rs 125 crore.

Prithviraj Patil - Analyst, Investec
Okay, okay. And then this is just on this monthly scheme, so going forward we will continue to see share of monthly schemes going up, or do you see that trend playing out?

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So it is gradual. As I mentioned, it will be gradual. We are training our employees and, and that has been done in a phased manner. So gradually it will improve.

Prithviraj Patil - Analyst, Investec
But, uh, if you can get some, give some color on how the share of monthly scheme on incremental disbursement, uh, that would be useful.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
[Foreign Speech]

Unidentified Participant - Analyst
Or currently around this less than 10 percent only, 8 to 10 percent only this monthly and quarterly payment category scheme. Today told alert like it's gradual only because customer also we are setting detail and educating them and also embrace also will That

Prithviraj Patil - Analyst, Investec
Level on it. Majority are good luck. Sure, sure, sure. Thank you, sir. That's it from my side.

Operator
Thank you. Next question is from the line of Gaurav from MLP. Please go ahead.

Unidentified Participant - Analyst
Yeah, thank you for taking my question. I have a couple of questions. Uh, one is, uh, sir, if you can quantify what was the, uh, what was the quantum of overlay that you created in this quarter? Uh, if you can, uh, if you can quantify, because provisions seem to have gone up sequentially. So just wanted to understand the, uh, the overlay or the discretionary element of, of the provisions.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So in terms of, uh, you know, the overlay, I would say, uh, of the 1.79% cost that we are seeing, uh, or you can say about Uh, 70 to 80 basis points would be the overlay.

Unidentified Participant - Analyst
Understood, understood. Perfect. And the second question is regarding the Stage 2. Um, so Stage 2 currently is at 5%. Let's say by end of this year, do you expect this to normalize? Normalize as in what we saw in 1Q, we were at about 50 basis points, give or take. Uh, do you expect this in the next couple of quarters to, uh, self-cure?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So early reads, what we are seeing right now, uh, you know, are encouraging in terms of, you know, uh, getting the collections on from the customer. But as I said, you know, these are all early reads and, and largely attributable to, you know, behavior of customers getting used to this kind of product. So as of now, it's because it's something very new, uh, it's difficult to uh, you know, predict what the normalized trend would be, right, in a particular quarter.

Unidentified Participant - Analyst
Sure, but it's already started trending down. Is that a fair statement to make, let's say in October or November?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Yeah, the early reads are that, you know, from the levels of what we have seen in September,

Unidentified Participant - Analyst
Right,

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Uh, we've been able to collect a fair bit. But, you know, this is something that is you know, on a rolling basis, you know, you will see

Unidentified Participant - Analyst
A,

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
You know, a certain inflow as well into Stage 2. So where it will normalize and, you know, that would be a normal trend, that is, you know, a little difficult to predict at this stage.

Unidentified Participant - Analyst
Understood, understood. And just a data keeping question on the overall, let's say, management overlay, uh, in your EC- over and above your ECL, how much overlay are we carrying, uh, on our books? Cumulatively, if you can highlight that.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So I'll get back to you on, on that in terms of overall, you know, how much overlay we are carrying. We continue to maintain prudent overlays, um, in, in our, you know, financials. So it's almost akin to like a countercyclical buffer given, you know,

Unidentified Participant - Analyst
Right, the

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
Overall conditions that we are seeing.

Unidentified Participant - Analyst
Got it. So, uh, is it, uh, is it something that we've been creating earlier also, or it's only something that we started last quarter and this quarter, uh, or this is something we've been carrying, uh, for legacy book as well?

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So it's, it's something that, you know, we assess every quarter, not necessarily a FY27 phenomenon, but, you know, there are overlays which we have taken in the past and we will continue to assess and, you know, create prudent buffers where required,

Unidentified Participant - Analyst
Right? Understood, that's perfect. Just last question is on Harshavardh. This time we saw AUM growth of 10% sequentially. So going forward, typically second half is always better in case of MFI. So can we assume the growth rate to pick up in the second half from here?

Manoj Phasanga - Managing Director and Chief Executive Officer, Ashirwad Microfinance, Ashirwad Microfinance
This is Manoj over here.

Unidentified Participant - Analyst
Yeah,

Manoj Phasanga - Managing Director and Chief Executive Officer, Ashirwad Microfinance, Ashirwad Microfinance
The answer to that is that we want to maintain very clearly that the focus is not going to be Uh, it's not growth-focused. We are going to continue to have a very calibrated method of growing. So if circumstances allow us, uh, with absolutely no compromise to underwriting, and if the growth were to happen in spite of our strict norms, so be it. But we are not looking at anything to perpetually go for- go behind growth.

Unidentified Participant - Analyst
Understood. But anything, uh, that you're targeting, let's say next year, uh, this year, while understand, uh, it is going to be calibrated, let's say for next year, what kind of growth should we pencil in for Asirwad?

Manoj Phasanga - Managing Director and Chief Executive Officer, Ashirwad Microfinance, Ashirwad Microfinance
The way we are building the book now, I think there is a very positive trend from the Q4 of last year to Q1 of this year and the Q2 of this year. I think our, uh, top line has been growing and, uh, the running down of a book is now a thing of the past. So going by this trend, I think we are looking at a steady book, steady growth in the same kind of growth rates that you've seen over the last 2 quarters. So I see no difference in the next year as well.

Unidentified Participant - Analyst
Perfect. Thank you so much for answering all my questions. That's all from my side and all the best.

Operator
Thank you. Next question is from the line of Vedant Sarda from Nirmal Bang Securities. Please go ahead.

Unidentified Participant - Analyst
Am I audible? Yes. Hello, am I audible?

Manoj Phasanga - Managing Director and Chief Executive Officer, Ashirwad Microfinance, Ashirwad Microfinance
Yes, you are. Yes, yes.

Unidentified Participant - Analyst
Thank you for the opportunity. So my question is with respect to the yields. Like, uh, we are telling, uh, like, for with respect to competition that you are providing the attractive rates That's agreed, like we will always provide attractive rates as compared to industry. But what is your take on the yields part? Like in coming 2 to 3 years, how do you look at the golden yields to settle down at?

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So I expect that to be somewhere in the range of in 3 years, maybe around 17%. 3 years, but all depends on the borrowing cost. Obviously it's going to be the borrowing cost, etc., the policy, etc. So accordingly, then there can be change also. It can be even 18%, even more also. A lot of external factors are also influencing that.

Unidentified Participant - Analyst
Uh, yes, like borrowing cost is one factor. I, I am asking you with respect to the competitive intensity. Like other participants also competing and considering that thing.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So I believe there is some, uh, settlements are also around 18% now, but among the top list,

Unidentified Participant - Analyst
Okay, 17 to 18% kind of yield you see.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Yeah, yeah. Yeah, yeah, yeah.

Unidentified Participant - Analyst
Thank you. Thank you for your answers.

Operator
Thank you. Next question is from the line of Bhaskar Basu from Jefferies. Please go ahead.

Unidentified Participant - Analyst
Yeah, thanks for taking my call. One question I had was regarding the shorter tenure gold loan products which you are offering. As we've seen across players, there has been an increase in Stage 2, etc. What, what is the thought process? Would you like to keep pushing this product, or would you like to kind of revert back to the traditional bullet product? Is there any thought process around it? Few players have actually stopped doing this product, is what we understand.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So We are also slowly moving to, uh, from 3 months to 6 months product to a year product. So we lend to these short-term products only after assessing the customers. So it is- it will come down. Short-term products will come down and more of it will go down to a year product.

Buvanesh Tharashankar - Chief Financial Officer, Manappuram Finance Limited
So, uh, to be clear, you are essentially trying to move back to those The earlier traditional bullet

product. So,

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
So for those customers who are very clear about short-term requirement, we'll continue with that. For others who have no certainty about short-term redemption, we'll move to one year.

Unidentified Participant - Analyst
Okay, okay. Um, thanks. That's all my- that's my- we

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Don't, we don't induce, we don't, we don't induce the customer to avail short-term loans.

Unidentified Participant - Analyst
Okay. Yeah, because, uh, the collection intensity, etc., is much more high, uh, intense, uh, requirements, uh, in this segment. Um, yeah, which is In

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
The, in the case of short-term products, the managing the price risk will be better. But at the same time, we should put customers- go after customer preference also, options with the customer.

Unidentified Participant - Analyst
Okay, thanks.

Operator
Thank you, ladies and gentlemen. That was the last question for today. I now hand the conference over to management for closing comments.

V.P. Nandakumar - Chairman and Managing Director, Manappuram Finance Ltd
Well, thank you very much for your active participation. So any further questions, we are available and management is available. Thank you.

Operator
Thank you, ladies and gentlemen. On behalf of Motilal Oswal Financial Services Limited and Manappuram Finance, that concludes concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.