



## EXIT SNAPSHOT

COMPANY	SECTOR	REPLACED BY
Muthoot Finance Ltd.	BFSI	Not Applicable

## STOCK PERFORMANCE

	BUY*	SELL*	GAIN/LOSS**
DATE	01/01/2025	05/03/2026	-
PRICE	2213.96	3250.22	47.98%

<b>Total Dividend Received</b>	<b>INR 26.00 Per Share</b>
XIRR	40.00%

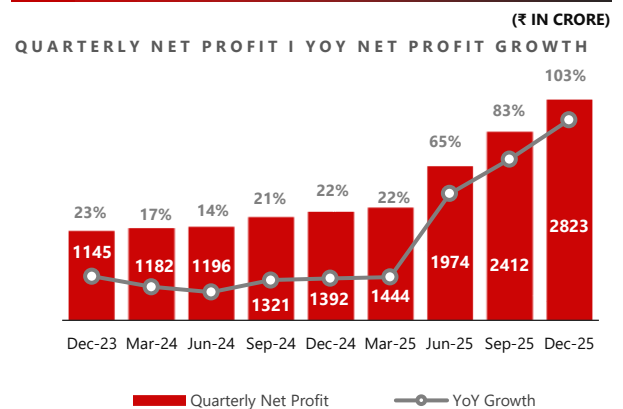
  

<b>Impact on Portfolio</b>	<b>2.40%</b>
<b>Initial Allocation</b>	5%

\*Buy and sell price pertain to the first client with brokerage without tax. Average sell price is taken as it's done in parts.

\*\*Dividend included in Gain/Loss.

## FINANCIAL SUMMARY (PROFITS)



## EXIT RATIONALE

- Regulatory Risk from Branch Expansion Policy Shift** - The RBI's draft circular permitting NBFCs to open branches without prior approval removes a key competitive moat that historically constrained smaller players. This structural deregulation is likely to invite aggressive expansion from competing gold loan NBFC, increasing market saturation and compressing the geographic advantage Muthoot has long enjoyed.
- Normalisation of Gold Loan Demand as Unsecured Credit Recovers** - A significant portion of the recent gold loan demand surge has been driven by the tightening of unsecured lending - including the contraction in microfinance and personal loan disbursements. As the MFI sector stabilises and banks resume normal unsecured lending, the structural tailwind underpinning Muthoot's 50% YoY AUM growth is expected to moderate.
- Elevated Opex Trajectory Inconsistent with Slower AUM Growth Ahead** - Operating expenses have grown from ~13-14% two years ago to ~25% currently, driven by rising employee costs, advertising spend, and consultant fees. In a scenario where gold loan AUM growth decelerates to normalised levels (~15-20%), the cost base will compress operating leverage and weigh on return ratios.
- Gold Price Volatility Introducing Asset Quality and LTV Risks** - After a prolonged bull run, gold prices are showing early signs of stabilisation and elevated volatility. Any meaningful correction in gold prices could lead to higher auction activity, compression in the loan book, and potential deterioration in asset quality - particularly in a context where the NPA book is still elevated at INR 2,300 crores post-recovery.

## PRICE



In line with our exit strategy, Muthoot Finance Ltd. has failed to meet performance expectations and is not Outperforming the BSE 500 index. Given this performance and prevailing market conditions, we are actively identifying more compelling opportunities that better align with our investment goals, and have decided to reallocate our capital accordingly.

**Rohan Mehta**  
(Fund Manager)

## KEY LEARNINGS

**We did not derive any significant insights or learning from this particular investment. The stock's prolonged sideways movement and range-bound behavior provided limited value in terms of growth or strategic advantage. Consequently, we chose to reduce our allocation and ultimately exit the position in favor of more compelling opportunities that are better aligned with the long-term objectives and performance goals of our fund.**

