



“MAS Financial Services Limited Q3 FY2018
Earnings Conference Call”

January 24, 2018



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Moderator: Ladies and gentlemen good day and welcome to the MAS Financial Services Q3 FY2018 Earnings Conference Call hosted by Motilal Oswal Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alpesh Mehta from Motilal Oswal Securities. Thank you and over to you Sir.

Alpesh Mehta: Thank you Rio. Good afternoon everyone, welcome to 3Q FY2018 Results conference call of MAS Financial Services Limited. Today we have with us Mr. Kamlesh Gandhi – Founder and CMD, Mr. Mukesh Gandhi – Co-founder and CFO and along with them we also have the Senior Management Team representing the company. Now without much ado, I handover the call to Mr. Kamlesh Gandhi for the opening remarks after that we will have Q&A session. Thank you and over to you Sir!

Kamlesh Gandhi: Thank you Alpesh and good afternoon to all of you. I think this is our second con-call post our listing, but just for the benefit of the ones who are joining for the first time, I will take you through what MAS exactly is. We are a more than two decade old NBFC started by first-generation entrepreneurs and over the period, we have focused on quality growth quite evident from the figures which has been given to all of you in our presentation also. Over the years, we have been a very strong compounding story, we have doubled our AUM every three years. We have grown majorly through our internal accruals. We have raised primary capital only two times, even though we have raised capitals five times, two were redeemable, two were primary, and one was secondary. So that is the testimony to the fact that we have a very strong business model in terms of profitability because of a good quality what we generate and the calibrated growth approach. So this is very brief about MAS I think maturity of you must be knowing about the company. So I will not take much time on the introduction now.

I will just take you through how I am going to take you through the presentation today is I will share with you the key numbers then the guidance very importantly the approach to asset creation and our distributions strength, our human resources team and the most important thing I think nowadays is technology.

So just to start with, if you see the numbers, we have a registered a growth of 33.35% in our AUM and in the profitability it is 40.03% on nine-month basis and 36.95% on a quarter-to-quarter basis. So this is the performance in terms of the AUM growth and in terms of the profitability growth accompanied by quality portfolio. If you see the portfolio quality, very important in the lending business is... topline is important, but more important is the quality of the asset and in the quality of the asset, we have given you a presentation on a quarter-to-quarter basis, if we see the GNPA and NNPA on the last quarter, we have to understand a little bit because that was characterized by demonetization and dispensation given by the RBI for 60 days.



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So we have given both the numbers, if you calculate dispensation— if you would calculate that we have not taken any dispensation because that will be the comparable number, 1.43% was the GNPA in the last quarter as compared to that right now it is 1.17% and the NNPA was 1.29% as compared to this, the current NNPA is 0.94%. I would like to share with you that we took RBI dispensation only for one quarter that brought down our GNPA, NNPA in that quarter from 1.43% to 1.03% and from 1.29% to 0.88% but we could navigate through the demo effect successfully and we opted out of the dispensation given by RBI of allowing more 60 days for the assets to be recognized as NPA. So that once again shows the strength of the business model and I think I would not be fair if I take all the credit of such quality of portfolio because it is also the function of the people whom we work with.

Over all my presentations I always maintained that we work with wonderful set of entrepreneurs, they work very hard, the MSME segment majority of them are first generation entrepreneurs and if the right financial advice is given to them and then the financing is done, it can always result into quality portfolio and that is what we have strived and we try to specialize in that. Having said that it is a task to be worked up on, can be worked out, we learn our lessons daily, we improve on our credit assessment techniques daily and how we do it is through a very close interaction with our clients.

If I come to point number two on the guidance as last time we maintain the same guidance that will be close to around Rs. 4100 to 4200 Crores inclusive of our housing book. So that will translate into a growth of anywhere between 27% to 30% in AUM and we maintain our profitability, a PAT of more than Rs. 100 Crores and that will translate into a growth of close to 50% as compared to the last year and this is mainly because of the new money that we infused in terms of IPO in October 2017. So we maintain that guidance going forward.

I like to take you through a very important thing that is our approach to asset creation and our distribution model. If you see, MSME is a very wide space and every lender is active in that space, but let me tell you that there is lot of niche difference that is lot of differentiation at the market place and that the key differentiation is the approach to asset creation. We have never approached our clients as creating borrowers, but we are more inclined to make them successful entrepreneurs and what we do is that, that right from the origination level we send them as a credit buyers and not as a sales guy. Nobody in this organization will go to the clients... the endeavor is that nobody will go to the clients to sell loans, but to understand the clients' requirement and then extent the right type of financing to them. So this is the approach to asset creation and then thorough understanding of the business model and time-to-time and very regularly systemizing that understanding in order to create scale. If this is our expertise and this is what we have developed and specialized in over all these years, the flipside of it this is also the major challenge that how you continuously go on scaling up and systemize, how you continuously go on systemizing your understanding in order to scale up. Because of our understanding of the NBFC sector over all these two decades, we have a very strong distribution model to another 100, 105 NBFCs in the country. We never consider them as our competitors,



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but they are our extended channel. The aim is not to fund them, the aim is to create the ultimate portfolio which we are working into we are the friend, philosopher, guide, we have a common guidance worked out, we have a thorough understanding and time-to-time deep diving and due diligence on the systems, operations, their capability to raise capital and manage their businesses. This model is now close to eight years old, have grown very nicely and has been matured, rewarding for us and the NBFCs whom we work with and ultimately this has resulted into a very efficient last mile delivery of credit and we are strengthening our relationship with all of them accompanied by our distribution strength in close to 3400 centers which we are gradually improving over a period of time introducing our various products in order to reach to the customer base whom we target that is the middle income, low income growth and our flagship product remains the micro small and medium enterprises accompanied by... we are also present in two wheelers, commercial vehicle business and we also do our refinance through an affordable housing company.

I will take you through our housing finance separately. So this is our approach to asset creation and this is about our distribution strength. If we talk about who makes all these things possible is being MAS. We always share that MAS has an approach of betting on people who can identify their career with the career of the company we have understood and experienced that internal risk is a biggest risk as compared to the external risk in the lending business. So we have a very, very dependable core team accompanied by very low attrition at the top and the middle level management. Only because of our approach that we succeed and fail together and the approach is to succeed together and be complementary to each other, the classical example of teamwork, the team is for whom, what would you define as team, is a set of people having complementary talent and that makes a very potent team. So the HR policy at MAS is to have a group of dedicated people train them from time-to-time and learn together and at the end of the day, be on the mission of achieving excellence through endeavor and that has paid very rich dividend for the company over all these years and we will continue to pursue this policy.

In terms of technology use I will bifurcate into two. The technology used internally, we continuously get through our in-house software department and with the help of outsourcing agencies, we continuously strive to update our dashboard management and to improve the real-time dissemination of the information. So as the actions are taken effectively and efficiently and secondly as far as the origination and the client acquisition is concerned, we firmly believe that the customers whom we serve with are yet to be eligible to be source only through technological and application use, but the touch base is very important. Having said that, we are already trying to explore this possibility of originating customers through technology by partnering with many of the firms who are technology enabled and who are into the business of what we call it as the Fintech with classical technology company those who have platforms to originate various type of clients as per your credit screen and the second ones are the ones who are backed up by NBFCs also. So we have a twin model whereby we try to partner with pure technology play at the same time with the ones who are already into financing and having technology based origination, but our experience over all these years and our policy over all these years is to tread very slowly in



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any new things we enter, because this is the business which requires very high level of operational excellence where we talk about 0.94% NNPA after a write-off or a credit loss of around 1% and all, we are talking about an operational efficiency of around 97% to 98% upon 100%. So we cannot afford to try many new things and fail, we have to tread slowly at the same time we have to adapt to new things in the market. So the company is well aware of the requirement at the same time is sufficiently cautious as not to affect the quality of the asset.

If I take you through our housing finance, before that I will take you through the various products where we serve. We continue to focus on our flagship product that is micro enterprise loans and the small and medium enterprise loans that constitutes close to 80%, 85% of our business we are also focused on two-wheeler loans and commercial vehicle loans and recently, we have started used cars also but it will take time before it will really start contributing to the AUM of the company. We are seeing some positive signals in the commercial vehicle loans, two wheeler is growing, if you see on a quarter-to-quarter basis, on a nine month basis micro enterprise loans have grown by 25%, SME loans on a smaller base has grown by 62.18%, two wheelers by close to 40% and commercial vehicles by 11%. So this is the contribution of various products in the AUM of close to Rs. 3600 Crores. As far as the focus is concerned, it primarily remains on the middle income and the lower income group of the society.

If I talk about our housing finance business. If you see the business in our housing finance, we have grown our AUM at a modest 15.28% and have improved our operational efficiency to increase our profitability over the period by on a nine-month basis by 38% and on a quarter-to-quarter basis by around modest 30%, we will continue to remain very cautious on our housing finance business we are determined to grow our housing finance business but not at the cost of quality. In the lending business increasing the topline as we all know is easy, there can be a couple of zeros behind this, but I am not sure what will be the numbers in the quality. If you see the quality the silver lining in our housing finance business is that our net NPA is at 0.29% as compared to 0.37% in the last year for the same period and there also we have to understand in both the parallels that is after using dispensation given by NHB the same way which RBI had given. So without dispensation it was 0.46%. So the comparable figure will be 0.46 and 0.29, so we have improved substantially on the quality and like to share with you as far as improvement in quality, we are always happy and never satisfied. Before talking to you I was talking to my team that how has to what should we do to further bring down the NNPA's because I personally believe that in financial services industry we all are intermediaries and it is incumbent on all of us that we create quality portfolios and quality assets and that is why our favor depends on us maybe in a form of our NBFC bank or a mutual fund whatever they maybe. So we at MAS are committed that we should strive hard and do our best to create a quality asset in such a manner that we create a win-win situation. To give the guidance on housing finance, we see this settling anywhere around Rs. 225 Crores to Rs. 230 Crores and we see things settling at the ground level in terms of RERA, demo and GST in this one year and we are very optimistic for a good growth the next year. So we continue to remain very bullish on our housing finance business in terms of quality growth a year here or there as we always I always use to share with all of you that



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markets are there, will be there, it is very important for us to be there. So we will continue to pursue on the path of quality growth. The rest of the numbers are with you and this is the outlook of the business once again to summarize, we will continue to double our AUM every three years, we will continue to generate very healthy ROA if you see the return on capital employee even on an expanded base is close to 18% this year after the infusion of the capital through IPO and through pre-IPO money and we see this gradually improving and going within a couple of years to 20% plus and that is where we think that we add value to our shareholder. In terms if I summarize and if I have to tell in one word, we believe in excellence through endeavors and giving a quality growth and a very consistent growth. The numbers are in front of you please feel free to ask any questions and before you ask that I will ask Mukesh Bhai to take you through how we generate liability because it is a very important part of any lending institute as to how you raise money and we have always demonstrated our capability story it is at a very competitive rate with a very immaculate track record of more than two decades and I request Mukesh Bhai to take you through that in detail.

Mukesh Gandhi:

Regarding the liability management you know that a very important ingredient of the liability management is getting the matching fund and secondly at the very competitive cost. So we are addressing both the issues very efficiently. So far as the car is concerned, currently because of the infusion of our IPO money currently capital adequacy ratio is as high as 33% and out of that tier 1 capital is 30% the tier 2 is around 3% so we are very comfortable so far as the capital adequacy is concerned and going forward at least for next three to five years, we will not require to raise capital in very, very big way so this is how the capital position is concerned. So far as the fund is concerned, the debt is concerned, we are having very comfortable asset liability management. We keep on assigning 37% of our portfolio to the banks so that we get the matching funds and whenever we are assigning this portfolio it is without recourse to us. So we save on capital and so far the bank is concerned it qualifies as the retail liability portfolio as well as the priority sector portfolio and we get very competitive rates. Normally we assign this portfolio at the one year NCLR. Thereafter we have a CC facilities to the tune of Rs. 1750 Crores and by the end of this year, it will go up to Rs. 2000 Crores. We block the CC facilities and take the WCDL working capital demand loan at one month, two month, three month NCLR so that reduces our cost very much. If you look at the cost of borrowing in 2016 for the first nine month, the cost of borrowing was 9.83% which has gone down to 9.1% in the current year and if you consider the margin and cost of borrowing, it will further be going down and it will be around 8.65% to 8.7%. The reason being, using the WCDL and using the assignment route that reduces our cost. We have a term loan from the various banks to match our ALM. We issue the commercial paper from time-to-time and that is why blocking our CC facility, we issued comfort letter to the investor and we get the highest SO rating so far as CP is concerned. So this is how we have been managing our liability side.

Now lot of people are approaching us just to issue the bond and NCD but given our rating currently there is a gap of 125 basis points to 150 basis points so we are holding our self back but



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at the right time we will be touching the capital market also for raising the debt. So with that the floor is open for the question.

Moderator: Sure thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: My question is... we talk about 106 channel partner or 106 NBFC to which we have lent money. So how do we classify their loan portfolios on our book, so let us say for example you have given money to Arman Financial and they have a portfolio which is into micro finance and two-wheeler loans. So if you have given Rs. 100 Crores to Arman Financial theoretically, like how will you classify that in your micro enterprise loan, SME loan and two-wheeler loan?

Kamlesh Gandhi: It so happens that once I lend to Arman Finance it fits in my book as lending to Arman Finance so as far as Arman Finance is regular my portfolio is regular. The important thing is that we focus on the underlying assets what they are suppose to give, say the micro enterprise loan and the condition is that, that they have to provide us the loans which are current. So the underlying portfolio is also current and that is monitored from time-to-time.

Digant Haria: And then this question in a different way that your micro enterprise portfolio which is to Rs. 2266 Crores, how much of it is directly originated by you and how much of it is through these channels for 106 channel partners?

Kamlesh Gandhi: It is approximately say it is 60, 65 is through our channel partners because we have find a lot of value working with channel partners in micro enterprise loans because small ticket size loans you need to be very close to the ground as far as an efficient last mile delivery of credit is concerned so around 60% to 65% I think is through channel partners and the rest is directly through us.

Digant Haria: And the same would be to for two wheeler and SME loans also?

Kamlesh Gandhi: They are different things, the highest is in micro enterprise loans and the rest will be SME and then it will be two wheelers and SRT.

Digant Haria: So you are saying large part of two wheeler will be done by ourself and not by the channel partners.

Kamlesh Gandhi: Yes, true.

Digant Haria: Okay, fine thank you.

Moderator: Thank you. We have the next question from the line of Rohan Mandora from Equirus Securities. Please go ahead.



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Rohan Mandora: Sir taking the previous quarter further I just wanted to understand like the example that he coated of Arman Finance or maybe for example any NBFCs, but then they are lending to two wheelers as well as SME or micro finance or something. So the entire exposure that you are taking on Arman is classified as micro enterprise loan or within that bifurcating it into two wheeler, SME, or MFI accordingly.

Kamlesh Gandhi: It depends upon the underlying assets they give to us, say for example when we extend the line of credit, the underlying asset is...what type of underlying assets they are supposed to give is decided to before the credit is given. Say if Rs. 100 Crores is lent and the condition is that that I want 50 Crores in micro enterprise loan and 50 Crores in two wheelers, then 50 Crores is classified as micro enterprise and 50 Crores is classified as two wheeler.

Rohan Mandora: And Sir these underlying loans would typically be hypothecated to you, so just wanted to ask like these are the loans which you cannot further send to any banks until unless there is a default event?

Kamlesh Gandhi: What, you cannot?

Rohan Mandora: So these hypothecated loans you cannot sell it further to banks for PSL compares of the banks right until unless there is some default event on part of the NBFC?

Kamlesh Gandhi: See the condition for PSL is that what banks do directly and qualify for PSL, if I assign the same thing it is also qualify for PSL so bank lending to MFI is PSL, so when bank buys my MFI portfolio with underlying assets of MFI so I assign the MFI portfolio with the underlying assets to them.

Rohan Mandora: So Sir what I am trying to understand is when you are lending to an NBFC and taking hypothecation, your ownership on those underlying loans would be made of only in cases of default event when you can invoke the security. Without that like I am just trying to understand like without that how can you get a charge on those loans, which I think hypothecated to you by the NBFC?

Kamlesh Gandhi: See that is the security. Once I lend to Arman I would lend 50 Crores to Arman and he has created a two wheeler portfolio, the company portfolio is hypothecated to us so practically the ownership is of the company and secondly Arman is supposed receiving paying and the delinquency baring is that we work with 100% request because we were revenue sharing model with them. So the hypothecated portfolio is serviced by Arman and it is guaranteed by Arman. The crux of the thing is that, that I want to do a two-wheeler business at a certain place, the thing is either I should do directly, I appoint a DSU or appoint a NBFC, the only thing is technically since the NBFC is taking the complete guarantee it is sourcing and servicing technically I lend it to NBFC for on lending to create this product and those products are hypothecated to us. It sits on my book as loan to Arman with underlying assets being micro enterprise loans and when I



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have given loan to Arman with underlying micro enterprise loans, if the bank has been doing directly it would qualify for PSL, so the same thing if I assign to the bank it will qualify for PSL.

Rohan Mandora: May be I will just have a discussion on this offline with you. And Sir just wanted to get the fresh disbursements during the quarter in the micro enterprise loans?

Kamlesh Gandhi: See the total fresh disbursement I think for the quarter is around Rs. 1000 Crores and in micro enterprise loan Rs. 731.12 Crores.

Rohan Mandora: And Sir when we are giving loans to NBFC what is the typical asset cover that we take from them and also like if we have given 100% loan?

Kamlesh Gandhi: We take 100% asset cover with around 15% as cash collateral from them.

Rohan Mandora: Thanks a lot.

Moderator: Thank you. We have the next question from the line of Shubhranshu Mishra from Motilal Oswal Securities. Please go ahead.

Shubhranshu Mishra: Congratulations on a good set of numbers. I just wanted to understand what is the split in your product wise, what is the on lending portfolio and how much is your own portfolio in percentage terms in each of the product category?

Kamlesh Gandhi: Overall 56.26 is through our NBFC channel that we call it as indirect channel for retail and the rest close to 45% is directly by us.

Shubhranshu Mishra: And if we do that on a business...?

Kamlesh Gandhi: On a product-to-product basis as I told you around 60% to 65% in MSE around 40% is through I am talking about the channel contribution 40% in SME, two wheeler is 23% and SRTO is 32%.

Shubhranshu Mishra: And what be the individual yield product wise?

Kamlesh Gandhi: See individual yield defers from product-to-product if we talk about MEL and SME ranges from 15% to 16% and two wheeler and SRTO ranges from 18.87% to 17.85% when we do it directly and when we do it through NBFC we share the revenue and their the effective rate comes to close to 14%.

Shubhranshu Mishra: Thank you for your time.

Moderator: Thank you. Next we have a follow-up question from the line of Digant Haria from Antique Stock Broking. Please go ahead.



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Digant Haria: I just wanted to understand what kind of team do you have for monitoring these 106 channel partners because I think we have a model where we try to a due diligence on them maybe try to help them with their system processes, their selection of products, so if you can just tell me that what kind of team sits in our head-office or our regional offices to monitor and nurture these channel partners?

Kamlesh Gandhi: If I tell you about the same there are various verticals, one is the vertical which you call it as relationship managers, which will be in constant touch with them to build up the relationship, they once again as I told you are not the sales guys, they are more on the credit buy. So the primary due diligence is done by the relationship managers followed by our due diligence team we have a due diligence vertical which will do the due diligence of all the NBFCs we work with, they will take the market references they will visit the branches, they will see the system and operations, they will prepare the complete reports where the gaps are and then we have a team which will do a deep diving on a very regular basis. Add to that, our senior management including me they meet them every quarterly or depending upon the exposure we have during the year to understand the businesses completely and to bring closeness with the people running the business. So there is a multilayer relationships and multilayer indulgence and online monitoring of the activities of the NBFCs.

Digant Haria: Okay so my other question is that from whatever little we know that of this 106 channel partners or NBFCs that you have a lot of them are in to microfinance business now microfinance business in 2012-2013 when you guys started funding them, it was a time when they were not easily getting money from the banks because banks considered this sector as untouchable then. So I think we had a very good head start in 2012-2013 as far as these channel partners are concerned and that has helped you probably to reach from a small size to right now Rs. 3600 Crores but as you grow from this Rs. 3600 Crores to Rs. 10,000 Crores do you think that this opportunity is not as large or as good as it was in the past and probably you will have to do your own work more than depending on these channel partners.

Kamlesh Gandhi: See first of all let me tell you about our idea of and let me take you through the business model. Working through NBFC as long as it serves the purpose of the last mile efficient delivery of credit and as long as it is mutually beneficial and I think it will be for a very long period because we have demonstrated our capabilities to remain associated and grow despite of their growth from say Rs. 50 Crores to Rs. 500 Crores, so we play an very important role in the liability management and we will continue to do it. If we talk about a Rs. 10000 Crores thing might be the contribution of this channel might reduce because they will not increase in the same proportion as our direct distribution model. So our aim is to create an efficient last mile delivery of credit, NBFC channel is one of the means of doing it. We are one of the oldest retail financier wherein finance Rs.1500 Aquaguard to right now to a SME funding where we have an Rs.80 lakh of ticket size. So there is no problem of competencies of developing the portfolio the way we want to do it through the direct sources or so. But we being NBFC, we have understood that a strong value chain is the answer to informality. Because when there is informality, the person closest to



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the ground are the strongest. So your question maybe answered in two ways that we have a direct competency to build up on our own plus we see a lot of promise in expanding our relationship with all these NBFCs. Our majority of the portfolio in terms of size has grown in last three years and that was the time where this people were getting capital and debt in abundant and I have shared this with a number of people that as an NBFC, you have to continuously raise liability so structurally there is always a room for multiple lenders and how you get your share depends upon your value to this lender and if you can ask any NBFC on our contribution in that format is your's and continuous contribution in terms of designing the credit screen, their operations, sharing with them our vision as far as their products are concerned, they value that a lot. So we have demonstrated our capabilities to grow even though they get they have alternate sources of funds, they are not dependent on efficiencies of an NBFC of not raising fund from other sources we are as good as any other source for them plus our competencies to grow our own distribution strength ensure that we will have a very stable and a consistent growth going forward.

- Digant Haria:** That is it from my side all the best to the team.
- Moderator:** Thank you. The next question is from the line of Rakhee Prasand from Alder Capital. Please go ahead.
- Rakhee Prasand:** Just wanted to ask what would be your NPA level for each segment, segment wise?
- Kamlesh Gandhi:** See the NPA level on various segments is around... net NPA ranges from say for example our SME is the lowest with around 0.53% followed by our MSE at 0.93% followed by two wheeler at 1.57% and SRTO at 2.06% and on an aggregate basis it is 0.94%.
- Rakhee Prasand:** That is net NPA and gross NPA.
- Kamlesh Gandhi:** Gross NPA is 0.67% in SME, 1.20% in MEL, 1.80% in two wheeler and 2.31% in SRT.
- Rakhee Prasand:** What was the **(inaudible)37:22** on commercial vehicle?
- Kamlesh Gandhi:** 2.31%.
- Rakhee Prasand:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.
- Rohan Mandora:** Sir during the quarter there is an increase in other operating expense sequentially from Rs. 8.4 Crores to 11.8 Crores just wanted to understand is there any one-off here?



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- Kamlesh Gandhi:** No see within quarter-to-quarter the operation expenditure and in the last quarter, there are various other things such as more of advertisement cost and promotional activities and this being an IPO year this year October to December, the expenditures have increased.
- Rohan Mandora:** And for the employee side like there was a 15% Q-on-Q jump?
- Kamlesh Gandhi:** That is because of the appraisals we do and the number of employees who are from off roll to on role the commission increase and all that things that is in short are routine nature of business nothing extraordinary.
- Rohan Mandora:** And Sir like what could be the average loan ticket size in each of the four segments?
- Kamlesh Gandhi:** See MEL will be close to 45000 followed by SME which is close to 90 lakhs, two wheeler is close to 50,000 and SRTO is close to around 1,90,000 and in our housing business, the retail is close to around 7 lakhs and the affordable projects what we do is around close to 1.26 Crores.
- Rohan Mandora:** And this affordable project that we are doing, these are like a small housing projects that we are funding, the kind of project that we are funding there?
- Kamlesh Gandhi:** See in the area that we have worked that is in the Gujarat and Maharashtra we personally believe that the smaller size affordable projects have lot of promise going forward because they can complete a project in time they do not have any booking issues and so on and so forth, so we tie-up with the project ranging from anywhere to Rs. 10 Crores to Rs. 20 Crores of project outlet and be with them right from the beginning and we are even mandated by NHB to work closely with them and we get a back-to-back line of credit from them.
- Rohan Mandora:** And can you share at the movement of NPA during the quarter and nine months additions to NPA and then reductions, write-offs and upgrades?
- Kamlesh Gandhi:** That will be shared with you I do not have the readymade figure right in front of me but I will be sharing with you.
- Rohan Mandora:** Sure thanks a lot.
- Moderator:** Thank you. Next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Sir I want to know what is the outlook on the margin when considering the recent spike in the GSEC yield and the cost of borrowing also stopped?
- Kamlesh Gandhi:** See basically our borrowing is mainly from the banks so the impact of GSECs rise is not there at all. Now our borrowing is from banks so if the bank increases or decreases their NCLR, our cost of borrowing will fluctuate accordingly.



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- Sneha Ganatra:** And can you give me the breakup of the disbursement of the each segment having it?
- Kamlesh Gandhi:** Disbursement of each segment. See during the quarter the total disbursement was around Rs. 1000 Crores out of that micro enterprise was Rs. 731 Crores, two wheeler was Rs. 120 Crores, SME was Rs. 146 Crores and SRTO loan Rs. 35 Crores.
- Sneha Ganatra:** And considering that you told that there could be some spike in the expenses during the quarter but how do you see the overall trend in the cost to income ratio?
- Kamlesh Gandhi:** That will be more or less maintained in the range what is maintained right now.
- Sneha Ganatra:** Got it and the credit cost guidance if you like to give?
- Kamlesh Gandhi:** If you ask me my endeavors will be to create an quality portfolio still reduce the NNPA's and GNPA's and maintain the credit cost, so it will be more or less in the same range right now our credit cost is around 1.27 including our standard provisioning of 0.40 should remain in that range.
- Sneha Ganatra:** Got it thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Siji Phillip from Axis Securities. Please go ahead.
- Siji Phillip:** I just wanted your view as in some of the space in the micro enterprise loans is anyways getting a little as the competitive profile has increased over the number of years so how does our company stand out in that space?
- Kamlesh Gandhi:** See as I told you in my opening remarks that our approach to asset creation has been quite different. There are two perspectives to answer, one is a huge market size, number second our vintage and our approach to asset creation. Our approach to asset creation is building up and deepening our relationships with each and every client we work with and that is the key differentiator in getting the market share what we want and the way we want to grow and the way the market size is there, we do not see competition as any sort of dampener going forward.
- Siji Phillip:** And right now we are more spread out in the western region as of now because we have majority of our branches in Maharashtra and Gujarat?
- Kamlesh Gandhi:** Yes, that is right we are more concentrated in Gujarat and Maharashtra, we have kept the powder dry as far as another four state is concerned Rajasthan, MP, Tamil Nadu and Karnataka. Over a period of time those states will also be develop and we believe in creating a niche expertise in the areas we work and spread our wings slowly gradually, but very solidly.
- Siji Phillip:** So are we looking to expand over the northern region as well as in the states of UP, Bihar etc.,?



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- Kamlesh Gandhi:** No exactly right now I do not think so.
- Siji Phillip:** So in case of Rajasthan also we have the AU Finance and which is quite present over there in two wheeler financing and commercial vehicle loans, so how are we differentiating from them?
- Kamlesh Gandhi:** See as I told you that the answer remains the same be it what I talk about competitors and this competitors may be it is the name is AU Finance, the difference is once again the same that the way we approach our clients is quite different, we are not in a race to build up just numbers we are in a race to build up quality portfolio that again is the key differentiator. We are the financial advisors and then they are finance this and all these things takes time. So if you say we do not grow at 50%, 60%, 70% over all these 22 years, we have grown at an average rate of around 25% to 35%. So with this approach we kickstart a very potent and a very benign cycle of this extending credit where it is due creating a quality portfolio thereby increasing your ROAs, thereby increasing your internal accruals, thereby going and selecting our investors also giving us the liberty to grow at the rate what we think is prudent for the company. So this has been key differentiator over all these 22 years and just to add to that we have not grown in vacuum. Over all these 22 years there are always been competitors and at times the competition was much intense because the understanding of the competitors was different and was not to the mark as far as the market place was concerned. So we have faced various type of competition over all these years but we have stick to what we know the best and we have worked hard and executed our plans nicely in order to reach to this stage.
- Siji Phillip:** Thank you Sir that is all from my side.
- Moderator:** Thank you. Well as there are no further questions, I would like to hand the conference back to Mr. Alpesh Mehta for closing comments.
- Alpesh Mehta:** Thanks Rio. Thanks a lot everyone for joining for this call and all the best to the management for the coming quarters. Thank you sir.
- Moderator:** Thank you very much. On behalf of Motilal Oswal Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.