## MAS Financial Services Ltd
## Q3 FY23 Earnings Conference Call

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## CORPORATE PARTICIPANTS:

**Mr. Kamlesh Gandhi**
MD and Chairman

**Mrs. Darshana Pandya**
Director and CEO

**Mr. Ankit Jain**
CFO

**Mr. Sanket Chedda**
DAM Capital

**Moderator**

Good morning, Ladies and gentlemen. I'm Vidya, moderator for the conference call. Welcome to MAS Financial Q3 FY23 Earnings Conference Call, hosted by DAM Capital Advisors Limited. As a reminder, all participants will be in listen only mode, and there will be an opportunity for you to ask questions, after the presentation concludes. Should you need any assistance during the conference call, please signal the operator by pressing * then 0 on your touch tone telephone. Please note, this conference is recorded. I would now like to hand over the floor to Sanket, from DAM Capital. Thank you, and over to you, Sir.

**Sanket Chedda**

Hi, good morning all, today we are here to discuss MAS financials Q3 Results. We've with us the entire Management team represented by Mr. Kamlesh Gandhi, MD and Chairman, then Mrs. Darshana Pandya, Director and CEO, and Mr. Ankit Jain who is a CFO. So, without much ado, I would hand over the call to Mr. Kamlesh Gandhi, for his opening remarks, which we can follow up with Q&A over to you Sir.

**Kamlesh Gandhi**

Thank you, Sanket, and good morning to all of you. I'm happy to connect to all to apprise you about the Q3 working of the company. I think, all of you must have gone through the press release and the investor presentation, but just to give you the performance at a glance, we had a very strong quarter, once again, registering a 30%+ growth in AUM on a consolidated basis, and as per our performance over more than two and a half decades, this AUM growth is along with robust quality of assets and a good profitability. We have increased the standalone profit by 27%, and the quality of the assets remain benign at 1.60%, net Stage-3 of our total AUM.

On the fundamental side, we remained well capitalized at a capitalization level of 24%, with Tier 1 contributing almost 22% of the same, and on the liquidity side, we had ample liquidity on hand, and that translated into a liquidity of more than INR 1000 crores on hand, and equivalent sanction, and as I talk to you, we have already tied up for the year, and also for the Q1 next year, in line with our working, as far as the liability management is concerned. On the distribution front, we are now catering to potentially 7900 centers through our 149 branches, and along with our strong partnership with more than 150 NBFC’s, whereby the contribution through our own centers has increased to 61%, this quarter.

In terms of while Ankit will take you through in detail on the liability discussion, but in terms of liability management, and the interest rate, we could maintain well within the trajectory, whereby we could maintain our NIMs of 7% plus, and at the same time could have sufficient liquidity on hand. On the employee side, we've more than 2000 of a strong team, and growing, and with enabling support of the technology, we think we are here to increase our efficiencies on all counts.

We are happy to share that we'll be completing our first phase of our technology, our digitization trial, so to say by March or latest by June, whereby all the processes will be digitized, and then we'll be taking it to the next phase of credit analysis through AI, but it will take its own time understanding the borrowers and then putting the system under place in such a manner that technology is an enabler for a better credit.

I'm happy to share the performance of our Housing Finance Company also, where we registered a 30% growth in AUM and 50%+ growth in the profitability, we have touched around INR 400 crores in AUM as far as our Housing Finance Companies concern, and we are very confident of doing this at the same rate even their current base. So, that will also start contributing very meaningfully, towards the total AUM of the MAS group. So, all in all, a very strong quarter, the third, rather the fifth quarter of growth in a row post COVID accompanied by very strong fundamentals.

We've always maintained that all round growth is development. We do not just chase the AUM irrespective of the asset quality in the profitability. So, we have maintained and struck a balance growth, that is what we call it as a real development, and going forward, we are confident of our robust compounding trajectory of anywhere between 20-25%, of growth in AUM, and with a strong capital adequacy mainly fueled through internal accruals. So, with these strong fundamentals, and with the economy also back on track, and slated to grow anywhere at around 6% plus, we see strong opportunity for us to be growing at a consistent rate, that we've been doing over last two and a half decades.

So, it has been a performance which was quite satisfactory, but nevertheless, we are not complacent. We are working on each and every aspect to improve the quality of the business we do and increase the stakeholders' value. May I request Darshana Ben to take you through some of the numbers, which are already released, but just for the benefit of all of you. She'll take you through the key numbers, followed by Ankit with his commentary on the liability management for the quarter.

**Darshana Pandya**

Thank you, Sir. Good morning, everyone. I'm happy to share Q3 and 9 months numbers of FY23. We've in our AUM five products to offer. Salaried Personal Loans is the new product. We can see growth across all the products. So, Standalone AUM as on December 22 stands at INR 7606 crores, which is 32.46% growth from last year. Last year the AUM was INR 5,742 crores, and if we look at the configuration of the same micro enterprise loan has increased by 31.39%, from INR 2875 crores to INR 3777 crores. SME loan has also grown by 25% from INR 2274 crores to INR 2840 crores. Two-wheeler loan has grown by 38.22% from INR 363 crores to INR 501 crores. Commercial vehicle loans have grown by 26.76% from INR 230 crores to INR 292 crores, and since the salaried person loan is a new segment, the comparative figures are not there. So, the portfolio stands at INR 195 crores as on 31st December 22. And accordingly in the same line, PBT has also increased by ~27% on YoY on quarterly and 9 months basis, and the PAT has also increased by 27.80% YoY on quarterly basis and 27.41% on 9-month basis. So, the PBT as on December from the quarter is INR 68.53 crores as compared to INR 53.88 crores last year, and PAT stands at INR 51.25 crores as compared to INR 40.10 crores last year. For 9 months, PBT is INR 196 crores as compared to INR 155 crores last year, and PAT is INR 147 crores as compared to INR 115 crores for 9 months last year. We also could maintain the quality of the portfolio shared by Sir. So, Standalone gross Stage-3 as of December is now 2.23%, and net Stage-3 is 1.60% which was 2.26% gross Stage-3 and net Stage-3 was 1.60% as on 30th September 2022.

Talked about the parent company, now we are coming to the Housing Finance Company. Here also, we could cross the mark of INR 400 crores AUM, which is 31% growth in our AUM from INR 307 crores to INR 400 crores. PBT also grew by 30% for 9 months from INR 4.28 crores to INR 5.55 crores, and PAT has increased by 30% from INR 3.34 crores to INR 4.34 crores. For the quarter, the PBT is INR 2 crores, and it has grown by 50.76%, PAT is INR 1.59 crores, and it has grown by 52.75%. So, all in all, we can see that we have been with strong momentum, and going forward also, we are confident to continue the same. Now I'll request Ankit to take you through the capital and liability management during the quarter.

**Ankit Jain**

Thank you, ma’am. So, Good morning to all, to further elaborate on the liability management, we through our efficient liability management were able to maintain average liquidity buffer of around INR 700 crores during the quarter, and unutilized cash credit of around INR 400 crores. In addition to this, we've sanction on hand to the tune of around INR 1400 crores in the form of term loan, direct assignment, and co-lending.

The last quarter we did around INR 355 crores of direct assignment with various banks, and further, we have more than INR 800 crores sanctioned on hand, which we will be utilizing during the coming quarters.

In the last quarter, we did around INR 82 crores of co-lending transactions. The company has tied up with three banks namely Bank of India, Bank of Maharashtra, and South India Bank. The aim is to maintain around 20% to 25% of AUM, as off book through Direct assignment and co-lending transactions.

The company has an available cash credit facility of around INR 1825 crores, out of which we maintain utilization level of 65% -70%, and rest portion is kept as a liquidity buffer. In this quarter, we successfully rolled over around INR 1450 crores short-term working capital loan, which are sub limit to this cashless limit.

We raised around INR 670 crores term loan during the quarter. This helps us to further strengthen the asset liability maturity pattern, and we've more than INR 500 crores sanction on hand, which we'll be utilizing during the coming quarters.

Also, we've assessed the structure liquidity for the period ended December 2022, and based on the assessment, there is no negative impact on liquidity, and the cash flow in all the cumulative buckets remains positive.

As said the capital adequacy remains strong at 24.47% with tier one capital of 21.21%, and debt to equity at 4.16 times. Also, to add on we raised around INR 35 crores, subordinated debt that during the quarter, which qualifies as a tier two capital, and they further strengthened the capital structure.

The cost of borrowing for the quarter was at 9.15%, and for the 9 months from April till Dec end was 8.92% and given the increasing interest rate scenario whereby RBI has already increased the repo rate by 2.25%. We see that, in the medium term, cost of borrowing will be around 9.25% to 9.50%. Thank you.

**Kamlesh Gandhi**

I'm happy to share that the board yesterday decided to declare the interim dividend of INR 1.80 per share, that is 18% dividend. So, that was decided yesterday, and this is the interim dividend, and the final dividend will follow. Thank you, and we are now open for the Q&A.

**Moderator**

Thank you, Sir. Ladies and gentlemen, we will now begin the Q&A Session. If you have a question, please press * and 1 on your telephone keypad, and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles. The first question comes from Sarvesh Gupta from Maxima Capital. Please go ahead.

**Sarvesh Gupta**

Good morning, Sir and congratulations on a good set of numbers. Sir, just wanted to understand a few things on the P&L. So, one is your fees and commission income and expense have been sort of moving in line earlier, but now it seems that there is some deviation in the quarter. The fees and commission income has gone down much more, and the expense seems to be where it is.

So, if you can throw some light on that, and secondly, again on the OpEx, both employee and other expenses have been rapidly sort of going up slightly more than the AUM growth. So, are there anyone run-offs related to the tech investments that you were sort of alluding to which will be over by June quarter? Or, if you can throw some light and understand, what's happening on that front?

**Kamlesh Gandhi**

Starting on the second question, in terms of the increase in employee cost, as you see that the share of the retail assets originated through our own distribution is increasing, and as I shared, it will be in lines with the expenditure we incur in originating such businesses, whereas when we originate through our the NBFC partners, it is up fronted in the interest we charge. So, and as you see, we've rapidly expanded our distribution base also. So currently, we are working at a potential 7900 centers through our 149 branches. So, the expansion of the branches and more share of retail assets origination through our own distribution is the underlying cause for the increase in OpEx. In terms of fees and income, we need to pay that into two parts.

On the income side, the fees and commission is a function of the charges we get from time to time for setting up the limits for our NBFC partners, and as far as expenditures for fees and commission is concerned, it is the function of the commission we give for origination to various origination partners. So, depending upon the business model and opportunity we get, the fees and commission income will vary from time to time, and in terms of the expenditure, it will be in lines of the growth in the business on a QoQ basis.

**Sarvesh Gupta**

Understood Sir, but this, so what can be the normalized income level as a percentage of AUM, if you can, if there's some ballpark that we can sort of pencil in.

**Kamlesh Gandhi**

This is a view because this is the income that we get from time to time on setting up the limits for our NBFC partners. So, as a ballpark can be shared with you offline. But currently, it's not much of the focus area as far as the income is concerned, this is just for better transparency and for our better understanding, it has been shown as a separate line item in our P&L. But even then, based on the projections from time to time on what are the limits we are going to give to the various NBFC partners, that will decide the fees and commission income from time to time.

**Sarvesh Gupta**

Understood, and on two-wheeler loans, Sir, now it has grown quite handsomely in this quarter. But earlier, we were sort of very cautious on this side. So, has the environment changed for you or the industry in general, with respect to the two-wheeler loans or if there's any other reason why it has grown so strongly?

**Kamlesh Gandhi**

There's a base effect. If you see that, there is an increase in sales in two wheelers, both in the urban and rural areas post COVID. So, once the basic sales increase, and it is now coming, which came back to the pre COVID levels, and now we are saying that will cross the COVID, pre COVID levels also within a quarter or two. So, that is a base effect because of the more primary sales, thus the financing opportunities are more.

**Sarvesh Gupta**

Understood, any sense on the excess liquidity that we are carrying now, I think earlier we were alluding that we would want to reduce it in the coming quarters, but it seems that we are still carrying the excess liquidity keep the amount and the reason.

**Kamlesh Gandhi**

Strategically, we would like to carry liquidity of close to 4-5% of our AUM, that comes to close to around INR 400 crores to INR 500 crores, and earlier was INR 1000 crores has come down to INR 700 crores as shared by Ankit, and the unused cash credit limit is not a burden as far as the treasury management is concerned. So, that's just a liability management pattern. So, what was around INR 700 crores this quarter, within next few quarters we'll see that settling anywhere around INR 400-500 crores.

**Sarvesh Gupta**

Understood. Thank you, and all the best.

**Moderator**

Thank you, Sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I repeat, Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. We have a question from Harshvardhan Agrawal from IDFC AMC. Please go ahead.

**Harshvardhan Agrawal**

Hi Sir, Thanks for the opportunity. We just wanted to understand on a disbursement outflow. First, we look at a normal quarterly run rate**,** we are sort of placed at somewhere between INR 2000 to INR 2200 crores. So, how should one model it. What could be your expectation for the FY24 disbursement?

**Kamlesh Gandhi**

Our focus is to have a growth on AUM, and depending upon the product mix, we have in our AUM, the disbursement growth will be the function of that. So, it does not necessarily mean that the higher AUM will correspond equally to the higher disbursements. So, our focus will be on growing the AUM anywhere between 20-25%, and the disbursements will be calibrated accordingly. So, if you see on YoY basis, last time from our approximately INR 1600 crores of disbursement and this year it's close to around INR 2200 crores, but on a QoQ basis, it will more or less stabilize, and then also we'll be in a position to have a growth of around 20-25%, that is because of the various tenures of the loan.

**Harshavardhan Agarwal**

Sure, Thanks. But Sir, next on the liquidity part, I'm sorry, I could not get it over here, but you said the current equity on the balance sheet is considered as INR 700 crores. Is that correct?

**Kamlesh Gandhi**

Yes. INR 700 crores Sir, right? Yes.

**Harshavardhan Agarwal**

Sir, but my understanding was in the last con call, you had mentioned somewhere around INR 600 crores is the liquidity that we carry, and if excess liquidity, we have INR 700 crores this quarter, but, if I were to look at the increase in borrowing, that seems to be much lower than the growth in an advanced AUM. So, I'm just not able to understand this, but my thought was good for me we have used from the liquidity during this quarter, that is why a borrowing growth is much lower than the advances growth.

**Kamlesh Gandhi**

This is on a given date, when I'm talking about the liquidity, we carry it is on the average for the whole quarter we have done. So, the liquidity on a particular date will not show the exact picture of the liquidity we hold. Few of the sanctions might have been availed on the last date for better relationships with the lender. So, that dynamics will be shared with you on what was the total borrowings and how was the excess liquidity used during the quarter that we had carried in the earlier quarter. But strategically we would like to maintain a liquidity buffer of close to 4-5%. We are still holding some additional liquidity, which I think within the next quarter or two will settle around 4-5%.

**Harshavardhan Agarwal**

Okay, so then, the margin expansion on a sequential basis that you've seen, is it attributable to the product mix of the rate hikes we have?

**Kamlesh Gandhi**

It is a combination of both because, as I've shared earlier also that we have enabling agreements with the borrowers to increase the rate as and when we need to. So, that is our last priority because to be we would like to be consistent on our offerings on rate, but as you know that this was a very unprecedented situation in terms of a very consecutive rate hikes. So, we got an approval, we had to use that option to increase the rates and also the function of the product mix which changes on a QoQ basis.

**Harshavardhan Agarwal**

Sure, Thanks. Sir, just one last question on our write off. Did we have any write-offs this quarter?

**Ankit Jain**

Write off was around INR 8 crores.

**Harshavardhan Agarwal**

Sure. That’s all. Thank you.

**Moderator**

Thank you, Sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. We have a question from Pankaj from Molecule Ventures. Please go ahead.

**Pankaj**

Hi Sir, congratulations on the good set of numbers. My question was on the yield side of our book, so what is our yield for this quarter as compared to pre COVID levels of yields.

**Kamlesh Gandhi**

While Darshanaben shared the number, the focus was on NIMs and our NIM, we could maintain at 7% plus.

**Pankaj**

Yes, go ahead. Sorry.

**Darshana Pandya**

So, the yield on all the products is around 16% to 16.5%.

**Pankaj**

Okay, and what was it for the pre COVID? Let's say FY20.

**Darshana Pandya**

Can we share that offline, because right now I'm not having those numbers with me.

**Pankaj**

That's fine, and now do we have any further scope to increase our yield in FY24, or the in next couple of quarters, let's say.

**Kamlesh Gandhi**

Our focus will be to maintain the NIM's. So, the yeild will be the function of the borrowing costs, the operational costs and the credit cost for a particular product. So, it will be in line with our concept of maintaining 7% NIM's. So, the yeild will vary accordingly. Difficult to exactly figure out what will produce this figure on the yield going forward, but we will try to maintain the NIM's of around 7%.

**Pankaj**

Okay. That's it from my end. Thank you.

**Moderator**

Thank you, Sir. The next question comes from Ojasvi Khicha from TCG Advisory, please go ahead.

**Ojasvi Khicha**

Hi, this is Ojasvi Khicha from PGIM India. So, the first question is on OpEx, while you have commented primarily how our prices are led by adding branches and partnerships with fintech.

So, if you can give a broad color in terms of where do you see this operating expense ratio settling? And also, if there's any way to break this, how much is basically you to expansion of branches or partnerships? That could really help.

**Kamlesh Gandhi**

Right. So, on the OpEx basis, on a consolidated basis with the more contribution from our direct distribution, we see this settling anywhere between 2.5% to 3%. Factoring in the fact that we'll be continuously growing our distribution strength also and which will have a lag effect on the efficiencies. So, we anticipate that in the range which I shared.

**Ojasvi Khicha**

Sure. Any broad breakup, like it is incremental, higher expenses into categories if you can allocate?

**Kamlesh Gandhi**

Any breakup on?

**Ojasvi Khicha**

I mean, the higher incremental expenses into categories. So, you have broadly mentioned qualitatively branches, employees and partnership. So, your percentage would be due to branches or due to partnership with fintechs. Any broad numbers?

**Kamlesh Gandhi**

It will be mainly contributed by employee costs, because in our business, there is hardly any cost as far as the branches and expansion of the branches is concerned. So, it will be mainly on the origination in OpEx and the employee costs, and it will be the origination that we pay to our fintech partners and all. So, it will be mostly on the origination costs part of it.

**Ojasvi Khicha**

Sure. And where do you see branches numbers by FY24 or FY25?

**Kamlesh Gandhi**

I think we contemplate that by within next two years we'll be close to 200 branches and potentially 10,000 centers of penetration, maybe a few quarters here or there depending upon the opportunities that we discover from time to time working at those places.

**Ojasvi Khicha**

Sure. Sir, second line of questioning is around the yields. So, broadly you have given 16.5% yield across products more or less. So, I mean, during the quarter, in which products did you see the highest increase and where do you see the further flexibility?

**Kamlesh Gandhi**

Darshana will share the product pricings, but I would like to maintain that on a consolidated basis the company over the years have endeavored and found that maintaining 7% NIM's and ROA is anywhere between 2.75% to 3.25%, works as a good enabler for creating good quality assets also. So, strategically it will revolve around that.

**Darshana Pandya**

Yeah. So, our annual yield for MEL is around 17%, SME is 15%, two-wheeler is 15.5%, SRTO is 17%, and SPL is around 19%.

**Ojasvi Khicha**

Sure, and if you can also give the last quarter number for these products, please.

**Darshana Pandya**

Last quarter it was, MEL was again 17%, SME was 14.75%, two-wheeler was 16.5%, SRTO was 16.75%, and SPL was around 18.5%.

**Ojasvi Khicha**

Sure. Last question from my side is if you can provide some commentary around the competition. Any changes, any pockets, that in the spaces where you operate, any change in the competitive intensity over the last one or two quarters, that you see?

**Kamlesh Gandhi**

We see continuously, the continuous entry and exit of various finances based NBFCs or banks with the various products we work. But, having said that, and that what we've maintained over all this 2.5 decades of working that given the market size and the market differentiation, and the product differentiation in the marketplace, we've always found ample opportunity to grow the products the way we want to grow, and that is what we've demonstrated over all these years. So, it's a continuous process whereby, there are number of players entering with certain products and certain people exiting, and especially there has been a lot of interest in the SME side of the business whereby even the private banks are also saying this is a good opportunity to contribute to the liability side of small entrepreneurs.

**Ojasvi Khicha**

Understood. Thank you. All the best.

**Moderator**

Thank you, Sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I request the participant to restrict with two questions in the initial round and join back the queue for more questions. We have a question from Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai**

Hi, Sir. Good morning. Congratulations for a very good set of numbers. Sir, my first question is on the OpEx side. I think you alluded that, eventually that number will settle down around 2.5% to 3%. So, currently, we are at currently around 2.75% in terms of ROA, and we have given a guidance. So, if this ratio, which used to be around 2% moves to 2.5% to 3%. Does it mean that we will be closer to lower end of our guidance on the ROA side?

**Kamlesh Gandhi**

No, as I told that, like OpEx yield will vary and will differ from quarter to quarter, depending upon the product mix. Our ultimate aim will be to maintain a 7% NIM, and ROA is anywhere between 2.75% to 3.25%. When we talk about higher OpEx, it will be corresponded by higher yields also with more contribution from the retail assets originated through a direct distribution. So, that will not affect the ROAs. On the contrary, we are optimistic on improving our ROAs on a scale.

**Dhwanil Desai**

Thank you. The second question is on the new segment that we've started. So, if you can share your thought process as to why or how you decided to enter into the salary and personal loans, how do you see yields or margins and the profitability?

**Kamlesh Gandhi**

See, as you see that we have been present in the income generating activities of the economy, be it with our MEL financing or Small and Medium Enterprises financing, or maybe two-wheeler which is mostly used for not only commuting but for the business purpose also, and obviously commercial vehicle being a livelihood financing. So, we were absolutely missing from the consumption side of the economy, and you'll agree that there's also a huge opportunity when it comes to consumption side of the economy.

And in the past, we had managed this portfolio, but because of our more focus on MSME and given the constraints of the balance sheet size, we were not much focusing on the salaried personal loans. So, this was the basic intent that we would like to be on the consumption side also, but very cautiously the way we do, we grow this portfolio in a very cautious manner, and we see that with good credit underwriting, there is a good scope to grow this product also.

**Dhwanil Desai**

Okay. Just to follow up on this, Sir. On MSME side we are in areas where some of the larger banks or NBFCs may not want to enter, but on the salaried personal loans, there are larger players. So, do we see enough space for us to be there and grow?

**Kamlesh Gandhi**

Yeah. Yeah, there's a very huge market to be served. As I always share that the overview can be that there's a lot of competition, but once you really start working in a particular place you will see a lot of product differentiation, and with good origination, understanding, good origination strategy, and last but not the least, the patience to wait for the portfolio to build up, you can definitely build up a quality portfolio. There's a huge market to be served and growing.

**Dhwanil Desai**

Okay. Sure. I have more questions, I'll come back in the queue.

**Moderator**

Thank you, Sir. The next question comes from Hardik Doshi from White Whale Partners. Please go ahead.

**Hardik Doshi**

Yeah. Thank you for taking my questions. Little bit of a continuation to the past participant. So, now we reach almost INR 200 crore in the personal loans. How are we looking at this product from a five-year perspective, what percentage would you like to take this to, and also, given that we are focused more on lending to the MSMEs, and would you consider extending these loans to the self-employed also?

**Kamlesh Gandhi**

See, over the years we have always believed, and that to at the initial stage of the product that the growth opportunities will not be decided, it will be discovered as we go along depending upon the risk adjusted returns, we get from time to time. So, there are no hard hammered targets being set for this product as of now. But, having said that, with consistency with our overall strategic planning to have a well-diversified portfolio, I don't see even though this giving good returns, this product to contribute more than 10% going forward.

**Hardik Doshi**

Okay. And what about extending this towards the self-employed? Right now we do salaried personal loans, right? But, a lot of our loans go towards Micro Enterprise Loans and SME loans, which are really kind of almost it can be categorized in the process of the strategy. So, would you give them also personal loans or that is a separate in the consumption?

**Kamlesh Gandhi**

Basically,these personal loans when we give consumption loans, the idea from the credit and the risk perspective is that we want a fixed income parameters to be judged. So, right now, we are concentrating on personal loans only to the fixed income owners and not contemplating giving personal loan as of now to the self-employed.

**Hardik Doshi**

Okay. All right. Thanks a lot.

**Kamlesh Gandhi**

Thank you.

**Moderator**

Thank you, Sir. The next question comes from Saptarshee Chatterjee from Centrum PMS. Please go ahead.

**Saptarshee Chatterjee**

Good morning, Sir. Thank you for the opportunity. I just want to understand your off-book percentage. So, pre-COVID, it used to be slightly higher at around 40%, now we've come down to closer to 20%, and we want to maintain closer to 20% to 25%. May I know what has led this change?

**Kamlesh Gandhi**

I'll say, if you think pre-COVID, 40% on a smaller balance sheet size a lopsided or rather more concentrated liability from a source was acceptable, but as we grow strategically, we have decided that no liability source should be more than a certain percentage of the overall liability configuration. So, with this lines as Ankit shared with you that we'd like to keep this anywhere between 20% to 25%.

So, this was the effort in that direction, accompanied by as I shared in few of the last conversations, that excess liquidity with us was also one of the functions, that we could not do lot of direct assignments with the bank, because we do direct assignments, that amount comes in bulk, where it cannot be tranched the way we would like to have it in tranches because of the excess liquidity we carry. So, this is a function of both the things, our strategic intent of not to rely on one liability source for more than a certain percentage and carrying excess liquidity.

**Saptarshee Chatterjee**

Understood. And if I just compare your 1 to 30 DPD QoQ that is in slight around 25 to 30 basis points increase in 30 DPD. Is there anything to read about it?

**Kamlesh Gandhi**

No, that is within a routine course of business, that much fluctuation will happen. So, there is nothing much to interpret there.

**Saptarshee Chatterjee**

Understood. And lastly, can you please give your state-wise AUM breakup, if possible?

**Kamlesh Gandhi**

That we will share it offline, because we work directly with six states and through our NBFC partners we have a multi-state penetration. So, I request Ankit to share it offline with you.

**Saptarshee Chatterjee**

Sure. Thank you so much and all the best.

**Moderator**

Thank you, Sir. The last question comes from Avadhoot Joshi from Newberry Capitals. Please go ahead.

**Avadhoot Joshi**

Hi. Good morning. Thanks for the opportunity, and congratulations on the good set of numbers. Just one question. In the initial remarks you mentioned about digitalizing or the use of AI for the analyzing or adjusting our lending process. In that sense, I just want to know, how we are going to use it going further, and how it will help us in scaling both in the sense of whether we would plan to use it in geographical and product-wise scaling, what are our plans over there? Thank you.

**Kamlesh Gandhi**

So, on the digitization front, right now we are in the process of digitizing the complete processes end-to-end, whereby the turn-around time is reduced, and in the second phase, we'd like to introduce AI selectively, as I shared in the beginning that we like to understand the use of AI and how it really works and complements our credit decisioning, and that too, depending upon the product, where we've sufficient documentation available to do the analysis based on the basic data we receive.

So, AI use will depend on product-to-product and from time-to-time. Gradually AI will be introduced as an enabler for credit decisioning and will not be the only criteria to extend credit because the borrowers will be so, largely depends to the informal category where we need to derive the credit assessment through various means. But having said that, the use of technology is inevitable, and we are moving on those lines. While we will be completing the process part of it by say March or June for the complete product, and then switch on to getting help through AI for credit decisioning. It will be an enabler and we will not be solely dependent on it.

**Avadhoot Joshi**

Understood. And do we plan to use it for any product or, of course, increasing the products like we have now entered into personal loans, accordingly any plans to go into new geographies plus new products?

**Kamlesh Gandhi**

Product won't be new, but there will be new set of customers within the product which we will be in a position to serve better. Say, for example, in our SME product where with the help of account aggregators when we can have a direct access through the banking, GST, and the credit bureau data, such type of borrowers where with the help of AI can be analyzed fast and helps us in credit decisioning. So, we can add on to those type of borrowers which ideally would like a better TAT than what we are having right now. The same is the case with personal loans whereby it does banking analysis and then analyzing their repaying patterns and calculating their disposable income might be helpful in our credit decisioning. So, within the product and we say that we'll be in a position to enter a new set of borrowers who are debt sensitive and are at the upper end of the credit assessment.

**Avadhoot Joshi**

Understood. Thank you, Sir. That's it from my side.

**Moderator**

Thank you, Sir. The last question for the day comes from Rithesh Parekh from Motilal Oswal. Please go ahead.

**Rithesh Parekh**

Thanks for the opportunity. Just a couple of questions. One is, one to understand, what is the loan origination from the fintech side on the quarter for us?

**Darshana Pandya**

INR 600 crores is the business outstanding for the quarter.

**Rithesh Parekh**

And how is our experience in terms of quality for, say, in terms of the repayment and as a quality side on this?

**Kamlesh Gandhi**

It has been on the lines of our normal product, because when you originate business through fintechs, it is as per our credit screens, whereby the credit screens are given by us, and we filter the cases originated by them basis our credit screens. So, our experience so far has been encouraging, while originating through this fintechs and it is in lines with our direct origination.

**Rithesh Parekh**

Lastly, on the CV side, I see that we were looking at aspiration to grow it on a big side, but somewhere it is around 3.5% or 4% range as such. So, any thoughts on that?

**Kamlesh Gandhi**

I think as we know that CV is directly related to the consistent growth in the economy, right, if you are looking at a risk adjusted return in this segment. And if you see continuously over quarters, we are growing that portfolio because on a quarter-to-quarter basis we could register a growth of around 27%, maybe on a lower base. But that is how we work, that we'll be growing steadily in this segment and God willing if everything is fine with the economy and growth consistently the way it is growing right now, it should start contributing more than what they're contributing to the overall AUM.

**Rithesh Parekh**

Thanks. That's it from my end.

**Kamlesh Gandhi**

Thank you.

**Moderator**

Thank you, Sir. Now, I hand over the floor to the management team for closing comments.

**Kamlesh Gandhi**

Thank you. Thank you all of you for participating in this conference call, despite a very busy day today with a lot of results, and, as shared earlier, we remain committed to our mission of excellence through endeavors and adding value through our work to other stakeholders. And going forward, once again, I like to reiterate that we are confident of a very consistent growth, that we've demonstrated over all these years, and not only growth but development accompanied by good profitability and asset quality at the rate of 20% to 25%, which doubles our AUM and profitability anytime within 3 to 4 years. I think that strong working and strong compounding story as far as a MAS is concerned, will continue. Thank you so much for the participation, and all the best to all of you. Thank you.

**Darshana Pandya**

Thank you.

**Ankit Jain**

Yeah, Thank you.

**Moderator**

Thank you. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation, and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day everyone.