"MAS Financial Services Limited

Q2 FY 24 Earnings Conference Call"

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MANAGEMENT:	**MR. KAMLESH GANDHI – CHAIRMAN AND MANAGING DIRECTOR**
	MRS. DARSHANA PANDYA – DIRECTOR AND CEO
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MODERATOR:	**MR. SHREEPAL DOSHI – EQUIRUS SECURITIES PRIVATE LIMITED.**

Mr. Yusuf : Ladies and gentlemen, good day and welcome to MAS Financial Limited 2Q FY24 results conference call hosted by Equirus 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 star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shripal Doshi from Equirus Securities Pvt Ltd. Thank you and over to you Mr. Doshi.

Mr. Shripal Doshi, Equirus Securities: Thank you Yusuf. Good evening, everyone. I welcome you all to the earnings conference call of MAS Financial Services to discuss the Q2 and H1 FY24 performance of the company, discuss industry trends and also outlook. We have the senior management team of MAS Financial with us, represented by Mr. Kamlesh Gandhi, Chairman and Managing Director, Mrs. Darshana Pandya, Director and CEO, Mr. Ankit Jain, Chief Financial Officer and other members from the senior management team. I would now like to hand over the call to Mr. Kamlesh for his opening comments post which we can open the floor for question and answer. Over to you sir.

Kamlesh Gandhi, Chairman and Managing Director :

Thank you Shripal. And good evening to everyone. I am very happy to connect with all of you once again. So, you might be aware that we had a very strong Q2 for the year and this is our 114th quarter of consistent performance. The growth in AUM is 27% on consolidated basis for the quarter, taking our consolidated AUM to Rs. 9,500 crores. That gives us the confidence to close 10,000 crores in AUM by the next quarter, which is Q3. As shared with you earlier and during the starting of the year, we had forecasted that we should cross a very important milestone in our journey of 10,000 crores and that too backed up by very strong fundamentals in terms of asset quality, capitalization and liquidity management.

If I brief you on few of the vital things happening in this quarter which we concentrated on, our distribution network increased to 171 branches and a formidable reach of more than 10,000 centres and this is contributing around 67% of our total AUM and this is slated to increase going forward. Our distribution through NBFC partners is also very robust and that contributes close to 36% of our AUM. So, both our distribution channels are working very nicely, and we are strengthening both of them and going forward we see the momentum to be maintained. Very importantly, we will continue to focus on digitalization and building up a very strong team for the same, along with focusing and nurturing and grooming our human resources which stands as a strong team of 3,000 as on 30th September 2023.

I will take you through some of the basics of this company while Darshana and my colleague Ankit will take you through the detailing as far as the numbers are concerned, while numbers are already with you. But friends, just to share with you what differentiates us throughout this growth story is the major growth which is non-dilutive and mainly through internal accruals. If I just refresh the memories, we went to capital market way back in 2017 when we were close to 3,000 crores in AUM as compared to almost 10,000 crores currently and this growth has been achieved mainly through internal accruals. And that creates non-dilutive growth and tremendous value for the investors.

As far as our housing planning subsidiary is concerned, that also registered a very strong growth of more than 30% and is poised to grow at 30% to 35% going forward. Thus, it will contribute very positively to the overall growth of the company.

So, all in all, it was a very good quarter for us and it is building up the right momentum at the right time to capitalize on this growth and we see no reason why we will not be in a position going forward and are confident that we should be in a position to register a growth of around 25% with very extremely strong fundamentals as demonstrated over the last 28 years. If you see MAS, we have delivered a very consistent CAGR. If you plot it on a CAGR, if you plot our journey of 28 years on CAGR, it translates into a 36% growth in AUM and 40% growth in profitability, having started with a very low base of 2 crores way back in 1995. And throughout the cycles, we have grown very consistently. If you take the last 10 years growth also, we were 1,000 crores in 2013 and I would like to take the liberty of keeping it as a 10-year horizon that December 2023, we are exactly 10,000 crores transiting at 10x growth in our AUM and also corresponding growth in our profitability.

So, all in all, we are very confident, and we believe that what we have been doing for the last 28 years will continue to grow. We are at a very strategic inflection point and now we have the critical mark also 10,000 crores is a good number to take this forward and to make this company a very formidable company in terms of size, but nevertheless, not only size, but with very strong fundamentals. So, with these opening remarks, I would like to hand over to Darshana to take it forward to take you through the basic numbers for the quarter and the half-year growth. Over to you, Darshana.

Mrs. Darshana Pandya, Director and CEO: Thank you, sir. Good evening, everyone. And I'm happy to share the results of the 114th quarter and that is well within our strategy of growing at 20 to 25%. And I'll share with you the standalone numbers. So, first for the parent company, if we look at the AUM, we closed at Rs. 9,046 crores in September 2023, which was Rs. 7,138 crores in September 2022, which is 26.73% growth in AUM. Our portfolio consists of total five products. Out of that SME and microenterprise loan is 83% and wheels portfolio is contributing around 13% and salary personal loan is 4% as of September 2023. If you look at the individual numbers for year on year growth, microenterprise loan grew at 18.68% from Rs. 3,590 crores to Rs. 4,260 crores. SME loan, there is a growth of 21% from Rs. 2,672 crores to Rs. 3,233 crores. Two-wheeler grew by 32.80% from Rs. 470 crores to Rs. 624 crores. There is a growth in commercial vehicle of 103% from 274 crores to Rs. 557 crores. And salaried personal loan being the new product, it grew by 179% from 133 crores to Rs. 372 crores.

For Q2FY24, our total income grew by 30% YoY from Rs. 230 crores to Rs. 298 crores. Profit before tax, there is a growth of 23.11% YoY from Rs. 65 crores to Rs. 80 crores. And profit after tax, there is a growth of 23% YoY from Rs. 49 crores to Rs. 60 crores. If we look at the half yearly numbers, our total income, there is a growth of 35.30% YoY from Rs. 427 crores to Rs. 578 crores. Profit before tax, there is a growth of 23% YoY from Rs. 127 crores to Rs. 156 crores. Profit after tax, 23.61% YoY growth from Rs. 95 crores to Rs. 117 crores. While we grew by around 26%, we could maintain the quality of the portfolio. Our gross Stage 3 asset is now 2.17% as compared to 2.13% in June 23. And net Stage 3 asset is 1.47% as compared to, it was 1.47% in June 23. And we still hold on to Rs. 18.79 crores as a management overlay, which is 0.27% of our total on-book assets.

Now coming to the housing numbers, here also we could register the growth of 31.83% YoY in AUM. So, now the portfolio is, we crossed the milestone of Rs. 500 crores, which was last year Rs. 380 crores. And total income is now from Rs. 11.66 crores in September 2022 to Rs. 14.74 crores in September 2023. There is a contraction of just Rs. 60 lakhs impact due to our expansion mode. We are in an expansion mode; we have increased our team strength. So, that has resulted into this, so now the profit is Rs. 1 crore 90 lakhs as on September 23. And if we look at the half yearly figures, total income, there is a growth of 38.69% YoY from Rs. 20 crores to Rs. 28 crores. And PAT on September 23 is Rs. 3 crore 49 lakhs as compared to Rs. 3 crore 54 lakhs in September 2022, which is just around Rs. 5 lakhs less than the earlier period. And here also the portfolio quality is very good.

Our gross stage 3 asset is 0.79% as compared to 0.59% and net stage 3 asset is now 0.55% as compared to 0.43%. So, this was about the housing finance company. Now I will request Ankit to take you through the capital and liability management.

Mr. Ankit Jain, Chief Financial Officer: Thank you madam and sir, hello to all. In terms of capital liability management, the company, through its efficient liability management was able to maintain average cash and cash equivalents of around Rs. 800 crores during the quarter and unutilized cash liquidity of around Rs. 375 crores. In addition, the company has, as on 30th September 2023, sanction on hand the tune of Rs. 1770 crore in the form of term loan, direct assignment and co-lending. In the second quarter, the company did around Rs. 489 crore direct assignment transaction and further we have more than Rs. 1000 crore sanction on hand which will utilized during the current year.

Our strategy is to maintain around 20% to 25% of the AUM off book through direct assignment co-lending transactions. The company has available cash liquidity of Rs.1765 crore out of which we utilize around 65% to 70% and rest is kept as a liquidity buffer. We successfully raised around Rs.1350 crore short-term working capital loans which are sub-limit to these cash credit limits. In the quarter, we raised around Rs.1085 crore term loan which had an average maturity of 3 to 5 years which helped us to further strengthen the asset liability maturity pattern. In terms of asset liability maturity pattern, there is no negative impact and cashflow for all the cumulative bucket is positive. The capital adequacy remains strong at 25.17% with tier 1 capital of 21.17% and debt equity of 4.12 times. The cost of borrowing for the quarter was at 9.79%. The cost of borrowing in last September quarter was 8.95%. We see that the cost of borrowing will settle around 9.75 to 9.85% in the current year. As per the current sanctions on hand through various instruments, we have already tied up for the fund requirement of the whole year and so in the next half of the financial year, our main objective in terms of liability management will be to focus on the further diversification of sources of funds and to reduce or maintain the cost of borrowing. Thanks. So, I will hand over to Kamlesh sir for the closing remarks and then we will be open for Q&A.

Kamlesh Gandhi, Chairman and Managing Director: Thank you, Ankit and Darshana. So, this is from us. We are open to take the questions now.

Mr. Yusuf: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants to ask a question, you may press star and 1. Ladies and gentlemen, anyone who wishes to ask a question may press star and 1 on their touchtone telephone. Our first question is from the line of Omkar Gatmekar from Bonanza Portfolio. Please go ahead.

Mr. Omkar, Bonanza Portfolio: Hello.

Mr. Yusuf: Yes, Mr. Omkar. Please go ahead.

Mr. Omkar, Bonanza Portfolio: Okay. So, the first question is the salary personal loans that we have added as a new product. It is currently I think close to 4% if I heard it correct and it has shown phenomenal growth on a Y-O-Y basis. So, what is the traction in that segment and what is the overall percentage that we are targeting for this to be a part of the total AUM size?

Kamlesh Gandhi, Chairman and Managing Director: I think to answer your question on what we target. It is a very huge market to be sought but we are very cautious because they are unsecured, and it is a new product for us. So, we will be keeping it below 10% of AUM. So, if you say that we are now stable at around 3% to 4%. So, within next few quarters we will be reaching not more than 10%. So, the idea is to keep it less than 10%.

Mr. Omkar, Bonanza Portfolio: Okay. Okay. And secondly, I was not able to find the number on the spread, the overall spread for the entity as a whole. If you could help me understand what the spread of the entity is as a whole?.

Kamlesh Gandhi, Chairman and Managing Director: So, we maintain around 7% NIM as in Q2 our net interest margin was around 7%.

Mr. Omkar, Bonanza Portfolio: 7%. Okay. And finally, with respect to the co-lending space. So, are we going to aggressively go ahead with that or are we fair enough because it has been stable from the 15 to 25% range over quite a while. So, if we continue to be the same or will this increase as we go ahead.

Kamlesh Gandhi, Chairman and Managing Director: See, co-lending has shown operational issues which have to be sorted out in terms of alignment of understanding between the banks and the NBFCs and at the ground level. So, once that gets sorted out, we will be having around close to 10 to 15% as co-lending and over a period. And overall, on de-risking or on off book we would like to maintain anywhere between 20 to 25% on off book.

Mr. Omkar, Bonanza Portfolio: 20 to 25%. Great. And on the housing finance company. So, we can see on a year over year basis there has been an increase in the net and the gross stage 3 asset. Although it is marginal, it is like from 0.43 to 0.55 and 0.59 to 0.79. But because, what is the target range? What is the upper band that you are looking at that recap the NPA? And specifically, what is the reason for this jump in the asset quality?

Kamlesh Gandhi, Chairman and Managing Director: So, 0.55 or 0.79 they are all range bound figures. So, when you are so low on your GNP you have to talk about range bound. So, it is range bound and on a vintage basis there is a portfolio matured and there is a portfolio growth. We will see this net NPA ranging anywhere between 1% to 1.5% as we go forward as per the industry standards. Right now, because of the low base and more focus on quality we are in a position to maintain it at half the level of the industry standards especially in the affordable housing space.

Mr. Omkar, Bonanza Portfolio: Okay. I was going to come to that question only. What is the exact vintage of the portfolio? Average vintage of the portfolio?

Kamlesh Gandhi, Chairman and Managing Director: Average vintage of the portfolio on critical mass must be around say 36 months. 36 to 48 months on a critical mass because you have started growing post COVID. You have started growing a portfolio post COVID. So, you can say that safely you can talk about 36 months of vintage on a critical mass.

Mr. Omkar, Bonanza Portfolio: Okay. Any targets on the AUM that you are targeting for the housing finance company? Long-term, medium-term targets?

Kamlesh Gandhi, Chairman and Managing Director: So, as I shared in the opening remarks, we see this company growing between 30 to 35% in visible future. So, if I give another medium-term view by 2025, we should be touching 1000 crores. We as a team are working to reach 1000 crores by 2025. Maybe a quarter here or there and because we always prioritize quality, profitability and growth. But having said that the way things are stacked up currently we see that happening by 2025 March. Maybe a quarter here or there.

Mr. Omkar, Bonanza Portfolio: Okay. Thank you very much. That was very helpful.

Mr. Yusuf Thank you. Before we move to the next question reminder to the participants anyone who wishes to ask a question may press star and one. Next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil, SIMPL: Yeah. Hi. Good evening and congrats on good set of numbers. I hope I am audible.

Kamlesh Gandhi, Chairman and Managing Director: Yeah. Good evening.

Nikhil, SIMPL: Yeah. Sir, one question. If I look at over the last three quarters our cost of funds have actually been reducing while the mix has in terms of the sourcing mix the assignment and the term loan have risen. And if you look at it on the assignment side the yields and assignments have gone down. So, in a rising environment are we getting term loans at a very attractive rate which is helping us keep our borrowing cost low or?

Kamlesh Gandhi, Chairman and Managing Director: To just correct the data I think our cost of borrowing is increasing because as you are aware that there was a repo rate rise of 2.25% last year. And the transmission started happening from Q4 last year. And we think that it has picked up right now. Because our borrowing is MCLR backed borrowing. So, as per the MCLR resets in Q4, Q1 and Q2 our cost of borrowing increased correspondingly to the rise in MCLR. In terms of the various sources of fund I think we borrow term loan anywhere between 9 to 9.75%. Whereas assignment is without recourse to us. So, it is between 9.5 to 10% because there we don't have to bear any credit cost. So, effectively if you see from a business point of view assignment works out to be a cheaper avenue for us as compared to term loans. And we are trying to maintain that in the range of around 20 to 25%.

Nikhil, SIMPL : Yeah, sorry my mistake. So, the point which I was trying to understand is that if we look at sequentially the NIMs have actually risen for us while the product mix. The loan mix between MEL, SME has been largely similar. So, what is helping us? Is it repricing of most of the loans which has helped us improve the spreads?

Kamlesh Gandhi, Chairman and Managing Director: So, last time also we shared with all of you that since our loans are short term in nature, we get an opportunity to reprice it. And since we could reprice it and the strategy of the company is to maintain NIMS at around 6.75 to 7%. That helps us maintain our NIM or grow it marginally depending upon the product configuration which changes from time to time. So, this is the reason for maintaining the NIM is this.

Nikhil, SIMPL: And most of the loan book would be repriced by now. So, this 6.97 can sustain for second half or how should we think about it?

Kamlesh Gandhi, Chairman and Managing Director: So, that is how we plan our capital and debt allocation. That we are a multi-product company, and we plan our allocations among every product in such a manner that we maintain around 7%, 6.75 to 7 %. And that translates into ROA post tax anywhere between 2.75 to 3% is the conscious effort and endeavors of the company from time to time.

Nikhil, SIMPL: Ok, and last question on the branch addition. So, what is the total branch addition we are looking at for this year? And as a result, would the cost to income really remain around that 31.5, 32 range or?

Kamlesh Gandhi, Chairman and Managing Director: I think in Q3 and Q4 we should see another 15 branches being added. So, from 171 we can be around 185 between 185 to 187 branches. And since we have a lean structure at the branches which does not entail much cost in terms of infrastructure. The only cost is of the manpower and already branches which are open will also have critical mass. So, we are confident that the operating expenditure will be a range bound between 30 to 33%.

Nikhil, SIMPL: Ok, thanks. Thanks, sir. I will come back in the queue.

Mr. Yusuf: Thank you. Next question is from the line of Madhu Chanda Dey from MC Pro. Please go ahead.

Madhu Chanda Dey, MC Pro: Hi. Good afternoon and congratulations on very steady performance. My question is on the housing finance subsidiary. So, we have seen some early signs of growth picking up. But as ma'am alluded to the kind of 60 lakhs kind of an impact due to network expansion. So, I really wanted to understand what is the road ahead? What kind of branch expansion are you looking at? What could be the steady state ROA of this business once you know it reaches that 1000 crore mark? A little more color on the housing finance business.

Kamlesh Gandhi, Chairman and Managing Director: I think on a steady state basis to start with your last question. On a steady state basis at 1000 crores and 4000 crores we see ROA settling between 2 to 2.5%. And we are predominantly a housing finance company with a limited portion of lab and that is a very conscious decision by us to concentrate more on housing and construction finance. And that too in semi-urban and rural. So, given that business model we anticipate ROA to settle anywhere between 2 to 2.5% given the fact that we get the right type of operational efficiencies. And a slight contraction in profitability of 60 lakhs of rupees on Q1, Q basis or 5 lakhs on H1-to-H1 basis is because of the work in progress in terms of building up the portfolio. So, I don't read much into that but over a period of time we will settle at around between 2 to 2.5% as of now.

Madhu Chanda Dey, MC Pro: So, this kind of network expansion that you have embarked on to really accelerate the business for how many more quarters do you think this business will be in this build up phase?

Kamlesh Gandhi, Chairman and Managing Director: I think by up till we build up a critical mass of 1000 crores. So, it will be for at least next around 6 quarters it should be in a buildup phase. Thereby we will be making decent ROA and decent profitability but not at the optimum level of around 2 to 2.5%. Currently it is at around between 1.5 to 1.6%. So, it will be that range bound during this 6 to 8 quarters but later on we can see that building up between 2 to 2.5%.

Madhu Chanda Dey, MC Pro: Great. I have my last question which is like everything seems to be kind of touchwood working well for us in terms of growth. All with the rise in the cost of borrowing we have been able to maintain the NIM. So, what are the things that makes you cautious at this stage and what is your take on the competitive intensity now that you are reaching a critical size? What are the headwinds that you see in the coming 1 or 2 years? What makes you kind of cautious?

Kamlesh Gandhi, Chairman and Managing Director: As far as lending is concerned caution is the name of the game. We have been cautious right from the word go in extending credit where it is due, prioritizing quality, profitability over growth. Having said that we were fortunate to register a 36% growth even though with this approach. So, given the market size I personally believe being a practitioner for 28 years that it is very important for you to have the right intent in creating various products and addressing the credit demand of the market and neither get too over excited or worried about the competition. So, this has worked with us during all these 28 years we have seen lot of competitors coming and changing their products or changing the businesses. So, we are not worried about the competition given the market size and our niche expertise. The market size is huge, it is incumbent on us how we really address it, what are our strategic intent in terms of building up a quality portfolio and whether we are courageous to be patient or not. In an atmosphere where you can find a 3-year-old company going from 100 crores to 5000 crores the question you to ask to yourself is that are you feeling the FOMO and if the answer is no you are safe. So, we personally believe that this is not a business to get over excited when you are working where you have your 100 rupees invested and another 400 is coming from the investors and the debt providers which is incumbent on us to be very cautious. So, this is what we work on the philosophy have done good for ourselves from 2 crores to 10,000 crores and are confident to take this forward in the same manner.

Madhu Chanda Dey, MC Pro : Thank you and all the best for your onwards journey.

Kamlesh Gandhi, Chairman and Managing Director : Thank you so much, thank you.

Mr. Yusuf : Thank you. Next question is from the line of Shreshti Jagati from Ambit Capital, please go ahead.

Shreshti, Ambit Capital : Hi, good evening sir, congrats on the good set of numbers. (Overlapping 29:58) an answer, just a couple more. So, in terms of the newer geographies that we are looking at the expansion and the newer branches that we have opened. One is are we rolling out the entire suite of products that we have from each of these branches. Secondly, what sort of customer engagement are we seeing in the salary, personal loans and CVs and if you could talk a bit more about the competitive intensity and the customer profiling that we are looking at here.

Kamlesh Gandhi, Chairman and Managing Director: On our expansion of branches, if you see currently, we work at around 8 states now. 4 are the western states which are congruent that is Gujarat, Rajasthan, Maharashtra, MP. 3 in south that is Tamil Nadu, Karnataka and AP/ Telangana and one in north that is Delhi and periphery of Delhi. On the type of products we introduce, it depends upon the scope we find for each product. Say for example, currently if we talk about our southern penetration is more concentrated on commercial vehicle and SME. So, is the case with our northern penetration, we have started with SME branches and soon we will be introducing commercial vehicle and other products from time to time. So, depending upon the scope we find from time to time and our strategic intent to grow a product, we will start with those products and gradually introduce few more products as we get the confidence about the understanding of the demography and we have the right team at place. In terms of customer profiling, in terms of salaried personal loan, I think we saw the ones between Rs. 25,000 to Rs. 70,000 of income. As I shared earlier, we are very cautious to increase our share here in terms of our AUM. We are currently at 4% and we see ourselves in going to 10% within next 4 to 6 quarters and we will wait and watch about the performance of the portfolio, how it generates risk adjusted returns for us. So, far it has been satisfactory and there is lot of learning also. In terms of commercial vehicle, the economy is stabilizing and registering a continuous good growth post COVID. Commercial vehicle is a business which is directly linked to the economic growth that is the GDP growth. That is where we are seeing lot of traction and we have focused there also and as you see we have registered a good growth maybe on a very small base of just 270 crores as on September 22 to take into a good mass of 500 crores. I say presuming that the economy is going to perform in a benign manner and at a continuous and steady state manner, I think there will be lot of scope to expand our commercial vehicle business. We are focusing there also.

Shreshti, Ambit Capital : Right, makes sense. Sir, just to confirm what would be your ideal product mix currently with micro enterprise loans and SME loans forming 82%. You mentioned salaried personal loans which is currently 4% would scale up to a 10%. So, I am just wanting to understand what is the ideal product mix that we are looking at?

Kamlesh Gandhi, Chairman and Managing Director : On a 3-to-5-year basis, I shared in the morning with one of the channels that we would like to have around 20 to 25% from housing, 20 to 25% coming from wheels, close to 10% coming from SPL, around 35 to 40% coming from SME and the rest from MEL. So, MSME will form around 50 to 60% and the rest will be coming from the other products. So, that means this will make us a well-diversified asset company.

Shreshti, Ambit Capital : I understood. That's it from me. Thank you.

Mr. Yusuf : Thank you. Ladies and gentlemen, to ask a question, you may press star and 1 on your touch-tone telephone. Next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai, Turtle Capital: Hi. Good evening, everyone. So, first of all, congratulations for a very good set of numbers and a fantastic journey so far. So, my question is that now since we have reached 10,000 crore or we are close to that 10,000-crore mark, we are at a scale which is from where to grow at 20, 25% may require slightly different approach. So, all is going to be the same. If you can talk a bit about it, that how do you think about next 10,000, 20,000 crores. Are you feeding new businesses to kind of go to that level or the existing products can take you to that new geographies. It can lay out a roadmap for that.

Kamlesh Gandhi, Chairman and Managing Director : So, at last 10 years is a medium-term vision and we envisage that within the next 10 years we should on an average grow at around 20% or between 20 to 25%. How we intend to go there is first of all the strategic intent. The strategic intent will remain the same. So, we went from 2 crores to 10,000 crores. I personally believe this journey was more difficult from 2 to 10,000 crores as compared to 10,000 crores whatever it happens in next 10 years, 50,000, 60,000 crores. Because of the critical mass what we have and the learnings what we have over all these 28 years.

So, the strategy, it all starts with the strategic intent and the fundamentals which we need to follow. Whereby we prioritize quality of assets, profitability and growth. We will be courageous to be patient at times. We have demonstrated that during COVID we grew our balance sheet by 11% because we were not very confident. Lending is all about confidence. So, first is the strategic intent. We would like to carry the same strategic intent and priority as we have been doing since last 28 years. On the strong enablers, there is a very huge market size to be sought. Each of our product has a potentiality to individually. If I keep a ballpark figure of around 50,000 crores 10 years down the line, each of the product has a potentiality to reach individually there. So, with around 5,000 products around including housing, market size should not be a problem. As I shared in an earlier query that market size and competitive scenarios are all to be navigated according to a strategic intent. And that is what we have witnessed being a smaller company also. So, this is one of the strongest enablers. There are multiple assets and multiple products, the huge market size, the experience. And as I shared in my opening remarks, we have run the company on a self-propelling capital requirement model. Whereby to grow at around say 20%, we do not have to raise capital now and then. Having said that, we will definitely raise capital over a period of time. But it is not incumbent on us to raise capital for that growth. So, that gives us the room to grow the way we have in alignment with our strategic intent. So, the huge market size, experience, a self-propelling capital model and the strategic intent at place. I think we are more than confident but not complacent nevertheless. And learning and unlearning has to be very sharp. And that is what we have demonstrated over all these years and we think that will take us to there. And having said that, on execution we look at one link of a chain at a time. And that is how we prepare ourselves for the next link and the next phase of growth.

Dhwanil Desai, Turtle Capital : Okay, that's a very useful chart. So, the second question is, what is the overall proportion of FinTech plus co-lending in the book? And where do we see that over the next 2-3 years?

Kamlesh Gandhi, Chairman and Managing Director : FinTech with co-lending I think must be very less, less than 5% of our total AUM. And we are still watching that space closely in terms of, I think regulations have settled now. Now this is the new regulations, how the quality spans out over a period of time for the FinTech that we are working with. So, we would not like to rush in terms of our increase in proportion of asset created through FinTech. Which is currently 5% will grow gradually as and when we get the opportunity and as and when we are confident about the asset quality over a period of time.

Dhwanil Desai, Turtle Capital : Okay, so this 5% may be close to 7-8% but not a large proportion, right? That’s the right way to put it.

Kamlesh Gandhi, Chairman and Managing Director : Difficult to give the number to that but it will not be significant.

Dhwanil Desai, Turtle Capital : Okay, okay. And sir, oscillating post-COVID what we have seen is that we have grown quite handsomely on the two-wheeler and on the wheel side of our portfolio. So, one reason of course you mentioned the economy is doing well so we are kind of getting there. But prior to COVID I think we have slowed down on the two-wheeler side and wheel side. What has changed? Are we kind of bringing these products to more geographies? Are we reaching out to more dealers? Why this portfolio has started growing at a very decent pace and how do we see that growing at 25% numbers at the company average number?

Kamlesh Gandhi, Chairman and Managing Director : First of all, from time to time we evaluate the risk adjusted return that the product can offer. So, pre-COVID if you remember the economy had slowed down and all the commercial vehicle landers also had some problems pre-COVID. So, at that time we were not much focused on increasing that move but post-COVID and after 4-6 quarters of COVID and the continuous economic growth and the assumption that this will continue for the visible time, we have started focusing more on our wheel portfolio. And the reason for increasing the AUM is our more focus on wheel portfolio and our more focus on wheel portfolio is because of our confidence on getting the desired risk adjusted return while allocating capital and back to these products.

Dhwanil Desai, Turtle Capital : And sir, the last question. So, we have entered this new segment of personal loans, semi-personal loans. But from whatever we have observed this segment, a lot of players have entered and the market is getting crowded. Of course, the opportunity can be very large. But what is our thought process of entering this? What kind of customers we are targeting? Why would we be in spite of slightly higher cost of borrowing than banks? Why would we be able to tap into this segment without taking undue risk? Can you talk about it ?

Kamlesh Gandhi, Chairman and Managing Director : As I shared earlier with one of the queries that we saw the segment anywhere between Rs. 25,000 to Rs. 70,000, it's a very huge market to be sought. And as far as engage is concerned, we have to be ready to become a consumption economy. And we were always there on the livelihood side of the economy when we are missing the consumption side. So, we would like to understand this space better because this is going to give a lot of opportunities. There will be a lot of hiccups for the players who want to grow very fast or the ones who have looked the other way on the basis of the credit extension and growing the book very fast. But if you extend credit where it is new and if you understand and manage the way and grow your book in accordance to your management capabilities and risk-taking capabilities, it's a very good product to have in your basket. So, we are confident that this product will contribute close to 10%, will contribute profitably, but it will take its own time. And the reason for entering is that this is a very huge market size to be ignored. And India, as we know that the story of India depends upon its domestic consumption and domestic consumption automatically will lead to more indebtedness and we will have to understand and live with that. So, we think there is a lot of opportunity, but good players and players who do it with caution will definitely have a good experience from this product.

Dhwanil Desai, Turtle Capital : So, what will be the typical yield from this product, 12-13%? What will be the yield, average yield on this product?

Kamlesh Gandhi, Chairman and Managing Director : Average yield ranges from 14-16%.

Dhwanil Desai, Turtle Capital : Okay, got it sir. Thank you.

Mr. Yusuf : Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and 1 on your touchtone telephone. We have our next follow-up question from the line of Omkar Kametkar from Bonanza Portfolio. Please proceed.

Mr. Omkar, Bonanza Portfolio : Thank you for the follow-up question. Firstly, I would want to know what is the average yield of the standalone entity and the HFC, if that could be shared, the average yield for the entire portfolio?

Kamlesh Gandhi, Chairman and Managing Director : The average yield for the entire portfolio goes to 16% and for housing finance it is 14-14.5.

Mr. Omkar, Bonanza Portfolio : 14-14.5, okay. And what is the marginal cost of borrowing for both the entities separate, if it is possible to share both separately, is it possible?

Kamlesh Gandhi, Chairman and Managing Director : It is both in the range of around 9.5-9.75%.

Mr. Omkar, Bonanza Portfolio : 9.5-9.75. And with respect to disbursement, what was the disbursement for the quarter for MAS and the HFC, the disbursement numbers? And what are we targeting for end of FY24 and 25? Are we placing a target in that aspect?

Kamlesh Gandhi, Chairman and Managing Director : Usually, we don't have targets for disbursement. It is targets for AUM because there are various metrics to disbursement to AUM depending upon the product. So, it is difficult to give the target for disbursement. We target an AUM of, a concentrated AUM of excelling Rs. 10,000 crores by December. And in terms of disbursement, I think we were close to approximately 2450 crores in our parent and close to around Rs 70 crores of disbursement in housing finance.

Mr. Omkar, Bonanza Portfolio : Okay. And the mix of the housing finance portfolio, what is it most skewed to? Is it more towards salaried individuals or self-employed ones?

Kamlesh Gandhi, Chairman and Managing Director : It's split is 50%-50%.

Mr. Omkar, Bonanza Portfolio : Okay. And I would want to understand with respect to how do we geographically expand? So, now we are concentrated more towards the western and central parts of the country. Most of the branches are in Gujarat, Maharashtra and Madhya Pradesh. So, how do we expand? So, what is the route that we take expansion through? And could you please explain that so we can have a…

Kamlesh Gandhi, Chairman and Managing Director : Expansion is a function of a well-defined process. It starts from the potential that a centre can offer. Then the credit behavior is examined and then there is a lot of recce done through various departments, that is, sales, credit, collections, site visit guys. And then we come to a conclusion on the risk assessment of a demographic and then we start with a product which is allied to a strategic intent for a particular centre. And this is how we start working in a centre and gradually we introduce more and more products. And then once we enter a new state, we take some time to build up the team and understand the demographic. So, we are slow in disbursements during the first few quarters of our entering a new state and then as we get the experience we expand.

Mr. Omkar, Bonanza Portfolio : Okay. So, how is the decision with respect to entering a new state arrived at? Do we have a framework as to how do we expand? So, my question comes from the point of where are we going to expand further? Are we going north or are we going south?

Kamlesh Gandhi, Chairman and Managing Director : I think as I said we are there in the western side, Gujarat, Rajasthan, Maharashtra, MP. We are already there on the north with Delhi. So, the next expansion can be Haryana, from Delhi. And then in south we are already there in Tamil Nadu, Karnataka. We have expanded to AP, Telangana. So, within usable future I think we would like to make deeper penetration in all these states of operation because we have covered good number of states in terms of our initial entry through various products.

Mr. Omkar, Bonanza Portfolio : Okay. And finally with respect to new products in pipeline, do you have anything new in the pipeline with respect to any specific product that you might introduce?

Kamlesh Gandhi, Chairman and Managing Director : I think currently we do use cars but it is clubbed with our commercial vehicle business because the business is not substantial. And we are trying to gain a foothold in the use car market since last 2-3 quarters and now we have built a reasonable team. So, within next 2-3 quarters we will see used car being hived off as a separate product in wheels where once it reaches a critical mass in terms of AUM of 100-150 crores plus. So, that you can reckon it as a new addition while we are already working on the same.

Mr. Omkar, Bonanza Portfolio : Okay. So, currently the use car is clubbed in the CV but it would then become a separate entity on its own.

Kamlesh Gandhi, Chairman and Managing Director : Yes.

Mr. Omkar, Bonanza Portfolio : Thank you. That was very helpful.

Kamlesh Gandhi, Chairman and Managing Director : Thank you.

Mr. Yusuf : Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Shripal Doshi for closing comments. Mr. Shripal, your line is unmuted.

Mr. Shripal Doshi, Equirus Securities : Am I audible now?

Mr. Yusuf : Yes, you are audible.

Mr. Shripal Doshi, Equirus Securities : Thank you, Yusuf. I would like to thank all the participants for being part of the call. A special thanks to the management of MAS Financial for giving us the opportunity to host this call. Thank you all.

Kamlesh Gandhi, Chairman and Managing Director : Thank you. Thank you everyone.

Mr. Yusuf : Thank you. On behalf of Equirus Securities Pvt. Ltd. that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

Kamlesh Gandhi, Chairman and Managing Director : Thank you.