"MAS Financial Services Limited

Q1 FY '26 Earnings Conference Call"

July 24, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 24, 2025, will prevail

MANAGEMENT: **MR. KAMLESH GANDHI – CHAIRMAN AND MANAGING DIRECTOR – MAS FINANCIAL SERVICES LIMITED**
MRS. DARSHANA PANDYA – DIRECTOR AND CHIEF EXECUTIVE OFFICER – MAS FINANCIAL SERVICES LIMITED
MR. DHVANIL GANDHI – EXECUTIVE DIRECTOR – MAS FINANCIAL SERVICES LIMITED
MR. ANKIT JAIN – CHIEF FINANCIAL OFFICER – MAS FINANCIAL SERVICES LIMITED

MODERATOR: **MR. SHREEPAL DOSHI – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to MAS Financial Services Q1 FY '26 Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in lesson 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 touchtone phone.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinion and expectation of the company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainty that are difficult to predict.

I now hand the conference over to Mr. Shreepal Doshi from Equirus Securities. Thank you and over to you, Mr. Shreepal.

Shreepal Doshi: Thank you. Good afternoon, everyone. I welcome you all to the Q1 FY '26 earnings call of MAS Financial Services. Today, we have the senior management team of MAS Financial Services represented by Mr. Kamlesh Gandhi, Chairman and Managing Director, Mrs. Darshana Pandya, Director and CEO, Mr. Dhvanil Gandhi, Executive Director, and Mr. Ankit Jain, Chief Financial Officer. Along with these people, we also have some senior management team, on the call.

I would now like to hand over the call to Mr. Kamlesh Gandhi for his opening remarks post which we can open the forum for question and answer. Over to you, sir.

Kamlesh Gandhi: Thank you, Shreepal and good afternoon, everyone. I'm very delighted to connect to all of you once again. In order to discuss the Q1 result for the financial year 2025-26. Friends, you are aware that, we have been going through some tough time and, both on the demand side and on the asset quality side as far as the lending to the particular sector whom we belong to is concerned.

But I'm very happy to share with you the performance of the company. Before that, I just want to share with you that we just completed 30 years on May 25, 2025, and this 30 year marks the years of resilience and the years of consistency that we have done over all these years.

To share with you, we have done all the hard work first. We have laid a very strong foundation, for making this company a very formidable company based on very strong fundamentals and in such a manner that it can withstand the cycles which is the characteristics, or which is, the part and parcel of the lending business. And if action speaks louder than words, over 30 years we have proved the consistency, time and again.

And friends this year, this quarter was no different. The numbers are well in front of you. We could grow on a consolidated basis, approximately 21% in AUM, and close to 20% in consolidated profitability.

This is, in consistence over stated objective and stated intent which has been communicated and shared with all of you from time to time, that company targets the growth anywhere between

20% to 25% with the belief that we prioritize quality of the portfolio, profitability and the operations is guided by the discovering the growth at the marketplace rather than just determining it. So, when the things are favourable in terms of risk and profitability we grow at the highest side of the spectrum and if the situation that is what we currently face, we grow at the lower side of the spectrum.

But the priority remains on the asset quality and profitability as we have been doing since last more than three decades, and as I told you this has laid a very strong foundation going forward, to grow this company into a very formidable size. It took us around 30 years for this INR13,000 crores. Next INR13,000 crores should come within the next 3 years. In terms of Net Worth, we are close to INR2,700 crores in Net Worth. Next INR2,700 crores would come within the next 5 years or 6 years. So, this is the power, what the company will derive based on the strong fundamentals and the foundations of the hard work done by team MAS over all these 30 years.

In terms of performance, if I start with in terms of working, if I start with the assets, we continue to focus on MSME. Close to 75% of our assets are from MSME, which constitutes of MEL, which are products less than INR10 lakhs, and SME, which is from INR10 lakhs to INR5 crores, that contributes close to around 75% of the business and the rest 25% comes from our Wheels business and Personal Loan business.

So, this gives us a well-diversified product range. And across the product, we could register a good asset quality besides a Y-o-Y growth. In terms of the asset quality, we could maintain the asset, at a Net Stage 3 Assets at around 1.63% and the gross at around 2.49%, well within the control and well within the stated objective and the intentions of the company.

The assets are created through a robust distribution, network. We have, now close to 206 branches. While because of the current situation, the branch expansion has not been done very vigorously, but I think during Q3 and Q4 we will be once again on track for branch expansion in order to have the retail business, as per plan as compared to our NBFC distribution.

Currently in terms of asset configuration in terms of distribution, around 65% to 66% of the businesses through our 206 branches spread across more than 14,500 pin codes, and the rest comes through our very robust NBFC partnership which is now a 12 year old model and has shown an exemplary result across cycles. But as we go forward, as I've shared a number of times, the retail distribution will grow at a faster pace.

Depending upon the opportunity and the micro environment and going forward what looks at around 65%-35% should look anywhere between 70% to 30% in favour of our retail distribution while we hold our NBFC distribution in very high esteem and regard of what it has contributed to the overall growth of the company.

On the distribution side, we continue to pursue the strategy of extending credit where it is due. We are quite circumspect as to how we lend and more precisely we lend to the borrowers who in a sense are dependent on our financial prudence to extend them credit. So, as we customary fill, as our customary what we have been doing that we don't want to just create borrowers, but we are in the business of creating successful entrepreneurs, and that ideology continues to drive us as far as the asset creation is concerned.

In terms of, profitability, we could maintain our ROAs of around 2.84%, and, this was reflected, and this is derived by the fact that our yields have also inched up, because of our retail distribution increasing and also the operational cost is, increasing in the same pace. But as I've shared a number of times that even though with the rise in operational expenditure, we will be in a position to maintain our ROAs.

And that stated objective has already been met this quarter with around 2.8% at ROAs and on an expanded capital base, that is we raised INR500 crores last June on an expanded capital base we are close to 14% on ROEs. So, on the profitability and on the NIM side we are well on track and the traction will continue on the positive side as we go ahead and as we gain on volumes.

If I take you through liabilities, while Ankit will take you through in detail. We are well capitalized and we are well funded and if you ask me, we are almost funded for the year right now, but, we'll draw a sanctions depending upon the rates we get from time to time and the institutions who would like to align.

In terms of operations, we believe that technology plays a very important role. The technology team is growing stronger and stronger. The LOS are now BRE enabled, but having said that this is a task we worked upon, can be worked out. There's a continuous improvement changes for the good, for better efficiencies being undertaken, and we are very confident that technology will play a very important role in enhancing efficiencies and delivering credit.

Moderator: Dear participants, the management line has been disconnected. Please stay connected while we try to reconnect them. Yes, participants, our management has been joined. We will start with the call.

Kamlesh Gandhi: From where I got disconnected. Any-any idea, so like you.

Moderator: You got disconnected just a minute back.

Kamlesh Gandhi: Okay. So just, sorry for the inconvenience. I'm told that I was disconnected. So, coming back to and if I think that I'm picking up from where I left, I was talking about, the operations part that technology plays a very important role, and we continue to pursue that. We have very strong in-house team and with BRE enabled LOS we will gain on, more efficiencies and hence that would reflect in the better profitability going forward.

In terms of HR, we have a very strong team, with very less attrition at the middle and the top level, with no attrition at the top level and the middle level attrition is very less. We recently celebrated, as I shared in my opening remarks, 30 years of endeavours, whereby there are more than 600 people working with us for more than 3 years. That is the testimony to the fact that we have robust HR policies and with our policy of succeeding and failing together.

So that was on the operations, distribution, assets, liability. And if I take you briefly to the working of our housing finance company. Housing finance company, we are at a striking distance from INR1,000 crores now. We are around INR795 crores. We are confident to touch INR1,000 crores this year, with once again very robust figures in terms of profitability, in terms of the assets' quality.

The asset quality has been around less than a percentage in Gross and Net Stage 3 Assets, and if I share with you, even in housing finance company, there is so much of commonalities as far as the borrowers are concerned, in terms of the middle income and the lower income group borrowers, but, with our, strong credit due diligence, we are in a position to maintain the quality of the assets.

I agree that we have taken a long time to reach to this level, but I personally believe that as a lender we add value when we create quality assets and not just the top line. And in consistence to that belief, housing finance company will also keep on growing. The growth in housing finance company was at the rate of 28% in AUM and 25% in profitability.

So, with this, I will hand over to Darshana Ben to take you very quickly through the numbers, so that you have sufficient time for Q&A, followed by Ankit who will quickly take you through the liability numbers for your better understanding.

Over to you Darshana Ben.

Darshana Pandya: Thank you, sir. Good afternoon, everyone. Once again, I'm happy to share the key numbers of our 121st quarter. I'll give you the comparative number as well for better understanding of the performance of the quarter.

So, to start with, as Kamlesh Sir shared, our AUM as on June '25 is INR12,505 crores as compared to INR10,384 crores, which is 20.43% growth in AUM. Total income grew by around 28% from INR347 crores to INR444 crores. Profit before tax grew by 19% from INR94 to INR112 crores. Profit after tax, grew by 19% from INR70 crores to INR84 crores.

Now coming to the configuration of the portfolio. Out of INR12,504 crores, INR5,009 crores is microenterprise loan which grew by 10.73% year on year from INR4,523 crores to INR5,008 crores. SME loan there is a growth of 19.61% year on year from INR3,783 crores to INR4,525 crores.

Two wheelers growth is around 30.37% year on year from INR669 crores to INR872 crores. Commercial vehicle loan grew by 18.33% year on year from INR817 crores to INR967 crores, and salaried personal loan grew by 92%, from INR590 crores to INR1,131 crores, this is in the consonance with our planning to have 10% share of this product in our total AUM, so which is still below 10% of our total AUM.

So, majority of the growth is coming from our MSME segment which is 60%. Now coming to the quality of the portfolio as shared that, we could maintain the quality of Gross Stage 3 Assets as on June '25 is 2.49%, and Net Stage 3 is 1.63% as compared to 2.44% Gross Stage 3 and 1.62% Net Stage 3 as on the March '25. We still hold on to, INR17.60 crores of management overlay which is 0.17% of our on-book assets.

Regarding the performance of housing finance, our AUM stands at INR794 crores as compared to INR623 crores, which is 27.40% growth. Total income grew by 23.41% from INR19 crores to INR23 crores. Profit before tax grew by 26% from INR2.80 crores to INR3.53 crores. Profit after tax grew by 27% from INR2.17 crores to INR2.76 crores.

Here also we, the quality of the portfolio is excellent. So, our Gross Stage 3 Assets is 0.92% as compared to 0.94% as on March 2025 and the net stage 3 is 0.64% as compared to 0.65% as on March 2025. Here also we carry a management overlay of INR3.29 crores, which is 0.57% of our own book assets. So, this was regarding the performance of both the companies.

Now I'll hand over to Ankit for liability management update.

Ankit Jain: Thank you, ma'am. Good afternoon to all. On the capital and liability management, this quarter through our effective liability management we have maintained an average cash and cash equivalents of approximately INR1,000 crores, along with an unutilized cash credit facility of INR250 crores. As on June 30th, the company also holds sanction facilities totalling to INR2,200 crores comprising of term loan, direct assignment and co-lending, and other facilities.

During the last quarter, the company executed direct assignment transaction amounting to more than INR700 crores. Furthermore, we currently have sanctions of approximately more than INR1,500 crores in the form of direct assignment and co-lending which we plan to utilize over the next two quarters. Our strategic goal is to maintain 20% to 25% of assets under management as off book through Direct assignment and co-lending transactions.

We have cash credit facility of approximately INR1,400 crores, of which we maintain utilization levels at 70%, 75%, keeping the remaining portion as a liquidity buffer.

In terms of long-term borrowings, company raised INR835 crores in term loans during the quarter with an average maturity of 3 years to 5 years. We also have sanctioned term loan pipeline of approximately INR680 crores. Additionally, we raised INR175 crores through non-convertible debentures and we further plan to raise around INR400 crores to INR500 crores this quarter. We are strongly positioned in terms of structural liquidity as on June 30th. Our liquidity position remains adequate with positive cash flows across all cumulative time buckets.

Our capital adequacy ratio remains strong at 25.22% with Tier I capital at 23.19% and a debt-to-equity ratio at 3.36x.

On the cost of borrowing for the quarter, which is stood at around 9.80%, with an incremental borrowing cost of 9.25%. In light of the multiple repo rate cut and as communicated in the last quarter call, we anticipate a reduction in borrowing costs by 25 basis points to 35 basis points during the year. So, this is on the liability management and now we are open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Hardik from White Whale. Please go ahead.

Hardik: Hi, thanks for taking the question. So, on the, opex side that was up about 46% year over year. I know the last few years we were moving towards a more direct lending versus the NBFC. But if I look year on year, now that ratio has stabilized. So can you just talk about, what is driving this high growth and our, opex to asset ratio now probably over time high. We just wanted to understand where this investment is?

Kamlesh Gandhi: So as I shared earlier that we are moving aggressively to build up our retail infrastructure and when you build up a retail infrastructure, the opex is a little upfronted, but in our case, if you see that we have been doing it in a very planned manner so as not to disturb our ROAs and ROEs on an overall basis.

So, this is the result of the upfront expenditure that we incur to build our retail base because anywhere where we built up the team they take around a quarter or two to get the business desire. So initially there'll be more expenditure incurred on the brand set up and also the manpower cost. So, as we increase our retail infrastructure, this will happen.

Hardik: So then is it fair to assume that like as you go forward the mix of direct lending will increase even further or will it remain in the same ratio?

Kamlesh Gandhi: It will increase further gradually. As I shared in my opening remark that the stated objective is to bring it anywhere between 70% to 75% over the next 6 quarters to 12 quarters and that should happen because when we do retail business, we need to be very circumspect on the quality of the assets also it's not only just building up the top line.

But this is in line of that stated objective that the configuration between our NBFC distribution and retail distribution may be around 70-30.

Hardik: Okay, got it. The second question I have is, in terms of, the salary personal loans. I think in the past we stated that we want to cap this at about 10%. We're getting close to the 10% level, this has been a major driver of this overall, loan book growth at 20%. So, what I understand, as this kind of now slows down, which are the areas, will it mainly the SMEs that will be driving the growth faster?

Kamlesh Gandhi: So, what I would like to state here is that that, SPL cannot be the major driver, is one of the drivers, but because it's on a lower base. So, if you see our increasing AUM over last, year, 60% of the increase is coming from our MSME business, that is the main business and the rest from wheels and then from SPL.

So, with increase in AUM and maintaining SPL at around 10% plus contribution from our main business that is MSME and SME, presuming that the economic conditions will improve and we'll get more chance to cater the eligible demand. I think we are well placed, for a 20%, 25%

depending upon the micro situation from time to time, maybe a percentage year or there on a quarter-to-quarter basis.

But as you know that we don't measure our growth and we measure our success on a quarter-to-quarter basis. But on a yearly basis we are very confident that we'll be in a position to achieve the stated objective.

Hardik: Got it. And even the RBI came up with these new norms, regarding, provisioning for the FLDG loans. Can you just talk a bit about any change that that has had or impacted us and our partners in our business?

Kamlesh Gandhi: These are still draft guidelines. The final guidelines are yet to be out, but the good thing is that that, what all the NBFC-to-NBFC partnerships were there and there were no guidelines at all, with RBI coming with guidelines, there'll be a lot of clarity. I'm happy to share that that majority of the suggestions given by the industry has been well taken by the regulator.

So, I think that this is a positive development for the industry and the step in the right direction to get this partnership business, to give this Philip to the partnership business. And I would like to share with you that recently we had a meeting with finance minister of all the NBFCs and that is where the statement is in the public domain, that she is very optimistic that the share of NBFCs is in the overall credit will increase.

And there was more stress on partnership and creating value chain, that every lending institute is not in a position to do all the work. So, the people closest to the ground are the strongest is what was discussed there also. I am happy to share that we had identified this way before, all these things are well known. So, happy to share that we are on the right lines fundamentally.

Hardik: Got it. I was actually referring to, the sourcing from Fintech companies because we do that sourcing for the salaried personal loan where now there is a change in the provisioning. So, any change in the way we are dealing with them?

Kamlesh Gandhi: So, I said we were following that norms right from the beginning. The recent norms which have been implemented, we are following that right from the beginning in the same manner that, it has to be built up in ECL irrespective of the guarantees given by them and on the right off basis it will be profitability neutral because we have the FLDG.

Hardik Doshi: Okay. Okay, understood. Great, thank you. And, congrats on the 30 years, completion.

Kamlesh Gandhi: Thank you so much.

Moderator: Thank you. The next question is from the line of Madhuchanda Dey from MC Pro. Please go ahead.

Madhuchanda Dey: Hi, good afternoon, and congratulations on very steady, and profitable 30 years. I have 3 questions. The first question is, there is a sequential improvement in net interest margin this quarter as well. So, my question is, in light of this, 100 basis points cumulative rate cut that has happened, have you passed on any of the rate cut to your borrowers, as, Ankit pointed out that you are expecting a further 25 basis points to 35 basis points lowering of borrowing cost. Where do you see the margin headed from here on? That's my first question.

Kamlesh Gandhi: So, to answer that, the increase in the NIM as I shared earlier is because of the shift in the asset configuration and within the retail assets also we are doing good on wheels. We have introduced, a product, where we give loans to SMEs which are collateralized based. So, all these things are helping us to improve our NIMs and at the same time our operational cost is also increasing.

So, the net ROAs are maintained in the trajectory what we intend to. So, this has no impact of any reduction in cost so to say, because that is yet to kick in. Majority of our borrowing is MCLR based. So now the MCLR rates have been slashed by say anywhere from 5 basis points to 10 basis points fortnight or a month ago, and the MCLR triggers will set in anywhere between 3 months to 6 months.

So, we are yet to experience the reduction in cost and hence there has not been any passing of the cost reduction to the borrowers. So, this is because of the internal realignment of the portfolio within the retail assets and increasing of retail assets from time to time.

Madhuchanda Dey: So, do you expect further upside to the NIM once you know this MCLR benefit kicks in?

Kamlesh Gandhi: It should, because there is always a time lag, at the ground level by the time we get and by the time we pass on and it stabilizes over a period of time later on. But, on a steady state basis we stick to our guidance that will maintain NIMs anywhere between 7% to 8% and ROAs anywhere between 2.75% to 3%. Rest will be balancing each other.

Madhuchanda Dey: Okay. I also wanted to, understand from you if there is a change in the ground that you have seen in the past 3 months compared to the, say, the previous 6 months, in terms of borrower behaviour, asset quality particular segment where there's still stress, any segment where there is a little easing of the stress situation. If you could, take us through those details.

Kamlesh Gandhi: We can see slight improvement, not that cognizable yet, because of two facts, that the borrowers are yet to come out of their financial and liquidity stress given the over leverage that they had done in the past that is not going to be wished away soon. And secondly, still, the steady state consistent economic growth is yet to achieve and yet to reach to the borrowers whom we serve.

So but having said that, there is slight improvement over what it was 6 months back, if you talk about last 3 months, but not that cognizable and we foresee that, still if we take a quarter or two for us to see a marked difference, whereby the eligible demand picks up and overall the portfolio quality improves and there's sufficient liquidity for the borrowers to fund their businesses, we still see that to be a quarter or two away.

Madhuchanda Dey: And I mean, I'm asking this question more, because I just observed this data point that on a sequential loan growth basis, you were, kind of little sluggish on the micro enterprise loan in the previous quarters, but this quarter I see a pickup in micro enterprise loan. Is it because of some improvement, on the ground situation or, nothing much can be read from you?

Kamlesh Gandhi: So, we got a good opportunity within our, scopes of credit parameters, given the fact that so many other borrowers, so when the other lenders slow down, they don't only slow down in funding risky assets, but even they slow down on funding good assets. So that is where we find good opportunity to serve our existing borrowers and other borrowers and hence, we could register that this quarter.

Madhuchanda Dey: Okay. And my last question is on your geographical expansion beyond your core markets any update on that? I think that has taken a little bit of a back seat in the light of the difficult environment. Are you on track or what is the thought process there?

Kamlesh Gandhi: See, because of a very torrid time that we had last year, the number of branches are less than what we would have liked to have. I would have been close to, I would have liked to be at close to around 235 to 240 branches, we are around 206. So, the geographical expansion has taken a little back step because of the situation.

But I think, we will with another two quarters, three quarters and if we take another two quarters of working from Q3 and Q4, we'll be in a position to expand our branches in our areas of operation that is, west, north and south, and it will be penetrating on those areas rather than, taking up more territories. So, we'll be working in the geographies that we are working, but we'll have some deeper penetration in all those geographies.

Madhuchanda Dey: Okay. So, no new market is being contemplated at this point in time.

Kamlesh Gandhi: No, we'll penetrate deep. We would like to have a critical mass within the existing geographies. We penetrate deep there and then we'll explore new markets.

Madhuchanda Dey: Thank you, and all the best.

Kamlesh Gandhi: Thank you so much.

Moderator: Thank you. The next question is from the line of Mr. Shreepal Doshi. Please go ahead, sir.

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity. I just had a few questions. So firstly, on the data keeping side, so we started giving the stand-alone disbursement number. Wanted to get this number for 4Q FY '25 and 1Q FY '25, if you could provide that.

Kamlesh Gandhi: Stand-alone 4Q. March quarter.

Darshana Pandya: That was INR2,994 crores. In Q4 it was INR2,994 crores.

Shreepal Doshi: Okay. And for 1Q '25?

Darshana Pandya: 1Q '25 was INR2,725 crores.

Shreepal Doshi: Got it, ma'am. Thank you. The second question was, on the liability side. So, on the bank borrowing, what percentage of our bank borrowing is linked to T-bills, repo, and MCLR for like reserve 1Q.

Ankit Jain: So around 15% of the loan is linked to T-bills, repo rates, and external benchmarks. So if I divide all 10% is fixed, which is majorly capital market, around 15% is linked to immediate rates like, repo rate or T-bill, and apart from that, rest are MCLR which can be 3 months, 6 months or 12 months.

Shreepal Doshi: Okay. So basically, for us 75% is MCLR linked?

Ankit Jain: Yes, yes. But that can be 3, 6 or 12.

Shreepal Doshi: Okay, okay. Got it. So, and basically for us, in the cost of fund we have not seen any material benefit of the rate cut at systemic level coming in so far. So probably in 2Q we should expect, or will it be more in the 3Q in on a full-fledged basis?

Ankit Jain: Yes, so now it will kick in, yes.

Shreepal Doshi: Sorry.

Ankit Jain: So, we expect from this quarter to start. So, as I told, for the whole year we expect this to be between 25 to 35 basis point. So, we'll start from this quarter.

Shreepal Doshi: Okay. So, 25 to 35 basis point of benefit is what we are expecting on the cost of fund side.

Ankit Jain: For the whole year, yes.

Shreepal Doshi: Okay, okay. And so are we seeing any benefit of the rating change. So basically, the RBI also changed the risk weights, right? So, have you seen any benefit of that flowing in, or there was not much benefit of the same?

Ankit Jain: So, it has the kicked in last year only. If you see, despite of MCLR increase last year fromVarious Banks, our cost of borrowing remains at the same level. So that has kicked in last year also, and this is also helping this year, if we apart from rating the risk is also reduced further this year from 1st April, so that will help. In terms of bank borrowing our majority of the loan are PSL.

Shreepal Doshi: Right, okay. Okay, so then.

Ankit Jain: Affected.

Shreepal Doshi: Fair. Got it. So, the next question was to Kamlesh sir. So, as you highlighted to the earlier participants that you know in the next couple of quarters, we should see stability sort of, coming back. So, what is it that is giving us this comfort? Like are we -- like what sort of data points or trends are we sort of getting to understand, which is giving us this comfort?

Because if I recall last quarter, we had highlighted that some of the segments is FMCG, textile in some of the geographies were still creating issues. So, just an update on that as to how these segments are doing? And also, with respect to like what data points or trends we are tracking that is giving us the comfort?

Kamlesh Gandhi: See, for us, we draw the comfort from the logins and the disbursements we do from time to time. So, when we see our logins and disbursement and the rate of sanctions, while it has not improved substantially, but we don't see that deteriorating. So, the cycle starts that once the things are going bad, the deterioration stops. And after the deterioration stops, the things starts improving.

So, we draw the comfort from the fact that the deterioration has stopped. Say, for example, among FMCG and textile, we are seeing some stability in textile. FMCG, we are yet to see stability in FMCG. So, these are all good signs, so to say. So, that is why I told that it is not cognizable at all. But from the experience of the data what we collect from the ground level across our products, we see that the deterioration has stopped.

First, it used to happen that month-on-month, there was deterioration in terms of repayments and month-on-month deterioration in terms of log-in to disbursements and the quality of the borrowers you get, the eligibility of the borrowers. Now that has stabilized. So, deterioration has stabilized and now we should see some uptick from here. That is what my assumption is.

Shreepal Doshi: Got it. Sir, last question was on our key segment, which is SME and MEL. So, in that segment, are you seeing any particular customer profile or let's say, industry profile wherein the credit demand is pretty good and even the credit asset quality is pretty good and some of the industries where it is not so? Like if you could just -- if you could just give us some colour on that part.

Kamlesh Gandhi: Difficult to tell that in MEL because they are all very small enterprises run by proprietors and also difficult to mark that industry-wise. But as far as SME is concerned, as I shared with you, textile is stabilizing. FMCG is yet to stabilize. We have been doing reasonably well on engineering and all.

Once again, we are seeing not that great result in agri. So, it's a match and mix between a few of the things stabilized, a few of them yet to stabilize, but yet to see a clear winner among all these things. And these are the sectors, which can be funded the way they need or they can -- or there is an eligible demand. Yet to see that's all from any of the sector.

Moderator: The next question is from the line of Pawan from Edelweiss.

Pawan: Sir, on the CV side, how are you seeing the income of the borrowers and ability to repay, number one? Number two, can you also give the composition of your book on CVs? Is it more used or more of --

Moderator: Sorry to interrupt, sir. Sorry to interrupt, sir. Can you please use the handset?

Pawan: Basically, question is about the CV portfolio. Can you give the composition of the portfolio? What part of it is used and what part of it is new and fleet versus independent operators, et cetera, colour on the book?

Second thing is, how are you seeing the incomes of the operators, number one? Number two, the credit stress in the portfolio? These are my questions.

Kamlesh Gandhi: So as far as our product line is concerned, we are into used commercial vehicle typically with a ticket size ranging from INR3 lakhs to INR6 lakhs. That is MCVs, what you call it, MCVs and LCVs that are into last-mile delivery of logistics. There also, if you see on a quarter-to-quarter basis, we have kept the AUM stable because there also, we witnessed some stress in terms of their eligibility, not really in the portfolio, but in the eligibility calculations and on their credit score track records, we were not very comfortable.

So there, the disbursement was a little slow in this Q1. Difficult to predict about the coming quarters. But as in Q1, we were not very -- rather we were not very comfortable picking up numbers there. And in terms of the quality of the portfolio, it has maintained. The stage 3 as far as our CV portfolio is concerned is around 4%.

Pawan: Sir, how much would be stage 2 plus stage 3?

Kamlesh Gandhi: Stage 2 plus stage 3?

Pawan: How much is the stage 2 plus stage 3? Stage 3, you mentioned is 4%, right? Stage 2 would be how much?

Darshana Pandya: Stage 2 would be 9%.

Pawan: And is there any geographical concentration in this portfolio? Or is it across the entire portfolio -- entire geography that you are present in North, West and South?

Kamlesh Gandhi: We are more present on the Western side and Rajasthan in the North.

Moderator: The next question is from the line of Sanket Chheda from DAM Capital.

Sanket Chheda: So, my question was mainly on PL. Now that PL accounts for about 9% of your on-book and about 11% of AUM, just wanted to understand how much of it would be DA?

Kamlesh Gandhi: How much would be?

Ankit Jain: So, around 20%, 25% of the total PL AUM is DA, which we have done to various banks and NBFCs of PL book.

Sanket Chheda: Okay. Okay. And this has been constant in last few quarters?

Ankit Jain: Yes. Yes, yes. So, we have been continuously doing DA of PL book also. So, it's not PL. It is salaried personal loan, where there's a good demand for that.

Sanket Chheda: Okay. And sir, we had earlier suggested that maybe 9% to 10% is max that will go on PL. Now, that we have reached that, how should we see growth going ahead in your guidance of 20% to 25% on the overall AUM? Incremental growth will be mainly from which segments that you see?

Kamlesh Gandhi: I think that should come from our other 2 segments, MSME and wheels. While we have -- as we grow our AUM, we'll have some room for PL to contribute. But if you see the overall growth contributor, 65% to 70% is coming from our MEL and wheels business. And still with an increase in our book, PL can contribute to the extent it could within the parameters of 10% on AUM. But the rest will come from our flagship product that is MSME and also a part from wheels.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Congratulations on a steady set of numbers. Sir, just one question on the growth part. So, I think last 3, 4 quarters, we have been trending at around 20-odd percent on the lower side of our guided range. So now with the conditions slightly improving, do we expect to move into a slightly higher number on the growth?

Do we see that the environment is enabling us to do that? And secondly, are there some new products or new segments that we would want to open? Because as some of the participants have asked that SPL has already reached, that's not the limits. So, that may not be the major driver.

Dhvanil Gandhi: Hi. Dhvanil here. So, on the second question, so we aren't expecting to open any new product segments as of now. We want to consolidate on these segments that we have currently, that is, those are enough, in our view to grow the book, till at least INR20,000 crores to INR25,000 crores, and maybe after that we can take a fresh cut to see that if we want to add any other segment or not, but for now we think the segments are enough.

MEL, SME have good opportunities. So now, even though SPL has grown faster on a lower base and has reached the ~9% kind of number on the overall AUM, we think that other products can also contribute. We are piloting with used cars in some time. We have done some business which we are classifying it under the CV portfolio right now. We are not hiving it off because the numbers are small over there, but in the wheel segment or two-wheeler, commercial vehicle and used car, these could be the three good products to have and we already started tinkering with used cars.

So, this is on the product side. On the growth side, I think, Q2 -- looking at the market situation we'll be careful in Q2 to achieve the overall 20% to 23% kind of an average number. I think Q3, Q4 can be the contributor where it will be slightly higher than the Q1, Q2 average.

That is what we anticipate as of now. Difficult to predict beyond the point, but what we anticipate now is that Q3, Q4 can be better. And hopefully Q2 because of some early festival seasons also, hopefully we see some good traction in September maybe. But Q3, Q4 can be expected to be much better than Q1 what we've seen in Q1.

Sarvesh Gupta: Okay. And on the product-wise stress, so is there any particular segment where we have seen higher slippages than the ratio of that in terms of the overall AUM and what may be the reasons behind it?

Dhvanil Gandhi: So, I think CV is the only one where slightly higher than the book average slippages we might have seen. Other than that, more or less everything has been online. MEL, SME, PL, we have been pretty tight in terms of the underwriting since quite some time now. So, that has stayed steady.

CV, because of the nature of the business, there is some volatility from time-to-time. Currently, it is slightly volatile. That is why, as earlier also shared, that sequential, if you look at Q-on-Q disperse, AUM numbers on CV, it has been steady. If we -- it has not increased and that is the reason for that. So, CV can be slightly volatile, but other than that, all the other segments have been okay.

Moderator: The next question is from the line of Sambit Roy from INR Bonds.

Sambit Roy: Hi. Congratulations on the quarter. I would have some questions on your resource profile. Moving forward, how your resource diversification would look and any plans for NCDs in the coming few quarters?

Ankit Jain: Yes. So, we are already in the drive of further diversifying our resource mix. So, already, if you see, around 18%, 19% is our ancillary capital market, which is NCD. We see that this number in the next two years, three years will be around 25%. Also, we will be adding up to the ECB borrowing, which can be DFIs and even foreign commercial banks. That will add up around 10% in the next two years, three years.

Apart from that, we will also commence this PTC transaction, which -- because majorly we have been doing DA and co-lending. So, that will also add up. So, the mix will further change and we will further diversify the resource mix going forward, which will help us to maintain a good diversified resource mix.

Moderator: The next question is from the line of Mr. Shreepal Doshi.

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity once again. Just a doubt. I think there is some change in the reporting of co-lending-led expenses during the quarter. So, could you just throw some light as to that reporting for the benefit of the larger investor pool on the same?

Kamlesh Gandhi: So, for better control, we had -- in terms of co-lending, we are taking the entire cash flow first on our books and then the cash flow is distributed to the partner as per the agreed terms, as against the formal norms where each partner would take their share. So, that has changed slightly, because and this is stemming out of the fact for better control on the partners.

Shreepal Doshi: So, we are paying and that payment gets reflected in the opex while we are booking the entire fee on the other income.

Kamlesh Gandhi: Yes.

Shreepal Doshi: Basically.

Kamlesh Gandhi: Yes. Yes. Yes. Yes.

Shreepal Doshi: Got it. Sorry. While the net basis, we will be making the same money but the reporting has changed a lot.

Kamlesh Gandhi: Yes. Yes. Reporting has changed in the consonance to the business model because we firmly believe that the numbers should reflect the business model we follow, so that is been done that way.

Shreepal Doshi: Got it. And this is basically the co-lending that we have wherein we will be working with some of the partners.

Kamlesh Gandhi: Yes. Yes. Yes. Yes.

Shreepal Doshi: Got it, sir. This is helpful. And sir, I think this is the last question as well, so, thank you for giving us the opportunity to host this call and thanks to all the participants for being there on the call. Thank you.

Darshana Pandya: Thank you, Shreepal.

Moderator: Thank you. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.