MAS Financial Services Limited
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Ashram Road, Ahmedabad 380009
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MFSL/SEC/EQ/2026/69 August 05, 2026

To,
The Manager,
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001

Scrip Code: **540749, 947381**

To,
General Manager
National Stock Exchange of India Limited
Exchange Plaza
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400051

Trading Symbol: **MASFIN**

Dear Sir,

Sub.: Transcript of Conference Call held in respect of the Unaudited Financial Results (Standalone & Consolidated) for the first quarter ended on June 30, 2026.

We wish to inform you that pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of conference call held on July 30, 2026 with respect to Unaudited Financial Results (Standalone & Consolidated) for the first quarter ended on June 30, 2026, is available on the Company's website at the link: https://mas.co.in/investors-corner/conference-call-transcripts/

Please find enclosed the transcript for reference.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For, MAS Financial Services Limited

BHAYANI RIDDHI BHAVESHBHAI
Digitally signed by BHAYANI RIDDHI BHAVESHBHAI
Date: 2026.08.05 19:46:37 +05'30'

Riddhi Bhaveshbhai Bhayani
(Company Secretary & Chief Compliance Officer)
Membership No.: A41206

Encl.: as above

"MAS Financial Services Limited Q1 FY27 Earnings Conference Call"

July 30, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 30, 2026, will prevail

MANAGEMENT: **MR. KAMLESH GANDHI – CHAIRMAN AND MANAGING DIRECTOR – MAS FINANCIAL SERVICES LIMITED**
MRS. DARSHANA PANDYA – EXECUTIVE 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. SANKET CHHEDA – DAM CAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to MAS Financial Services Q1 FY27 Earnings Conference Call. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanket Chheda from DAM Capital Advisors. Thank you, and over to you, sir.

Sanket Chheda: Hi. Very good afternoon to all of you. We have with us the entire management team of MAS Financial to discuss the Q1 results. From the management side, we have Mr. Kamlesh Gandhi, who is the Chairman and Managing Director; Mrs. Darshana Pandya, who is Executive Director and CEO; Mr. Dhvanil Gandhi, who is the Executive Director; and Mr. Ankit Jain, who is the CFO.

So, without further ado, I will hand the call over to Kamlesh Gandhi, sir, for his opening remarks. We will follow that up with question-and-answers. Over to you, sir.

Kamlesh Gandhi: Thank you, Sanket, and good afternoon to all of you. I'm very happy to be connected to all of you again in order to take you through the Q1 results. And so, while everyone of you must have gone through the results and the presentation, but I'm very happy to share with you that we could demonstrate a high-quality growth this quarter, consistent to what we have been doing over this year.

This was, 125th quarter of performance. So, this is a very long time and a consistent performance in line of what we think, that is what I shared in the press release also that this is consistent to our belief that steadily and consistently is the fastest way to reach your destination. So, we have walked that talk, and we very well intend to do it in future also.

On the performance side, what makes me start with a remark of a high-quality growth is the profitability that we could register along with a very strong asset quality also at 27% on consolidated basis and 25% on standalone basis. With a very strong AUM growth of 21%, consistent to our guidance of 20% to 25%.

So, this quarter, we have started moving towards that plus 20% mark, and we see this improving quarter-on-quarter depending the way we have been in a position to spread our distribution and depending upon the macro situations from time-to-time.

So, all in all, it was a nice quarter. We crossed once again a landmark of INR16,000 crores in AUM. And as in consistent to our way of working that we double our AUM every 3-3.5 years, we are well on track doing the same if you consider INR10,000 crores in say December 2024. So, that is on the headline numbers.

If I talk about three very important things that is asset, liability & operations, let me take you through all these three important constituents of this business. On the asset, we continue to predominantly focus on our prime segment, that is MSME segment that we have been doing since long. And we are in a position to demonstrate a good growth in both our segments that we bifurcate as MEL and SME with a very stable and a good asset quality.

And along with contribution from two-wheelers and commercial vehicle and salaried personal loan that gives us a flair of diversification to the asset that we create. These assets are created through a very strong distribution of 16,500 centers through our 209 branches and also through our partnership with more than 200 NBFCs, which is now more than a 15 years old model. So, around 33% being contributed by that model and 67% coming through our direct distribution, which we see gradually increasing in favour of direct distribution to 70% plus within next 8 to 12 quarters.

So, on the asset side, we continue to follow the same strategy that we have been following so far while extending credit it is due and maintaining the very robust quality of assets. Asset creation was also added by our integration with various tech platforms and our tie up with few of the fintechs that helped us to create the assets what we intended to and also give us more understanding of the play of technology in asset creation, which I think all of us will have to learn going forward.

On the quality of the assets, we remain very strong at GNPA of close to 2.58% and NNPA of 1.70%. Despite probable headwinds of the conflict, which we were expecting in the beginning, but fortunately did not play out because of two reasons. The first I have to attribute to the resilience of the sector we are working with, the MSME borrowers. And second, our prudent approach to asset creation and extending credit where it is due.

Coming on a very important part that is liabilities. Starting from the base of the liabilities that is the capital. Capital adequacy ratio stood at a very strong plus 23% this quarter also that forms a very strong base for us to raise the liability and generate the required liquidity at the optimum rate. I was talking to somebody in the morning on the reduction in rates.

So, well, we could achieve a reduction of rate this quarter, but we were, say, in 2023 or before the COVID set in and then there were a lot of changes, we used to borrow less than 9% too. So, if you ask me personally, I aspire that going forward, given the positive macro environment and the liquidity available, we should move back towards those rates.

While this year, we did good in reducing our borrowing cost by almost 55 basis points to 9.25% from the erstwhile borrowing cost. We remain very strongly in terms of ALM management and the liquidity management and I would like to thank all the lenders very heartly for putting the trust in us and we always have more liquidity than what we require.

Quickly on the operation side, and when we talk about operations, we have to talk tech in the same vein. We are very aware and conscious of the fact that tech and building up of tech, integration of tech in the right earnest should help us and should be the way forward.

As I have shared earlier that we operate on a build and operate model. We have an in-house team of close to 100 people consisting of business analysts and software engineers. And with the recent help of AI and all, we see a lot of changes, and a lot efficiency creeping in as far as our tech department is also concerned.

We have a complete LOS for all the products. LMS has been there since long. LOS is being now added with BRE and to the substantial straight-through processes, albeit with a human intervention because the borrowers who we sell also requires a fair amount of human intervention, but that is creating a lot of efficiencies at the credit delivery level.

So, when we talk about ops, we are talking about much of tech and adoption of tech and aspiration for the tech plays a very important role. And we at the top level of the organization percolating down to the bottom are well aware of the fact and are trying to execute as efficiently and as swiftly as possible.

In terms of HR, let me start human resource with the two developments what we have affected this quarter. One is our CRO, Nishant Jain, who is with the company since last almost 7- 8 years and given his performance and given his contribution on the risk management has been entrusted to more responsibility as Director-Operations, which will cover credit risk and operations, everything. And he'll be reporting to the Executive Director and CEO, and he will be looking after operations effective September 1, 2026.

Nishant is a qualified chartered accountant. And in his place Darshil Thakkar is a qualified chartered accountant, cost accountant and the company secretary and a rank holder and with the company since more than 10 years was holding a very key position on credit delivery in the SME and RAC space has been elevated to the role of CRO.

So, with these changes, I think we are strengthening our middle line of management and creating a very strong succession path within the organization. And going forward, we see such changes happening more frequently.

In terms of the team size, like all the organizations and especially the financial services who with the help of technology could bring down on the number of people they employ. We could also reduce the employee count by 380 this quarter, which you will see is reflected in the employee cost also and that is because of the adoption of technology.

While we adopt technology, we consider human resource still as one of the most important pillars for success. But the only change what I see now is that it will be the survival of the fittest. And it was first for financial services industry where there was a mad rush to appoint people and people were scarce, it was like a fastest finger first moving to survival of the fittest, and that's a development in the right direction.

So, we continue to pursue HR as one of the important tools to achieve our goal, and through our competent HR team, we are doing our best to get the best efficiencies from the team. Quickly on the housing finance side, I'm very happy to share the operational numbers in terms of profitability, a strong growth of profitability of 56% because of the lower operational cost as we are growing our AUM.

We are striking distance away from INR1,000 crores and candidly where the growth in the housing finance company has to reach its potential of around 35%, which we internally aspire. But having said that, we have always adopted the dictum of prioritizing risk and profitability over just the AUM growth. But that does not mean that we have the license to grow only at 22% to 23%.

So, we are working very actively to strengthen our distribution system. While in his remark, Dhvanil at the appropriate time will share his plans for expanding our operations in South also as far as housing finance is concerned. So, we are very hopeful that within next few quarters, we should see this company inching up on AUM also while maintaining a very strong profitability on the back of operational efficiencies and also the control on the credit cost.

Here also, friends, the net NPA is 0.68% and with a sufficient buffer despite of this being 100% secured and with a 35% capital adequacy and with capital available at need, this company is on a very strong footing. Maybe we have taken some more time in growing the book, but we are in the right direction, and it will soon be a value accretive for the parent, which we are confident of.

So, rather taking much of your time with this, I will hand over to Darshana Ben to take you through the detailed numbers, while you already have it. But once again for the benefit of everyone, she will take you quickly through the numbers followed by Ankit and then followed by Q&A. Over to you, Darshana Ben.

Darshana Pandya: Thank you, sir. Good afternoon, everyone. So, I will quickly take you through the key numbers. Coming to the consolidated numbers, as sir shared, we have crossed a milestone of INR16,000 crores on consolidated business as far as the AUM is concerned. So, it is a growth of around 21% from INR13,300 crores to INR16,100 crores, and PAT growth is of around 27% from INR86 crores to INR110 crores.

Now, coming to the standalone numbers. What we achieved in the last quarter on consolidated basis, we have achieved on standalone basis. So, AUM stands at INR15,147 crores that is 21% growth in AUM from INR12,505 crores to INR15,147 crores. Total income, there is a growth of around 20% from INR443 crores to INR530 crores. Profit before tax, there is a growth of 25% from INR112 crores to INR140 crores and the profit after tax grew by 25% from INR84 crores to INR105 crores.

If we look at the configuration of the loan book, MSME loan contributes around 77%, wheels is 14% and salaried personal loan is 9%. There is a growth of around 23% in MEL book that is from INR5,009 crores to INR6,153 crores. SME loan, there is a growth of 21% from INR4,526 crores to INR5,485 crores.

Two-wheeler loan, there is a growth of 19% from INR872 crores to INR1,039 crores. CV loan book grew by 13% from INR967 crores to INR1,096 crores and salaried personal loans there is a growth of 21% from INR1,131 crores to INR1,374 crores.

Coming to the quality of the portfolio, it remains stable and strong as compared to March 2026. As on June, the gross stage 3 asset is 2.58% and net stage 3 asset is 1.7% which was 2.57% and 1.7% in March 2026. And this is without considering the management overlay of INR17.60 crores as on June.

Regarding our housing finance company, there is a growth in AUM by 23%. So, from INR794 crores to INR976 crores. Total income grew by 30% from INR23 crores to INR30 crores. Profit before tax grew by 62% from INR3.53 crores to INR5.70 crores and profit after tax, there is a growth of 55% from INR2.76 crores to INR4.27 crores. Here also the portfolio quality remains stable and strong. It is 0.98% gross stage 3 asset and 0.68% net stage 3 asset, which was same in the quarter March '26. So, this was about the performance in Q1 for both the companies.

Now, I will request Ankit to give us the update on finance and resource management.

Ankit Jain: Thank you, ma'am. Good afternoon to all. To elaborate on capital and liability management, first on liquidity management. The company continues to maintain a strong liquidity profile through effective liquidity management. During the quarter, we maintained an average liquidity balance of around INR1,000 crores.

As on June 30, 2026, we have sanctioned borrowing line of more than INR1,900 crores across term loans, non-convertible debentures and direct assignment. With respect to fund raise during the quarter, we executed direct assignment transaction aggregating to INR700 crores. In addition, we currently have sanctioned direct assignment lines of more than INR700 crores which we expect to utilize during the quarter. Our objective remains to maintain 20% to 25% of AUM as off-book through direct assignment and other off-book transactions.

We have a cash credit facility of approximately INR1,400 crores and spread across 12 banks. We maintain average utilization level of 70% to 75% during the quarter while keeping the unutilized portion available as a liquidity buffer.

On the long-term borrowing front, we raised INR400 crores through term loans during the quarter, with an average maturity profile of 3 years to 5 years. We also raised INR650 crores through non-convertible debenture of which INR360 crores was subscribed by FMO, the Dutch Development Bank and rest was through retail and other one was through a bank. Additionally, we have sanctioned borrowing lines of more than INR250 crores available for future drawdown.

With respect to asset liability maturity pattern, we are well placed whereby we have positive cumulative cash flows across all maturity buckets. With respect to capital adequacy, we remain strong at 23.25% with Tier 1 capital at 21.94% and debt equity ratio at 3.35x. Our capital adequacy provides adequate headroom to support our medium-term growth strategy.

The average cost of borrowing during the quarter stood at 9.25%, reflecting a reduction of 55 basis points compared to corresponding period last year and around 15 basis points compared to March quarter. Our incremental borrowing cost remains around 9.2% to 9.25%. We expect our cost of borrowing to remain stable. Our borrowing profile continues to remain well diversified across banks, NCD investors, mutual funds, DFIs and direct assignment and other capital market instruments.

Overall, we remain adequately capitalized, well-funded and comfortably positioned to support our business growth by maintaining prudent liquidity, comfortable leverage and diversified liability profile. Thank you.

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 Ishank Gupta from Choice Institutional Equities. Please proceed.

Ishank Gupta: Yes. Good afternoon. Congratulations for a good set of numbers.

Moderator: Ishank, can you please speak a little loudly?

Ishank Gupta: Yes. Am I audible? Is it better?

Moderator: Yes.

Ishank Gupta: Yes So, my first question is, can you kindly share the demand that you are observing in the used CV business? Moreover, how has been the collection efficiency as we have witnessed a sharper uptick in the gross NPA vis-a-vis other segments?

Kamlesh Gandhi: See, if we talk about the demand, the demand has been quite robust. But when we talk about eligible demand and on tightening the credit screen given the current crisis and especially on the energy side of it, that is the fuel in used commercial vehicle, the eligible demand was slightly less.

And as I shared earlier that we are in the process of calibrating our distribution and product processes as far as commercial vehicle is concerned. And we see to that within next 1 or 2 quarters; we'll be in a position to do the volumes along with the desired quality.

And in terms of the collection efficiencies, this fluctuation is normal as far as commercial vehicle is concerned, and we see no undue risk on the quality of the portfolio and the losses that can happen because of this fluctuation.

Ishank Gupta: So, by then we can see some stronger growth in the used CV business for the year?

Kamlesh Gandhi: At least, safely, I will say 2 quarters away because customary to our style, we would not like to jump on the -- into any products in a very aggressive manner and especially given the current situation, which is so fluid. So, we would like to wait and watch for 1 or 2 quarters before we really see that growing faster.

Ishank Gupta: Sir, my second question would be, given the monsoon has been weaker this year, do we foresee any weakness in credit discussions for the two-wheeler segment as we witnessed a degrowth on quarter-on-quarter basis?

Kamlesh Gandhi: Not really because degrowth on quarter-to-quarter basis is that usually Q3 and Q4 are strong quarters for two-wheeler given the seasonality and the festivals being there in Q3 and Q4 in different parts of the country. So, Q1 is usually muted. So, this is in lines of the normal muted Q1 that we have been seeing mostly over the years.

And as far as the rains are concerned, many part has recouped in terms of the deficiencies in the rain. Now, at many places, we are facing another problem that they were overflooded. And so, now we need to see that how it really spans out.

So, depending upon the geographies we operate and depending upon the centers we operate, the ground level information that we gather from our sales collection and the credit team, we design our credit screen and tighten our credit screens accordingly. So, let us see how that really spans out. It will take some time before we can really comment on that.

Ishank Gupta: Understood. Also, we have witnessed a back-to-back increase in yields and advances for the second quarter. So, how sustainable are these yields? And what was the primary driver for this increase?

Kamlesh Gandhi: As far as our NIMs are concerned, as I always maintain that we would like to work on a spread of anywhere between 7% to 7.5% and then translating into NIMs of anywhere between 8% to 8.5%. We see that we structure our asset creation in such a manner that the spreads of around 7% to 7.5% are maintained more or less and that should sustain the yield anywhere between 8% to 8.5%.

Ishank Gupta: Got it. And my last question would be, are we going to witness any further reduction in our cost of funding given we have already reached our target of 9.2%, more or less around target of 9.2%?

Kamlesh Gandhi: Difficult to comment right now because the cost of borrowing is dependent on the macro situation. So, depending upon the RBI policies from time-to-time and the liquidity available in the market from time-to-time. But it will be our efforts to see to that we stabilize or reduce. But as Ankit shared with you that this should remain in this horizon of between 9.2% to 9.3%.

Ishank Gupta: Got it. All the best for the coming quarter.

Kamlesh Gandhi: Thank you.

Moderator: Thank you. The next question is from the line of Devam Modi from Ardeko Asset. Please proceed.

Devam Modi: Yes. Congratulations on a good set of numbers, sir. So, firstly just wanted to understand that, we understand that your on-book AUM as a percentage of total AUM has risen this quarter. Now, what implications would that have for provisions? And would that mean that, let's say, you would need a more higher level of standard asset provisioning or something like that because your on-book AUM has gone up? And what will be the impact of the same in numbers?

Kamlesh Gandhi: So, whenever the on-book asset increases, obviously, the corresponding provisions also increase. So, if you see that against our 5.5% QoQ growth, on-book assets have increased by

8.25%. So, that has caused an increase in provision also. If you see our provisioning in Stage 1 and Stage 2 has increased from 0.65% to 0.7%.

So, that is the impact which translates to roughly around between INR5 crores to INR7 crores in provisioning. But the fluctuation in on-book and off-book is constant because it depends upon the opportunity and the rates at what we can assign our portfolio from time-to-time.

So, given our capabilities to have a lot of alternate means of funding, we don't compromise on rate of interest and other terms just to keep the portfolio off-book and even our capital, very strong capital adequacy. So, off-book is desirable, but not a compulsion on us.

Devam Modi: Okay. Sure, sir. And sir, we do note that you have been a little cautious on the environment. However, as you mentioned that there is a sheer resilience of the model and probably the overall borrowers' profile and all those things. You have managed to overshoot the ROA towards like, let's say, greater than 3% for the last 2 quarters.

Given that the environment going ahead, you are probably stepping into a relatively more benign environment than the last 6 to 8 quarters, which had other headwinds. What is the kind of ROA range that we should comfortably consider first part? And the second thing that how should we see the new branches that we have opened post March 2024, how should we see that sweating playout in '27 and '28?

Kamlesh Gandhi: So, starting with the second question, the branches by 2027-2028 will definitely sweat or even earlier than that. And on question of ROA, I think we always maintain the 2.75% to 3.25% as a range between which we will maintain our ROAs. And depending on the environment improvement or deterioration, that is where our credit screen works as a cushion.

The only difference is that we get more opportunities to do the business if the environment is good, because we can take a calculated risk as far as our credit screens are concerned, which are tightened in a challenging environment.

But at the end of the day, when the dictum of extending credit due is maintained, we are not allowing that to hamper our profitability. So, in the same way, it cannot increase our profitability substantially, because that is already been factored in. The difference will be how the ease of doing the business at the ground level in terms of logins to disbursement and in terms of the ticket sizes that we can extend that might potentially translate into better efficiencies.

Devam Modi: Okay. Sure, sir. Just if you can clarify when you say branch sweating should happen before 2027 and 2028, what are the key numbers to watch out for? And what would it mean in terms of -one is you mentioned efficiency as a thing, what would be the metric to track there? And what would it mean in terms of cost to income?

Kamlesh Gandhi: So, obviously, the cost to income should stabilize or reduce marginally over a period of time. And as I told you, being a diversified product company, taking only cost to income or yield in isolation will not give us the right picture. But taking the complete yield metrics in terms of what are the ROAs that we generate, because if I have a product which is high yielding but high operating cost, but at the end of the day, the ROA is maintained. So, once again, the focus will be to maintain ROAs between 2.75% to 3.25%. The sweating of branches will signify that we are at the higher end of the spectrum.

Devam Modi: Perfect. Thanks, sir.

Moderator: Thank you. The next question is from the line of Aditya from Securities Investment Management. Please proceed.

Aditya: Hi, sir. Thanks for the opportunity. Sir, first question was on credit cost. So, now credit costs are around 1.6% of our AUM. And if I look back 1 year before, they were around 1.2%, 1.3% of AUM. And sir, if I look at your share of direct distribution that broadly remained, in the range of 66% -67% for the last 2 years. So, what explains this higher credit cost?

Kamlesh Gandhi: See, the borrowers worked with credit cost will always be range bound, so it will be difficult to maintain a particular number. So, we have always maintained that we'll be anywhere between 1.25% to 1.75% on credit cost. And once again, credit cost has to be looked in a perspective of what are the net ROAs we generate.

So, for example, 2 quarters down the line, we grow more on commercial vehicle. The very nature of commercial vehicle business is high yield, high losses. So, at the end of the day, it all depends upon what is the asset configuration. But here, increase from 1.2% to 1.5% and from 1.5% to 1.6%, does not reflect on the quality of the assets we generate.

And that is well within our tolerance of what yields we generate from those assets. So, at the end of the day, these credit costs are well within our tolerance limit and it will be range bound between 1.25% to 1.75%.

Aditya: Understood. But sir, just a follow-up here. I understand there is a mix change. But last year, you know, there was an impact of microfinance because of which our credit cost increased last year. In Q4 also, which has taken aggressive write-offs because we were expecting good profit growth. So, ideally, the credit cost as a percentage of AUM should have come down or should be coming down this year, but that doesn't seem to be playing out. So, some understanding if you could give us?

Kamlesh Gandhi: If I requote the number, there are two which I shared earlier that our standard asset provisioning because of our on-book assets being increased higher than what it was last time or before that had entailed an extra provisioning of anywhere between INR6 crores to INR7 crores. So, if you take out that INR6 crores to INR7 crores of extra provisioning, that will normalize our credit cost to a far extent.

So, that was one of the reasons. Plus, we also had a prudent write-off this year. So, a combination of everything that, higher on-book portfolio, a marginally higher provisioning in our Stage 1 and Stage 2 portfolio, which is in a sort of a sense of buffer. So, combination of everything has resulted to whatever numbers we have reached here. But those numbers have not affected our ROAs or profitability.

Aditya: Understood, sir. And any extra write-offs which you'll taken this quarter as well?

Kamlesh Gandhi: So, that's a regular feature. So, anything for any of the assets where we are not very sure of the recovery, that happens. So, that write-offs will be there.

Aditya: Understood. Okay. And sir, any impact of recent floods, which we have witness in Gujarat, either on asset quality or disbursement growth going forward?

Kamlesh Gandhi: So, many part of Gujarat are still in floods. So, it will be difficult for me to assess it right now. But those are all temporary major things which over the years we have seen. This is not the first time we are seeing our territories under flood. It has happened very regularly in the past also. So, temporarily the operations might be affected maybe for a day or 2. Once again, they are back to normal. So, I don't foresee much of the stress on the quality of the assets, but let us see how it evolves.

Aditya: Got it, sir. Understood. And now, sir, in the opening remarks, you mentioned that we have been able to bring down the number of employees. So, if you could just help us understand in what areas has tech helped us and going forward as well, do you see this a recurring future?

Dhvanil Gandhi: Hi. So, yes. So, there I think this is a culmination of last, I think, a year or 1.5 years hard work in terms of various tech initiatives that we took across the board. So, what you see in terms of reduction is two ways. One is tech automizing a few things and that leading to requirement of lower manpower. So, we are hopeful that further improvements, further enhancements will help.

Difficult to put a number to it right now because there will also be some periods where we will keep the staff strength but also test the tech and then implement it once we are very sure about it. So, we see this improvement coming in during the year. So, difficult to put a number. But yes, I think tech leading to better efficiency, lesser requirement of incremental manpower as the business increases are two areas that we are looking at actively.

Aditya: But sir, is it more helping us in collections or underwriting

Dhvanil Gandhi: So, operations and underwriting majorly and soft bucket collections, yes. So, introduction of bots, introduction of auto-allocation, various other things. So, even origination wherein some of our partnerships are helping us out there. So, I would say it is getting contribution from everywhere, origination, underwriting and operations and collection, all three of them.

Aditya: Got it. Understood. And sir, in the opening remarks, you mentioned that we'd like to take our borrowing cost to 9%, which was pre-COVID levels. So, just wanted to understand what will help us drive that. So, is it a credit rating upgrade which we are looking at or anything else?

Dhvanil Gandhi: So, that was more from the sense that we have borrowed at sub-9, and that's the wish ideally, but we also have to look at the market conditions and what is going on in the market. So, currently, sub-9 immediately within next 1 or 2 quarters looks like a far-fetched assumption. On the contrary, even if we are able to maintain this at the current level, considering the overall macro situation where inflation numbers are, on the fence, RBI is also on the fence in terms of rate hike and all.

So, I think the first target for us is to maintain this at 9.25% to 9.3%. Then, we can maybe 1 or 2 quarters down the line once overall macro stabilizes, we can again go back to the drawing board and see what avenues we have for reduction in rate. But credit rating upgrade, yes, is something that we are pursuing actively. We can't say when, but that's one thing that can have an impact on the borrowing cost.

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

Madhuchanda Dey: Hello. Good afternoon.

Kamlesh Gandhi: Good afternoon.

Madhuchanda Dey: Yes. So, my question is, on this West Asia crisis, which started when we were in Q4 and it has kind of lingered on through Q1 and now we are in Q2. So, have you seen any change in terms of demand or stress in any particular pocket because of the crisis lingering on for so long?

Kamlesh Gandhi: As soon as this crisis came into existence, we could pre-empt that which were the areas that could be likely affected. And we tightened our credit screens on all those areas that is more precisely on the energy-dependent businesses. So, we were very cautious on the energy-dependent businesses on how we will extend the credit to them. So, fortunately, that played out well for us that we did not face much stress.

But having said that, as I shared earlier, even the units which were energy dependent had somehow managed to remain standard for other lenders also. That is what our take is that there have not been massive defaults because citing this crisis and they are facing the problem. They might have faced a problem in the business, but somehow, they managed to stay afloat.

In our case, it was a combination of both the borrowers being very resilient and we're being very cautious. And in terms of the sector, it was all energy-dependent sectors such as restaurants.

Dhvanil Gandhi: Some manufacturing units where their dependency on gas and natural gas was there. So, we had already started looking at it cautiously on the export-oriented businesses.

Madhuchanda Dey: But as the prices continues, have you seen any incremental impact on demand for loans and any particular pocket where there could be possible asset quality stress because this is kind of lingering on for quite some time now?

Kamlesh Gandhi: So, I'll call it eligible demand definitely decreased.

Madhuchanda Dey: Okay.

Kamlesh Gandhi: Because when we talk about demand, there are so many people who will be opting for credit in such current situation. But once you limit and you tighten the credit screen, the eligible demand decreases, the login to disbursement also decreases that we faced in Q1 and Q2 to a certain extent. And currently, once it was stabilized in between, that came back to normal. Now, it has to be seen that how it really plays once again in this quarter.

Madhuchanda Dey: Okay. But that doesn't derail your 20% to 25% kind of growth guidance, right?

Kamlesh Gandhi: No. Hopefully, no, because that has been not that substantial to cause that impact. It results into more field work and more hard work at the ground level to get the borrowers who are eligible for the loans. But somehow, we'll be in a position to maintain this 20% - 25% as demonstrated last quarter and this quarter.

Madhuchanda Dey: Thank you. And all the best.

Kamlesh Gandhi: Thank you.

Moderator: The next question is from the line of Meghna Luthra from Incred Equities. Please proceed.

Meghna Luthra: Yes. Hi. So, thank you for the opportunity. And also, for the additional disclosure that was very helpful. One question is, sir. What is the write-off number this quarter and last quarter?

Dhvanil Gandhi: Yes. We will just get you that number.

Meghna Luthra: And sir, I wanted some more colour on how is demand shaping up in terms of segments like, are we still conservative in textile, FMCG and especially our top states? What is driving demand with segments?

Dhvanil Gandhi: Yes. So, yes, I think the cautious segments that we had, we are still a little watchful on those. But other than that, overall, I think across the board, demand has been stable. There has been no outlier in terms of high demand or, you know, high drop-off in terms of any sector. As earlier mentioned, we have had a cautious stand on some of these businesses since the U.S. tariff issue, and that stand still is there.

So, overall, MEL, SME across the board, manufacturing and trading businesses, the demand is more or less stable. Due to the input cost going up, working capital demand also has gone up for certain businesses. But at the same time, they get underwritten against a little more stricter policy parameter. So, we are balancing both.

We are balancing both the demand as well as the policy parameters to filter out to the best extent possible.

Kamlesh Gandhi: On the write-off, in March, it was 29 Crore. In June, it is 19 Crore, which was offset by higher ECL provisioning. So, if you see more or less our impairment in March or June is same, because as I shared with you that we increased Stage 1 and Stage 2 provisioning by 5 basis point. So, that entailed around INR6.5 crores to INR7 crores. And that kept the impairment cost almost the same that is March and June.

Meghna Luthra: Got it. So, sir, this would be like credit cost range that we can see throughout the year, right?

Kamlesh Gandhi: Come again? Credit cost?

Meghna Luthra: This range, we can take it for the full year, we see this range of credit cost, 1.5% and 1.6%?

Kamlesh Gandhi: It will be range bound between 1.25% to 1.75%. I will reiterate, it all depends upon the asset configuration that is pursued during the year. The right way of looking at it will be what are the ROA we are in a position to maintain despite our operation and the credit cost for the very reason that every product has its own characteristics in terms of the operational cost and the credit cost. But the range will be anywhere between 1.25% to 1.75%.

Meghna Luthra: Okay, sir. And lastly, where do we see our direct distribution book in the next 1-1.5 years?

Kamlesh Gandhi: I think it should be in the range of close to 70% from current 66% to 67%, around 70% to 72%.

Meghna Luthra: Got it. Okay. Thank you. Thanks for the insight.

Moderator: Thank you. The next question is from the line of Deep Vakil from Bandhan AMC. Please proceed.

Deep Vakil: Congratulation Sir. Thank you for the opportunity. Sir, only one point, I think there is one press release relating to change in management. So, I understand it is broadly to do with designation change. Can you give some clarity here and what the changes are or some colour on that?

Kamlesh Gandhi: It's a designation change. As I shared in the opening remarks that CRO Nishant Jain has been elevated as Director - Operations; and Darshil, Head Credit SME, RAC has been elevated as Chief Risk Officer. So, that is more of an internal change.

Deep Vakil: Okay. And sir, there is one footnote which says, I mean, MAS has exercised an option of redemption of 3,33,000, I mean optionally convertible preference shares of the subsidiary in cash, which is 25% of the total outstanding convertible preference shares. Sir, what is the amount of exposure here? And can you just give clarity on this transaction?

Kamlesh Gandhi: So, MAS as a parent invest regularly as per the requirement in the subsidiary. So, INR10 crores of OCPS was done, which was to be redeemed over a period of time or converted into equity. If you see the capital adequacy currently at MRHMFL is more than 37%. So, that company not requiring capital, did not keep that OCPS conversion and hence, it was refunded to the parent.

Deep Vakil: Got it, sir. Thank you.

Kamlesh Gandhi: Thanks.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus. Please proceed.

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity. And congrats on a really good quarter. I joined the call a little late. So, I just had a question on the growth front. So, since MSE as well as SME has seen decent growth this quarter, shall we see the overall growth for the full year closer to on the higher side of the range of 20% to 25% for the full year?

Kamlesh Gandhi: So, very high possibility, yes. We are working on that quite optimistic. Can't predict, but you are thinking on the right lines. Yes, it is like that.

Shreepal Doshi: Got it. And second question was on the credit cost side. So, while it has stayed broadly stable versus last quarter's credit cost. So, have we created any macro event related provisions and what will be the normalized levels for the rest of the year and for full year?

Kamlesh Gandhi: I think a sort of buffer, yes, because if you see our standard asset, we have increased from 0.65% to 0.7%, entailing close to INR6 crores to INR7 crores of higher impairment. And one of the reasons for the higher impairment is our higher on-book assets. If you see our on-book assets have increased by 8% whereas our overall AUM has increased by 5%.

So, when the asset remains on-book, we have to have a provision on that. Plus, the percentage of provision has also changed. So, we can say that we have a sort of a buffer in that kind. And as far as the trend is concerned, it can be anywhere between 1.25% to 1.75% as I shared earlier. And it is dependent on the product mix that constitutes the AUM from time-to-time because each product has different characteristics.

For example, commercial vehicle picking up will give me higher yields, but will have higher operational costs and higher credit costs. So, at the end of the day, what we give the guidance is that our assets will be so created which creates an ROAs anywhere between 2.75% to 3.25%, the aspiration is to reach 3% plus. And we would monitor each and every asset on the yields it generates. So, this is how the quality and the credit costs will be managed and monitored.

Moderator: The next question from the line of Sanjana Sivaram from DAM Capital. Please proceed.

Sanjana Sivaram: Hi. Thank you for taking my question. And congrats on a good set of numbers. I wanted to know on our housing subsidiary, what would be some things we are doing that could help us take the growth to the next level? I feel currently, we're still a little bit behind our guidance. So, what is something we'll do? And at what kind of credit costs are we operating this book?

Dhvanil Gandhi: Correct. So, yes, on the housing side, two things that, we have been working on is in execution is, one is how we can get the efficiencies up in our current distribution that we have and second is expanding the distribution. So, southern part of the country, especially Tamil Nadu, Karnataka are two areas which we are targeting starting from this quarter itself.

So, some of the planning has been done, and we are working on recruitment. Hopefully, we will start seeing some results coming from these geographies in Q3 and Q4. So, the adding distribution and also working on rationalization of TAT and improving the processes as well.

So, we are working hard that how we can get, better visibility by comparing ourselves to the peers as well that how we can move faster in terms of our overall processing. These are two-three things that are at the top of the priority list in terms of changes to get the AUM growth a little more moving robustly.

Sanjana Sivaram: Okay.

Dhvanil Gandhi: Our average yield will be closer to around 14%.

Sanjana Sivaram: Sorry, I asked what would be the average credit cost on this book?

Dhvanil Gandhi: Credit cost? Okay. Average credit cost is around 0.5%.

Sanjana Sivaram: Okay. And just one more thing that now our off-book growth was slow this quarter, and we have fallen a bit under what our target mix is. So, was there something to call out this quarter and do we expect the off-book growth to also catch up from going forward this year?

Dhvanil Gandhi: So, off-book is a form of liability for us, and it is dynamic in nature. So, if we get other lines of credit which are maybe better priced or better placed in terms of asset placement, we may choose those during the quarter. So, nothing much to read into the off-book percentage going down. That is for us normal course of business. And as new sanctions come in, new assets get ready, we will look at that also. Ankit also would like to comment on this.

Ankit Jain: And so, the strategy remains same to keep the off-book at 20% to 25%, nothing changes. It is just that a quarter or year or whereby if there is at a better cost of liabilities available, we can take that first and then off-book later, just that.

Sanjana Sivaram: Okay. That's all from my side.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

Kamlesh Gandhi: So, thank you all for joining and spending your valuable time. As always and as shared earlier also that we remain committed to our guidance of growing anywhere between 20% to 25%, hopefully at the higher end of the spectrum, just doubling our AUM and profitability every 3 to 4 years and majority through internal accruals. So, this will be a majority on nondilutive growth and we continue to pursue this. So, team MAS remains committed to its mission of excellence through endeavours. Thank you so much.

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