MAS Financial Services Limited
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Ashram Road, Ahmedabad 380009
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Purpose Led. Progress Driven.

MFSL/SEC/EQ/2026/15

February 05, 2026

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

Scrip Code: **540749**

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 quarter ended on December 31, 2025.

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 January 29, 2026 with respect to Unaudited Financial Results (Standalone & Consolidated) of the Company for the quarter ended on December 31, 2025, is available on the Company's website at the link: https://mas.co.in/pdf/Q3_FY26.pdf

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

RIDDHI BHAVESHBHAI BHAYANI

Digitally signed by RIDDHI BHAVESHBHAI BHAYANI
Date: 2026.02.05 10:56:25 +05'30'

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

Encl.: as above

Great Place To Work. Certified JAN 2025-JAN 2026 INDIA

"MAS Financial Services Limited

Q3 FY '26 Earnings Conference Call"

January 29, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on January 29, 2026, 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. ABHIJIT TIBREWAL – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to MAS Financial Services Limited Q3 FY '26 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. 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. Abhijit Tibrewal from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

Abhijit Tibrewal: Yes. Thank you, Ira. Good afternoon, everyone. Thank you for joining the MAS Financial Services Limited earnings conference call to discuss their Q3 FY '26 results. We have with us today the senior management team represented by Mr. Kamlesh Gandhi, Chairman and Managing Director; Mrs. Darshana Pandya, Executive Director and CEO; Mr. Dhvanil Gandhi, Executive Director; Mr. Ankit Jain, CFO; and the rest of the members from the senior management team.

We will first have the opening remarks followed by a Q&A. With that, I hand it over to Kamlesh sir for his opening remarks. Thank you, and over to you, sir.

Kamlesh Gandhi: Thank you so much, Abhijit, and good afternoon to all of you, and I'm very happy to connect to all of you once again. As you know that this call is for discussing the quarterly results. This happens to be our 123rd quarter. While I always like to connect to you on a quarter-to-quarter basis, but as I've shared every time that as a company, we are building up this company not only for quarters, but for decades and generations as we have done over the last 30 years.

Coming to the performance for the quarter. The consolidated AUM is at around INR14,641 crores, which is 18.28% rise in AUM. The profitability consolidated is close to around INR96 crores, which is a 20.55% rise in consolidated PAT before the onetime impact of the Labour Code. All the numbers have been made very explicit in the press release and in our presentation for your better understanding.

If I talk about the quarter passed by, happy to share that the things are fairly improving at the ground level. How we gauge this improvement is in terms of the eligible demand what we get, but at the same time, we are cautious to jump to a very high growth immediately. If you see on a quarter-to-quarter basis, as I shared last time, Q2 growth over Q1 was close to around 4% in AUM. This time, we could discover and achieve close to 6%.

Also, because this was characterized by the festive season. In all, we are seeing a marked improvement at the ground level in eligible demand, and this will, as per our understanding and experience of all these years, will gradually improve over the next 2 to 3 quarters, giving us an opportunity to come back to a trajectory of around 20% to 25% growth once again. Obviously, we are already there at around 21% in PAT, but also in AUM, we'll be touching that within next couple of quarters. So that was on the AUM and profitability.

The quality of the assets was very stable with net Stage 3 asset at around 1.72%, while carrying a buffer provisioning of 0.16%, not netted off. The quality of the assets were even very benign in our housing finance company, which grew at around 23%, taking the total asset under management to INR859 crores this quarter. As I have always shared and as we always maintain that risk and profitability will be priority over just the asset growth. Having said that, we are seeing as I shared, we are seeing good opportunity in the market to grow to our original trajectory of anywhere between 20% to 25%.

On the asset side, we continue to focus on MSME, MEL and SME are the 2 products in MSME. They registered a good growth quarter-on-quarter and year-on-year, followed by wheels, that is 2-wheeler and commercial vehicle. We are yet to achieve that critical mass in used cars to define it as a different product.

As I said, I see another 2, 3 quarters before we can really gain some scale to define it as a different product, and salaried personal loan, which we have always maintained that we'll be keeping at below 10%, which stands at around 8.5% of our total AUM. This remains our asset configuration, and this will be the focus going forward. SME and wheels will drive the growth forward.

Once again, wheels will play an important role and so will be the SME playing an important role, but from quarter-to-quarter and time-to-time, the growth will be calibrated and adjusted according to the market situation as we did this time that commercial vehicle did not grow at the pace which we had desired, and that was for a reason of understanding the market better and how to have the experience on the static pool analysis. Then we can come back to the original growth because there was a lot of overlap between the micro -- MSME borrowers and the commercial vehicle borrowers that is what was noticed from various scrubs and the data we got. We were not very eager to grow it at a very faster pace. and hence, the growth was a little muted.

This is the advantage of being a multiproduct company that some other product can take over, and we got good advantage in 2-wheeler this time more because the 2 distinct reasons that there was a well tech stack developed for 2-wheeler and also because of the festive season. This is on the asset side, and we'll continue to concentrate on these assets across our area of distribution.

Our area of distribution remains throughout all the states of operation that is Gujarat, Maharashtra, MP, Chhattisgarh in West, Rajasthan and NCR region in North, and all the 3 states that is Tamil Nadu, Karnataka, AP and Telangana in the South.

We are consolidating on those distribution. We have stabilized on the number of branches at 208, we are in the process of sweating those branches and we will increase the branches gradually. It has grown at a lesser pace than that what we had anticipated at the start of the year, but the reasons were very obvious, and we all know that.

The direct distribution continues to grow steadily and in a robust manner, whereas our distribution through NBFC, as you know, contributes close to around 33% to 34% also stands in a very good state despite of all the headwinds that we faced in the last 1 year, 1.5 years.

That will be a 15 years old model now, and we continue to maintain that, that has contributed very significantly to the growth of the company, and going forward, it will remain so. Maybe the percentage over a few quarters might change in favor of direct retail, maybe up to around 70:30 or75:25 over a few quarters.

On the liability side, we are sufficiently capitalized, and we have a very strong balance sheet with currently equity of close to INR2,900 crores and the debt equity of around 3.35% capital adequacy of close to 23%, keeps us in a very good stead for growth and for raising liability. We have adequate liquidity on hand.

As I talked to you right now, we have tied up for liquidity up to September this year, that is up for the year '26-'27, and by March, I think we should be in a position to tie up for the whole year. So we are well in advance in tying up the liabilities. The only challenge what we take is, how we can reduce the cost of borrowing still and thereby improve our profitability and our affordability for the borrowers.

We continue to remain focused on technology. That is very, very important as we reckon that technology plays a very important role, not only for efficient operations, but for offering better services to the borrowers. We are adopting technology and having a robust team of close to 100 people as far as technology is concerned. We continue to pursue that very vigorously and very regularly across departments on adopting technology. We have built and operate model, and we'll continue to operate on the same.

On HR, we are close to 5000 strong team. The focus now will be to increase the efficiency of each and every personnel to the maximum extent possible in order to generate the required returns on equity and assets. As far as the operational expenditure is concerned, if you see that it has stabilized on a quarter-to-quarter basis, remains at around 36% of our cost-to-income ratio.

We see that hovering around those percentage, maybe a percentage or 2 here or there without disturbing our ROA metrics because as I have maintained that whatever model we follow, we would be cautious of the fact that we remain anywhere between 2.75% to 3% on ROAs.

I'm very happy to share that with the tremendous efforts of Team MAS, we are in a position to produce the result quarter-on-quarter. As I shared with you, this is 123rd quarter. There are more than 50 people who have dedicated their careers and like to this company, and that is by choice, and we are very happy to do it for many more years to come. On the dividend part, we are consistent to our policy of declaring dividend and the payout will be maintained at 10% of our PAT. As on December, we are declaring an interim dividend of INR1.25 on a face value of INR10.

Going forward, as I shared, we are confident that we will be in a position to have our growth anywhere between 20% to 25%. We can talk a lot, but the numbers and the performance speaks much more than that, that even during the last decade, as I shared with all of you in the last conference call, that if you see our performance from 15 to 25 characterized by very, very strong headwinds, we have been in a position to maintain our trajectory of growth and profitability which has come mainly through internal accruals, which differentiates us. What differentiates us is the stability of the management team and the resolve to take this company forward for another decade together while building up a very strong second line.

With this, I would like to hand it over to Darshana Ben, but before that, a word on housing. As I shared that we were at around INR859 crores in AUM. We grew at around 22%, but still, we believe that the potential of growth at this scale should be anywhere between 30% to 35%, but as I told, by prioritizing risk and the quality and profitability.

So the earnest efforts are on to reach that figure of growth anywhere around 30% to 35%, maybe within a quarter or 2. That company remains sufficiently capitalized and the liquidity and the debt there is also available.

The numbers are small, but if you see the numbers in terms of profitability, in terms of asset quality, they really define the quality of operations there. We need to continue that, that the profit has grown in excess of 25% there. We have seen that the quality of the assets, even because the borrowers whom we see in the affordable segment, once again have an overlap on this overleveraged MSME segment, but still we could maintain a net Stage 3 asset of 0.67%.

Like everything in life is a package deal, while maintaining that instead of 30%, 35%, we could grow at around 23%, but very confident that given our increasing distribution strength, understanding of the market, it will be a matter of time here before we should reach our desired growth.

With this, I'd like to hand over to Darshana Ben to take you through some of the critical numbers followed by Ankit and then questions from all of you.

Darshana Pandya: Thank you, sir. Good afternoon, everyone. To start with the consolidated numbers, the Q3 quarter, we had a very strong performance, and we could achieve the AUM of INR14,641 crores as compared to INR12,378 crores in December '24, that is 18.28% growth. In terms of PAT, it is INR97 crores as compared to INR80 crores and the growth percentage for PAT is 20.55%.

Coming to the stand-alone performance. Growth in asset is 18% from INR11,677 crores to INR13,782. Total income, there is a growth of around 23% from INR390 crores to INR481 crores. Profit before tax grew by 21% from INR105 crores to INR127 crores. Profit after tax, there is a growth of around 20% from INR78 crores to INR93 crores. This is the comparison of Q3 '26 versus Q3 '25.

If we compare the performance of 9 months, total income, there is a growth of 25% from INR1,103 crores to INR1,384 crores. Profit before tax, there is a growth of 19% from INR302 crores to INR360 crores and profit after tax, there is a growth of 18.65% from INR225 crores to INR267 crores. The comparison for better understanding of the performance, we have excluded onetime impact of labor code provision of around INR4.24 crores.

Coming to the quality of the asset, gross Stage 3 asset stands at 2.56% as compared to 2.53% in September '25 and net Stage 3 asset is 1.72% as compared to 1.69% as on September '25. We still continue to carry a management overlay of INR17.60 crores, which is 0.16% of our on-book assets.

Coming to the performance of our housing finance company. Assets grew by 23% from INR701 crores to INR859 crores. Growth in income is 29% from INR20 crores to INR26 crores. Profit before tax, there is a growth of 56% from INR2.98 crores to INR4.54 crores. Profit after tax grew by 45% from INR2.39 crores to INR3.45 crores.

Comparing the 9 months performance, there is a growth of 26% in terms of total income from INR59 crores to INR74 crores. Profit before tax, there is a growth of 37% from INR8.82 crores to INR12 crores. Profit after tax, there is a growth of 33% from INR6.93 crores to INR9.20 crores. Here also, we could maintain the quality of the assets. As on September, the gross Stage 3 asset was 0.94%. As on December, it is 0.97% and net Stage 3 asset is 0.67% as on December as compared to 0.66% as on September '25. Here also, we carry the management overlay of INR3.70 crores, which is 0.6% of our on-book assets. These are the key numbers of the performance for Q3. Now I'll request Ankit to take us through liability and asset management.

Ankit Jain: Thank you, ma'am. Good afternoon to all. To update on the liability management for this quarter, we maintained an average cash and cash equivalents of approximately INR1,000 crores with an unutilized cash limit of around INR200 crores. As on December 31, the company also holds sanction facilities totaling to more than INR3,500 crores, comprising of various instruments like term loan, NCD, direct assignment and co-lending, which will be utilized for the coming quarters.

During the December quarter, the company executed direct assignment transactions amounting to INR850 crores. Furthermore, we currently have sanctions of approximately INR1,600 crores in the form of direct assignment and co-lending. Our strategic goal is to maintain 20% to 25% asset under management as off-book through direct assignment and co-lending.

The company also did a tranche of securitization transaction in the form of PTCs of around INR100 crores this quarter, which was subscribed by HDFC Mutual Fund. We have a cash credit facility of approximately INR1,400 crores spread over 13 banks, of which we maintain utilization levels at 70%, 75% and keeping rest as a liquidity buffer.

In terms of long-term borrowing, the company raised INR670 crores through term loans during the quarter with an average maturity of 3 to 5 years. We also strengthened term loan pipeline of approximately INR1,150 crores. Additionally, INR250 crores were raised through non-convertible debentures, which were subscribed by various treasuries and retail.

In terms of asset liability, we are strongly positioned in terms of structured liquidity and our liquidity position remains adequate with positive cash flows across all cumulative buckets. Our capital adequacy ratio remains strong at 22.85% with Tier 1 capital at 21.48% and a debt equity ratio of 3.35x.

The average cost of borrowing for the quarter stood at 9.53%, which was around 10 basis points lower than the last quarter. We see similar reduction in cost of borrowing in the current quarter also. The incremental cost of borrowing is at around 9% to 9.25%. This was on the capital liability management, and we are open for Q&A now.

Moderator: First question is from the line of Abhi Jain from AJ Capital.

Abhi Jain: My first question is that I'm seeing Slide number 16 and 17 in the investor deck and the Stage 3 provisioning has declined to 39.9% this quarter from 41.3% last quarter, despite Stage 3 asset going up to 2.61% from 2.58%. Now I just want to understand, why not increase provisioning? Since you already have an exceptional Tier 1 capital buffer, right?

Clearly, we have seen that in the later DPD baskets, like 90 days and beyond 120 days, there has been an uptick in this quarter. Just thinking from an institutional investor perspective, a higher provisioning is always a mark of a truly fortress balance sheet.

Given that MAS has such a great history of being one of the industry-leading benchmarks in terms of risk analysis, the provision covering ratio has always bits me a bit that why keep it at 40-odd percent, clearly when we have capital buffers? Just wanted to understand that.

Kamlesh Gandhi: There are 2 fundamental aspects which you need to understand that first I talk as a sector and NBFCs as compared to banks that especially in NBFC, the borrowers 90 DPD does not necessarily mean a loss. Secondly, the provisioning is done as per the ECL calculation. We are under Ind AS now.

Under Ind AS, the provisioning are done as per the 5 years historical data. That's if something goes into 90 DPD, what is the collection I'm doing from those 90 DPD bucket. That varies from -- depending upon the collection efficiencies from time-to-time.

Every time the 1 quarter is added and the last quarter is taken out. Based on the last 5 years of data, and this is the best thing to happen after Ind AS because otherwise, there was a lot of provisioning. The provisioning was done as per the views and fences of the company, but now it has to be data backed.

As per the data analysis, if it is proved that we can recover this much amount basis the 5-year data, then the provisioning varies on a quarter-to-quarter basis, maybe by a percentage or 2, depending upon the collection we make from the recoveries.

Secondly, according to Ind AS, while we are maintaining this -- let me share with you, we are maintaining this management overlay because we had an opportunity to maintain that during the COVID time. We have not used that management overlay, and we are continuing with this management overlay and have been positioned to convince the auditors.

Otherwise, it has been a very clear-cut mandate that no understatement or no overstatement of profits as per the Ind AS philosophy. We are mandated to maintain the provisions as per the 5 years data of recovery once the asset goes into 90 DPD.

As I told you that in our case, asset going in 90 DPD for the borrowers, we've been representing to RBI laws because formally, it was 180 days. I think that was 2 years ahead before, but in our case, when we serve the informal class of the society, when it is around 90 DPD, that means losses is not given. You can see from the historical data that we have been in a position to recover those amounts. This provision is guided by this to -- fundamentally, as I told you that the recovery is possible, and our second is it goes by the data of the last 5 years.

Abhi Jain: I just was wondering that because we are industry-leading in capital buffers and the industry-leading in terms of risk management, a higher provision cover ratio also puts us there in that league. Secondly, sir, by when do you see this stemming of the GNPA?

I mean, I know now most of the NBFCs and banks are now sounding out that they are at the end -- the very high end of the cycle of this increasing GNPA, but given that a large chunk of our portfolio is still SME, do you see that by -- in another quarter or so, this GNPA cycle, has it peaked now? Or do you still see that it might still take a few more quarters to subside?

Kamlesh Gandhi: I think, it should stabilize for the industry as a whole within next 2 quarters because as the name suggests the cycle. This is a cycle where borrowers were overly worried with a loan anywhere from 12 to 36 months, and we are already almost 2 years in this cycle, and the new lending has been done very prudently and very rightly so. We have all reasons to believe that within the next 2 quarters, we should see this stabilizing.

As I shared in the opening remarks that how we gauge the market stabilizing is by the way we get the eligible demand. There is a lot of demand, but what is eligible demand is the point in question. We are seeing that gradually increasing, and we have reasons to believe that within next 2 quarters, it should be fine.

Moderator: The next question is from the line of Hardik Doshi from White Whale Partners.

Hardik Doshi: My first question was again around the operating expenses. This quarter, we had an expansion in NIM. Even if I look at our direct lending versus channel lending, it's largely remaining constant around this 1/3, 2/3 or 66%.

Yet in spite of that, our cost-to-income ratios also continue to remain high at 36.6% and even at opex to ratios going at 2.9%, right? I understand that we are expanding in new geographies, but where do you think this stabilizes? Do you think this can start coming down eventually?

Kamlesh Gandhi: As I mentioned earlier also that if we see the complete picture, we'll be more focusing on ROAs driven by the NIMs minus the operational cost and the credit cost. Depending upon the yields what we generate, we are a multiproduct company. If some product of a higher yield is doing well, so then the yields will increase.

At the same time, it will entail higher operational and credit cost. Difficult to give an exact number on what will be the opex, but what we would like to maintain is and how we work is that we see that the ROA between 2.75% to 3% will be maintained.

If you see over quarters, there can be a fluctuation in the operating cost right from below 2% to right now nearly 3%, but our ROA has been maintained. We would like to focus on maintaining the ROAs, while the operational cost and the credit cost will be the function of the asset created over a period of time, so difficult to assign a particular number. If you see on a quarter-to-quarter basis, you almost stabilized. Last year, last quarter also, it was around 36% on cost to income, and this quarter also, it is around 36%.

Hardik Doshi: I guess, I mean, to some extent, now the micro enterprise loans have started to grow at a faster pace, and so that is why there's more cost associated with that as well.

Kamlesh Gandhi: It depends upon which -- see, we are a multiproduct company. As I always mentioned that we rather than determining the growth, we discover growth. We keep our standards constant and tight. As and when we get the opportunity, we grow that product. We are not overly bothered by certain product not growing at the desired pace for a quarter.

We wait for the right time to come. If we get an opportunity in a particular product, then the configuration will change. That will also change the opex yields, but ultimately, the ROAs will be maintained.

Hardik Doshi: If we look at our segments, we're obviously still very big on the micro enterprise and on the SME front and both of them are accelerating, but now we are also getting a sense from the CV side that the cycle seems to be kind of picking up also and 2-wheelers volumes are strong. While you mentioned that over the next 2, 3 quarters, you will go towards the 22% to 25% growth rate, given that all engines seem to be firing, I mean, can we see like even levels above 25%?

Kamlesh Gandhi: 25%, Hardik, it's doubling your AUM every 3 years. In lending business, we have seen over all these 30 years that the common denominator for any problem has been growth. While I don't deny that. A few of the quarters, we have grown at even at around 26%, 27% also, but the stated objective is to grow between 20% to 25% because it is not only the market forces that determine the growth.

Our capability to handle a particular growth given our standards of risk and profitability, that is what makes us feel that this will be a number which we can achieve and a responsible commitment which we can make to our investors and lenders.

As I told you, if we can discover better growth, why not? We have the capabilities in terms of capital, debt, everything. In the past, sometimes we have touched up to 27%, if I don't remember the exact quarters, but if there's an opportunity, why not?

Hardik Doshi: For example, through a down cycle as we went through the last few quarters, we went below the 20% level, now we're at 18%. Similarly, I'm just curious that in an up cycle, you would want to go a little bit above as well, right?

Kamlesh Gandhi: Right.

Hardik Doshi: Just one last question is, there's been a marked improvement on the 30-day and 60-day DPD. Anything that you changed that resulted in these -- I'm guessing this is more of a normalization of those accounts. Maybe can you give some color on any change in collection practices? Or what is the cause that improvement?

Kamlesh Gandhi: That's a very continuous process at MAS that we go on adopting new, new things to see to that how we can increase our collection efficiencies. That is one part of it. The second part is that the overall capabilities of the borrower to pay.

Let me be very honest. Our credit assessment and collection can play a role up to certain level, but beyond that, it is always the borrowers' capability and intent to pay that makes a lot of difference. As I told you that in last quarter, we are seeing the things improving. The reason for this, I'll attribute to the borrower behavior rather than me claiming that we have done something differently. We continuously try to do what best can be done, but this I'll attribute majorly to the borrowers' behavior of their increasing capabilities to pay on time.

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

Shreepal Doshi: My question was on the asset quality side. We were pretty early to indicate to the street that things have started to improve in last quarter itself. Could you share your views how are things shaping up, let's say, with respect to those industries now, especially, let's say, textile, gold, gems and jewelry.

I think these were the names and also some of the companies in the FMCG space. How are those industries trending now? What are the changes that they have made from their business model point of view, which is helping them as well as us as a lender to see some moderation in the DPD that we have reported?

Dhvanil Gandhi: Dhvanil here. We have been tracking these industries and at the ground level also, we have been monitoring them closely. 2, 3 things have played out. One is that there was a lot of uncertainty and noise around tariff and others. 2, 3 macro events had come down together around 2 to 3 quarters ago.

At that time, we have started indicating that we are going a little slow on certain industries and certain geographies. Those things had come together, and these are informal borrowers, so they take some time to adjust.

Now we feel that the tariff issue is behind us. The MSMEs have adapted and adjusted to the market scenario. Textile-wise, we are opening up in Gujarat. We are still not very keen on opening in South India on textile. We are more comfortable opening up Gujarat.

We are seeing some green shoots over there in the par performance that we monitor every month. Textile overall in Gujarat and around Gujarat, say, Rajasthan and Maharashtra, we are positive on that now from this quarter onwards.

FMCG, we are still seeing some slowdown. We have not seen any marked improvement in the FMCG sector. We will still keep that under caution list or maybe negative in some. Agro seems to be going through a cycle currently. In certain geographies, like MP, Madhya Pradesh, where there is more agri-related mandis, APMCs, those kind of industries, that is going through a temporary cycle is what we are seeing.

We don't see any structural issue per se, but our monthly par data is showing slight elevation there in MSME segment, but nothing which is too concerning.

Gems, jewelry, we are not funding since a very long time, so we wouldn't have much idea and data on that, but that is an industry which we have avoided since a long time now. Overall, if we talk about, as mentioned in the opening remarks, we are seeing improvement in the approval ratios as well.

We are seeing improvement in the top of the funnel, how the type of cases which are coming in and how the ratio is improving over there. Ground level post, GST cut, I would say, and the festival, that momentum has continued. We are positive overall on the MSME piece considering that.

Shreepal Doshi: The second question was on the LOS that we were trying to sort of update. We've already got BRE in place for our product bouquet. Just some update on the LOS side, if you could provide?

Dhvanil Gandhi: Yes. LOS for all our products is up and running, BRE for all our major products is up and running. Now, based on the second round of tweaking, what we are doing is that we are trying to fine-tune the scorecard further now.

Based on back testing historical data and the data scientists team that we have built at MAS at an initial level, we are trying to work with them and trying to work on scorecards and trying to see that how we can establish green, yellow, red channels for quick approvals, quick turnaround time.

2-wheeler is one product where we have seen tremendous progress in terms of tech, where real-time approval, real-time disbursements is something which is now happening. In SME also, we are working on scorecards. Products which are in a way where underwriting, there are 2 things. One is where data availability is high, like a product like an SME. Those are the products we are focusing on first.

Second is, no fill product like 2-wheeler where asset basic income and bureau, these are the only things that you can underwrite. We are focusing on those products. MEL and CV are still more touch-based oriented products where person needs to go to the ground, data is not available in abundance. Formal data is not available in abundance to run models on those.

Those are still more touch and field-based products, but SME, 2-wheeler are the 2 products which have seen marked improvement on the technology adoption. Moving in the right direction, and hopefully, further improvements and enhancements will keep getting added on quarter-on-quarter.

Shreepal Doshi: Just one more follow-up here. We've seen opex rise pretty sharp during the quarter and also the other income. I suppose there is some policy change there. If you could just -- for the betterment of the crowd as well, if you could give some color on that, what is the reason behind sharp rise in other income and sharp rise in opex?

Kamlesh Gandhi: As I shared last time that whatever business we do through fintech, for better control of cash flows, the complete interest is first booked and then the revenue is shared. That is one of the major reason in the increase in opex because right now, we are working with 3, 4 fintechs on various products. In that, we take the complete revenue first in our bank account and which is taken as an income. Then whatever we pay them as revenue is being taken as an expenditure. So that is the major reason on what you see a rise.

Shreepal Doshi: Just last question was on growth front. As you highlighted that growth in the next couple of quarters should bounce back. Which are the segments that gives you more confidence? Who would be the leaders from our 5 product bouquet, which segment will do relatively better?

Kamlesh Gandhi: According to me, SME and wheels has to do better. That will be the area of focus because all said and done, MEL is a low-ticket size product, and as we grow our balance sheet size, we are more focused on some higher ticket size loans because that gives us a better quality of borrowers also. Depend, while our focus will be more on wheels and SME, that should contribute more on our growth front, while MEL and SPL will continue to contribute steadily.

Moderator: The next question is from the line of Ishank Gupta from Choice Institutional Equities.

Ishank Gupta: Congratulations for a good set of numbers. My first question would be, although the company remains focused on scaling the MSME and wheels business, but the sequential growth observed in Q3 in the CV segment was negative. Can you explain the drivers for the negative growth? Moreover, the growth in the SPL segment was marginal sequentially. Although, our upper ceiling is 10%, so what led to a marginal growth in SPL?

Dhvanil Gandhi: CV, as earlier also we had communicated that we are -- I would not say restructure, but we are relooking at certain underwriting models and also at the ground level, some portfolio analysis was showing some stress in some pockets. We had taken some conscious call to slow down the growth there.

When we say wheels, 2, 3 products contribute that. One is 2-wheeler, commercial vehicles, so that slow growth in -- slightly lesser growth in commercial vehicle was compensated by 2-wheeler, if you see the Y-on-Y as well as the Q-on-Q growth. As a whole, when we say wheels, 2-wheeler CV will contribute.

CV now looks better. Next 2 quarters, we feel that CV growth also should start slowly inching up and coming back to normal. SPL, as earlier growth was looking higher on a smaller base, but now as the product has scaled up since almost now 8 to 10 quarters, we will see the growth in and around this percentage. 2 things. One is that we want to keep 10%. We have some headroom, but we are going a little conservative there. We are currently roughly at around 8.6%, I think, or 8.7% of AUM.

We expect this number to hover around 25% to 30% in terms of SPL growth. That's the outlook that we have. Going forward, next 2 quarters, we feel SME, 2-wheeler and CV slowly and gradually should start coming back in terms of better numbers.

Ishank Gupta: Generally, the CV business is strong in the second half of the financial year. It was specific for your portfolio because in general, for the industry, the growth was spectacular for other companies too for quarter 3.

Dhvanil Gandhi: I think across the peer set, there were certain quality concerns. For us also, we were looking at certain -- we had picked up some early signals of stress in certain pockets and portfolio. When we talk about CV, it is a very -- it is a market wherein multiple subproducts are there. We are present in the small ticket size light commercial vehicle segment, which is used in nature.

We do used vehicles in nature. Over there, the informal nature of the borrower and some early signals that we were seeing, we had gone a little conservative, but slowly and gradually, we expect that to pick up now.

Ishank Gupta: My last question would be, what would be the benchmark level for capital adequacy ratio around which you would consider equity fundraising?

Dhvanil Gandhi: Historically, we have kept that once our Tier 1 on AUM touches around 18-odd percent. Historically, we have done a raise there. Last year, when we did the QIP, that was the level at which we had done. It wouldn't be right on our part to commit exactly, but the levels at which we start thinking on capital raise lines is in and around Tier 1 on AUM of 18-odd percent.

Moderator: The next question is from the line of Madhuchanda Dey from MC Pro Solutions.

Madhuchanda Dey: Congratulations on a very good quarter. I have a couple of housekeeping questions and then a general question. The first one is if you could share the disbursement number for the stand-alone business?

Kamlesh Gandhi: It is around INR3,600 crores. What is it?

Madhuchanda Dey: INR3,600 crores was consolidated, which was given in your press release. Is that a stand-alone number?

Kamlesh Gandhi: INR3,599 crores, so INR3,600 crores on a stand-alone basis and around consolidated is INR3,660 crores.

Madhuchanda Dey: If you could include this number as a part of your deck, that will be really helpful going forward. My second question is a little bit on the distribution side. As you have explained that your costs are plateauing. Going forward, is the growth driver going to be from the existing geographies? Or how are you seeing the traction basically from the newer markets of North, say, UP or the southern markets where like Karnataka, etc., that you have entered, where is the growth going to come from, basically?

Dhvanil Gandhi: Yes. We are seeing positive traction in South and North both. Currently, we have limited presence there, but have plans for next financial year for expanding both in North and South. In North, Uttar Pradesh, we are not covering directly. As a part of Delhi NCR, whatever comes Uttar Pradesh, we are currently working on, but Uttar Pradesh, we plan to start next year with around 5, 6 branches.

That's the initial plan, and that should contribute to growth. In southern market also, we will deepen the network from the current branch network that we have. We can expect the initial feedback and what we have -- what market feedback and feedback from our team we have received is positive.

We have to work a little hard on building up a more stable team because whenever you enter a new geography and when you recruit, and we prefer to recruit locally from our peer set, there is generally 1 or 2 times where the teams get churned because of the setting up process.

Now finally, we feel that the team has more or less stabilized. The amount of business that we would expect, the efficiency that we would expect should start going up. We can expect that North and South to perform meaningfully well from next financial year onwards.

Madhuchanda Dey: Just a small housekeeping. There was a slightly higher cap rate consumption in this quarter. Is it because of the loan book mix or there is something more to it?

Kamlesh Gandhi: It has to do with the off-book portfolio. That is what we assigned to the bank. This time it was less by percentage or so. We had to keep some capital buffer -- provide capital on that.

Moderator: The next question is from the line of Siraj Khan from KS Capital.

Siraj Khan: Good set of numbers. One thing that I wanted to know on the asset quality side. Could I get the MSME and SME, a broad classification of MSME book and the non-MSME book asset quality, if that is possible? MEL and SME together and the rest?

Dhvanil Gandhi: You're talking about GNPA and NNPA for the MEL and SME?

Siraj Khan: GNPA and NNPA.

Darshana Pandya: In our MEL book, our GNPA is 2.8%, and in SME, it is 1.49%.

Siraj Khan: The rest of the book, wheels and SPL?

Darshana Pandya: SPL is 3.45%. 2-wheer is 3.35%, and CV is 4.14%.

Siraj Khan: Structurally, the SME loans are good, so you want to go for that. Then the yield differential, one thing that I was also wanting to understand, with the entire rate cut situation and everything, how do you see the margin? That is one.

Also the spreads. Your cost of borrowings are fair. When do you see the credit rating happening, upgrade with respect to? I mean, CARE is still at AA-, so when do you see that coming up? View on how will you maintain the spreads and the yields given the current situation with respect to competition being also high and you focusing on slightly higher ticket size, because I believe the yields there would be comparatively lower than the other products.

Kamlesh Gandhi: As I shared earlier, we will start with ROA. The complete operations will be based whereby we generate anywhere between 2.75% to 3% ROA. Ideally, we would like to keep NIMs anywhere between 7% to 8%, depending upon the configuration of the product and then taking into account 1% to 1.5% of credit cost and around 2.5% to 3% of operational cost. Once again, that will vary according to the configuration of the product.

Ultimately, we will end up anywhere between 2.75% to 3% ROA. Right now, we are already at around 2.84% or 2.87% ROA, and aspiration to reach 3% should come from a rate cut or maybe more operational efficiencies and other factors what we can work upon, like technology and all. This is how we would like to operate on a strategic intent.

Siraj Khan: A quick data keeping question. You mentioned regarding your rejection ratio or the approval ratios. Could you also bifurcate the way that you give the asset quality segment-wise, product-wise? If product is not possible, just overall, what is your improvement in approval ratio or improvement in the rejection ratio because the asset quality has been quite steady.

Although, it's been inching up but compared to your peers, and that is a very good thing that you're doing. Just wanted to understand how does the funnel work down from login to sanction to disbursement, that way?

Dhvanil Gandhi: When we see broadly, if you look at MEL, SME, 2-wheeler where the numbers are on a positive trajectory. As I earlier remark that approval ratios are getting better over there. Earlier during, I would say, when things were not that great 2 quarters, 3 quarters ago, the number had gone down to around 14%, 15% kind of a number. Now that has come up to around 20-odd percent. Broadly, it is on an improving trajectory.

This is right from inquiry to final disbursement. This is at a very initial stage. If we do initial screening, then this number goes up to 50%, 60%. I'm talking about that an inquiry comes, we don't know anything about the customer. We pull the bureau after that, then what's the approval ratio. This is broadly across the product.

This is the kind of number that we anticipate. This is a number that we keep tracking to get an idea and a feel of how the demand and customer quality and the balance sheet of the customers is behaving. We don't really stress upon this in terms of any performance measure or indicator to our team, but a number that we keep tracking from time-to-time.

Siraj Khan: Just your overall outlook on the housing finance book, how do we look to scale it up and a suggestion? If you could create a tax suite or something like an Excel file that we could pass through for the statistics of the whole PPT.

Dhvanil Gandhi: The fact sheet is under consideration, and we'll get back on that. That is something that the team is working upon. Hopefully, we'll get back to you on that. Housing, as mentioned earlier, slightly lower growth because we feel that these are long-term loans. Again, our average ticket size is around INR8 lakhs, INR9 lakh, so we are working at the bottom of the pyramid kind of customer segment.

They are just recovering from some of the MFI and all of those stress and overleverage. We went a little slow this quarter, but we feel that within next 2 to 3 quarters, the targeted growth of 30%, 35% should start coming back. This 22% will keep on improving sequentially quarter-on-quarter to 25%, 27%. That is what we are working upon and expecting. Overall outlook is very positive.

The first target was INR1,000 crores, might be delayed by a quarter or 2 than our commitment that we had put out, but other than that, on track.

Moderator: The next question is from the line of Jay from Nirmal Bang Institutional Equities.

Jay: Just one question on -- I'm not sure if you might have taken it. You joined a little bit late. I just want some outlook and color on how is your CV book right now? Because across all your peers, CV are facing some stress. Can you just help me which pockets do you see stress or which pockets are coming out of stress?

Kamlesh Gandhi: The CV book, as we define it, we are seeing some distinct stress in Rajasthan 1 and 2 that are different areas and so is in MP 1 and 2. We are seeing these 2 states under stress, Rajasthan and MP, and we are deliberately going slow there as per the early static pool analysis signals.

Jay: What would be the collection efficiency for this book as of now?

Kamlesh Gandhi: The collection efficiency for this book is around 88% to 89% with GNPA at 4% and NNPA at around 3.5%.

Jay: Is there any scope of cross-selling for your CV book or somewhere in your business? If you can define what would be the -- if there is a cross-selling opportunity, how much would be the loans on one particular customer if we go by that?

Dhvanil Gandhi: We are not very aggressive and keen on cross-selling to our existing customers. Cross-selling of our products, say, home loan to CV customer or CV to home loan customer, we are not very keen on those because whenever we take an exposure, more or less, we have exhausted at least our internal limit in terms of the kind of exposure that we can take.

What we are more open on is that if a customer after, say, 18, 24 months of repayment comes again for a top-up or an incremental requirement of funding, that is something that we are more keen on in the same product, but that will be in the same product. That gives us 2 advantages.

One is that retention. Number two, we have the track record that this guy has -- this customer particularly has repaid successfully over a period of 12, 18, 24 months, and we can review the financials again and then take a fresh exposure. Rather than cross-sell, we are more keen on retention and giving top-up after 18, 24 months.

Jay: One last question, if I can squeeze in. Currently, we are being rated by CARE and Acuité. Is there any scope or are there any talks with CRISIL for our ratings on any of the instrument?

Kamlesh Gandhi: We have been dealing with CARE since decades now. We, in the past, have never done rating shopping going from one rating to other. We would, as of now, continue with the same rating agencies. That gives better understanding to the rating agencies and also to all of you on the consistency of the type of rating that has been done. Currently, we would stick to CARE Rating, having multiple rating agencies is very costly also. They charge certain percentage of their limits. Getting multiple rating agencies increases the cost also.

Moderator: The next question is from the line of Nidhesh Jain from Investec.

Nidhesh Jain: I have a question on SME and micro enterprise loan. What percentage of this book is unsecured? Specifically in micro enterprise loan, I see that ticket size is quite small at INR80,000, so how are we originating these loans?

Dhvanil Gandhi: Micro enterprise origination is direct in nature, where we have teams on the ground. We have feet on street on the ground who will move in clusters of the city, the business clusters of the city based on the geography. We have identified around 200, 300 clusters, and they will move around, meet the customer, talk to them, understand the requirement and then try to convince them that if they have a requirement, they can take a loan from us.

It is majorly direct FOS-based origination in MEL. SME origination involves direct, plus working with DSA partners as well. Those are slightly larger borrowers. Over there, we work with intermediaries as well from time-to-time to originate.

Nidhesh Jain: What percentage of book will be unsecured in both these segments?

Dhvanil Gandhi: SME is secured in nature. SME will be secured against hard collateral, like property or hypothecation of current assets or receivables. It will be secured in nature. MEL will be unsecured in nature because of the ticket size that we have, but we take cover under sovereign guarantee schemes, like CGFMU and CGTMSE.

Nidhesh Jain: From a scalability perspective, in micro enterprise, we would have already reached roughly 5 lakh, 6 lakh borrowers. From a scalability perspective, how do you see this book playing out from medium- to long-term perspective, let's say?

Dhvanil Gandhi: Our MEL book is a mixture where we also work with certain NBFC partners. Our MEL ticket size is slightly larger than what you see average, but from the scalability point of view, you can see that we have increased the ticket size limit up to INR10 lakhs. Slowly and gradually, as the balance sheet size grows, the idea is that our ticket size should also grow.

If you look at the trend on the ticket size also, it is on a growing trajectory. Going forward, within the next, say, 2 to 3 years, we anticipate that this annual ticket size should be closer to INR3 lakhs to INR4 lakhs. That is what we anticipate. We are working towards that because of our ability to fund at a more competitive rate and also onboard more formal borrowers. We are also tinkering and piloting with embedded finance product as well.

We are working with one payment company, wherein -- which falls under our MEL program, where the average ticket size is closer to INR1.5 lakhs. We fund to these small shopkeepers, merchants of these payment -- the mom-and-pop stores that are there and they are funded through their history with the payment company. We are working on that as well. That will also slowly and gradually help us in increasing the ticket size.

Moderator: Ladies and gentlemen, we'll take this as the last question for today. I now hand the conference over to the management for closing comments.

Kamlesh Gandhi: Thank you so much, and it was nice talking to all of you. For any of the queries, you can reach out to our IR department, and we'll be happy to answer those questions. Thank you so much.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.