

MFSL/SEC/EQ/2026/40

May 06, 2026

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

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**

Scrip Code: **540749, 947381**

Dear Sir,

Sub.: Transcript of Conference Call held in respect of the Audited Financial Results (Standalone & Consolidated) for the fourth quarter and year ended on March 31, 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 April 30, 2026 with respect to Audited Financial Results (Standalone & Consolidated) for the fourth quarter and year ended on March 31, 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

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

Encl.: as above



*Purpose Led.
Progress Driven.*

“MAS Financial Services Limited Q4 FY '26 Earnings Conference Call”

April 30, 2026

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



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Progress Driven.*



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. RENISH BHUVA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '26 Results Conference Call of MAS Financial Services Limited, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on a touchstone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Renish Bhuvra from ICICI Securities. Thank you, and over to you, sir.

Renish Bhuvra: Thank you. Hi, good afternoon, everyone, and welcome to MAS Financial Q4 FY '26 Earnings Call. On behalf of ICICI Securities, I would like to thank MAS Financial management team for giving us the opportunity to host this call.

Today, we have with us the entire top management team of MAS Financial 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 other senior management team members.

I will now hand over the call to Kamlesh bhai for his opening remarks, and then we'll open the floor for Q&A. Over to you, sir.

Kamlesh Gandhi: Thank you, Renish. And good afternoon to all of you. I'm very happy to connect with all of you for expressing this Q4 result of the company and for the whole year for '25-26. So, I'll be sharing the result with you.

So, I will start with a few very important milestones that we have crossed this year. So, we crossed around INR15,000 crores in AUM. Very importantly, on a consolidated basis, we also crossed INR500 crores in PBT, that is profit before tax, and also INR100 crores in profitability for the quarter on a consolidated basis. So, these were the important milestone which we achieved this quarter.

In terms of growth, if you see, the growth on a consolidated basis is around close to 19%, increasing profitability by 21% on an year-on-year basis for the whole year. And if you take for the quarter performance on a corresponding quarter, rise in profitability is by 25%. So, on standalone basis also, it reflects in the same way that it is around 19% growth in AUM, 20% growth in profitability for the whole year. And on a quarter-to-quarter basis, it is something like 23% increase in profitability while maintaining very strong quality of assets, too.

If you see the quality of assets in both of our companies, we have seen that in our parent, we have maintained the NNPA at a level which was earlier maintained at around 1.70% despite tremendous headwinds during the year. And in our housing finance company, we continue to maintain an excellent quality of assets at around 0.68% of net NPAs, while we carry additional buffers in both the companies.

Now to take you briefly on what we did on the asset side, liability, operations, tech and take you through very briefly. On the asset side, we continue to focus on MSME that contributes more than 70% of our business, and that includes MEL and SME business, that is micro-enterprise loans given to individuals and small- and medium-enterprise loans given to the bigger entities, and that constitutes around 70% of our business. And our focus will continue to remain on the same as we have been doing the same since last 30 years, while increase in the wheels business over a period of time will slightly add to the diversification of the assets going forward.

On the distribution side, we continue to have a very strong distribution across our more than 200 branches and 16,500 centers reach, and we'll continue to expand this year also. So, we continue to consolidate our distribution in both the channels, that is our direct channel through increasing our branches and increasing our centers reach and also through our partnership with NBFCs, which is now close to a 15 years old proven model.

And on the asset side, we continue to have the confidence to grow anywhere between 20% to 25%, given the positive macro situation because we always prioritize risk management and profitability over just the growth. And that all of you are aware since looking at our performance over all these 30 years.

On the liability side, we remain very strongly capitalized. We have 22.84% of capital adequacy with a very strong capital Tier 1 of around 21.5%, and that gives us a very strong balance sheet, and we'll continue to maintain the capital adequacy of around 20% going forward. So that will keep the balance sheet very strong.

On terms of debt raising, while Ankit will take you through in detail, we remain very confident, because of our immaculate track record for all the times, and currently, as I talked to you, we have a debt tie up almost for half the year for '26-'27. And we see no reason why we will not be in a position to tie up very soon for the whole year.

But the challenge will be mainly how to have a better rate of interest, and that we already started getting the momentum on that from Q4 onwards. So that is where we are going to focus on decreasing the rate of interest and improving on the diversification of liabilities also.

On the ops front, we continue to focus on tech. As I've shared that we have a tech which we have built and we work on build and operate model. We have close to 100 people working in tech, and we are gaining good traction in various products. So, the LOS has been successfully launched for all the products. And now we are in the process of launching BRE with the help of AI. And with sufficient data at our disposal, I think we'll be in a position to use that very effectively and that will help to be more efficient in terms of providing the customer services and also in terms of improving the efficiencies of our employees, and that will be complementary to them and at the same time, can in the medium to long-term, help in reduction in cost.

On HR front, we continue to pursue the dictum of failing and succeeding together, and that has kept us in good state, minimum or practically no attrition at the middle and the top level. And while we are now 4,800 strong team with close to 500 of them with us for more than 5 years, the focus is now how to increase the efficiencies and how to take this organization to the next level, along with taking the current employees also to the next level.

On the housing front, that company grew at around 23%. We would aspire to grow this anywhere between 30% to 35% given its lower base. So, we are at a striking distance away from INR1,000 crores. Ideally, we would have liked to touch INR1,000 crores by this year, but it may take a quarter more now. But the silver lining is a very strong profitability.

If you see the profitability for housing finance on a corresponding quarter basis has been 40.42%, on the whole year has been 35% with a very strong quality of assets at around 0.68% of net NPA. So, without compromising on all such parameters, we'll continue to see through that, that how we can take it to the next level of growth.

So, before I hand over to Darshana ben, let me share with you, and I'm happy to share that we'll be declaring -- a final dividend of INR0.75 per share, taking it to a total dividend of INR2 per share, that is 20% on the face value.

We continue to maintain the strategy of a 10% dividend payout. So, the total dividend payout for the whole year will be on a profit of around close to INR366 crores, will be around INR36 crores. And out of that, INR1.25 per share has already been declared and paid after December, and the final dividend subject to the shareholders' approval at a rate of INR0.75 per share will be done in due course of time. So, this is on declaration of dividend.

Going forward, once again, let me reiterate that as demonstrated over all these three decades, we continue to follow the strategy of a prudent growth, a profitable growth, and that too anywhere between 20% to 25%. And we are very hopeful, as I shared with all of you on the Investor Day conference on 16th February, that we are pursuing our vision of 2036 to be a INR1 lakh crores AUM.

So, the way we are going ahead it is really ambitious, but we don't think that we are far-fetched for team MAS. So, with support of all of you and with all of us being on the mission mode, we are very confident of achieving that in the medium to long-term.

With this, I'd like to hand over this to Darshana ben. She'll take you through the details of the numbers and then to Ankit. And then we'll be open for question and answer.

Darshana Pandya:

Thank you, sir. Good afternoon, everyone. So once again, I'm very happy to connect to all of you, and I'll take you through the key numbers, first on consolidated basis and then on standalone basis for both the companies.

So, if we look at the AUM, AUM stands at INR15,304 crores as compared to INR12,868 crores in last year, which is around 19% growth in AUM. And if we look at the quarterly PAT for the last quarter, it is INR104 crores as compared to INR83 crores, which is 25% growth in

PAT. And if you look at the annual PAT for the whole year, on consolidated basis, it is INR379 crores as compared to INR313.98 crores, which is 21% growth in PAT.

Now coming to the standalone number. If we look at the asset configuration, AUM grew by 18.71%. So there is a growth of around 20% in our micro-enterprise loan from INR4,793 crores to INR5,737 crores, growth of 15.78% in SME book from INR4,502 crores to INR5,213 crores.

Two-wheeler book grew by 35.43% from INR785 crores to INR1,063 crores. Commercial vehicle, there is a growth of 11% from INR979 crores to INR1,085 crores. And salaried personal loan, there is a growth of around 22% from INR1,040 crores to INR1,264 crores.

If we compare the quarter, our total income grew by 23.86%, from INR417 crores to INR516 crores. Profit before tax grew by 22.28%, from INR109 crores to INR133 crores. Profit after tax, there is a growth of 23.39%, from INR81 crores to around INR100 crores.

On an annual basis, our total income grew by 25% around, from INR1,520 crores to INR1,900 crores. PBT grew by 20%, from INR410 crores to INR493 crores. and PAT grew by 20%, from INR306 crores to INR367 crores.

About the quality of the portfolio, as sir shared that it remains stable and strong. 2.57% is gross stage 3 asset as compared to 2.56% in December '25. And net stage 3 asset is 1.70% as compared to 1.72% in December '25.

Regarding the numbers of our housing finance company, there is a growth in AUM of 22.41%, from INR768 crores to INR940 crores. PBT grew by around 46.53% on quarterly basis, from INR3.26 crores to INR4.78 crores. And PAT, there is a growth of around 40%, from INR2.64 crores to INR3.70 crores.

On a yearly basis, PBT grew by 39%, from INR12 crores to INR17 crores and PAT grew by 34.88%, from INR9.56 crores to INR12.90 crores. Here also, we could maintain the quality of the portfolio, so Gross Stage 3 asset is 0.98% as compared to 0.97% in December '25 and Net Stage 3 asset is 0.68% as compared to 0.67% in December '25.

So, this was about the key numbers. Now I'll request Ankit to take it forward.

Ankit Jain:

Thank you, ma'am. Good afternoon to all. On capital and liability management, the company, through its effective liability management, has maintained an average cash and cash equivalent balance of approximately INR1,000 crores and along with it unutilized cash credit facility of more than INR200 crores.

As on 31st March, the company also holds sanction facility of more than INR2,000 crores, comprising of term loan, NCD, direct assignment, co-lending, etcetera.

During the last quarter, the company executed direct assignment transaction amounting to INR940 crores, and further have sanctions of more than INR500 crores in the form of direct assignment co-lending, which we plan to utilize over the current quarter.

Our strategic goal remains same, to maintain 20% to 25% of assets under management as off-book. We have cash credit facility of approximately INR1500 crores spread over 14 banks, of which we maintain utilization level of around 70%-75%, keeping the remaining portion as liquidity buffer.

In terms of long-term borrowing, the company raised INR750 crores through term loan with an average maturity of 3 to 5 years. We also have sanctioned term loan pipeline of approximately INR1,300 crores. Additionally, INR100 crores were raised through NCDs during the quarter. We are strongly positioned in terms of structural liquidity. Our liquidity position remains adequate with positive cash flows across all cumulative time buckets.

Our capital adequacy ratio remains strong at 22.84% with Tier I capital at 21.50% and a debt equity ratio of 3.31x. The average cost of borrowing for the quarter stood at 9.39%, a 42 basis point reduction from the last year same quarter. I would like to highlight that this cost of borrowing is calculated on daily average balance and also include all costs incurred against borrowing and not just ROI.

We in medium-term plan to further diversify our resource mix by fresh fundraise through ECBs, foreign and development financial institutions, mutual funds, PMS, etc, at competitive cost. 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 Abhi Jain from AJ Capital.

Abhi Jain: Hi, Mr. Gandhi; hi, Mrs. Darshana. First of all, I would like to congratulate you on the credit quality improvement that I'm seeing across the market, right, your zero DPD, your 1 to 30, 31 to 60. If you just leave aside 91-120 DPD, you have done a phenomenal job over the last quarter. So clearly, what you were narrating last year, in the last quarter, right, that in the next 2 quarters, you will see all your credit quality issues and the NPA supplied in the microfinance book, that seems to be taking place. So, congratulations on that.

I'm also happy that this year around, in this quarter, your provisioning coverage has gone up. I can see, it is at 41.89%. Hopefully sometime in the future, you can be a leader in this category as well and you can take it up to 50, 55 spread like many other NBFCs too. That is my hope. And hopefully, you are on track on that.

Sir, my first question was generally in today's scenario of big data and AI, right, so a lot of information, a lot of data sets are available to all the lenders, to all financial institutions. I want to get some flavor and understanding from you as to how you are leveraging it for your risk-adjusted growth. Because if you see around you, right, the data is so easily accessible, forget about the institution, right, even to retailers, even to smaller customers and everyone.

So, I just want to understand the data age of MAS because I'm happy with your ambition of going up to INR1 lakh crore AUM in the next 10 years, but on a CAGR basis at 20% growth. If you look at some of the biggest players maybe, just Bajaj had a con-call yesterday, their ambition is to grow at 22% to 24% CAGR even at a INR5 lakh crore book.

So just can you help us understand as investors, how is data helping you or how are you leveraging data? Because that I think is a necessary ingredient for the financial growth in this country.

Kamlesh Gandhi:

Right. So as far as data is concerned, what I would like to share with you is that the usage of data for every company is unique to them. And the experience of that data, it's very important that what experience we had from that particular data and how we use it in risk management.

If I just give you an example that if you just take a generic approach that I have this much of data and then extrapolate it on various parameters, that is what happened to fintech in their earlier days where their losses were anywhere between 10% to 15%. So when we talk about using our data, it is more on our experience on the data that we already have with us. We would not just presume basis - just the credit score is good, so that means that the quality of the asset or the risk management has to be seen that way.

So what we do is that with the available data with us, back testing our risk models on those data, we take the decisions and that is how technology will help us in our risk assessment. And by using this technology, what helps us is that we get very consistent in assessment. So once we have put certain scoring models at place, there will be a lot of consistency in the way we assess the borrowers, so that will not only reduce debt, but that will bring about -- consistency in assessment also.

The use of data will progressively increase as we have more and more data points, which have been used and which have demonstrated certain characteristics for us. I'm not going to draw data only from all the sources and then judge the risk model or prepare the risk model. So, the risk models are prepared basis the data experience we have from time to time.

So as and when we have more and more data, this will progressively get improved. Just for example, we just started with LOS, then we have now business rule engines. Now these business rule engines, once they are around 6 or 9 months old now, we are shifting to AI-based risk management. So gradually we will be using technology the way we have the data at our disposal and the characteristics of the data that we examine from time to time.

Abhi Jain:

Secondly, sir, just staying on data and understanding data. I wanted to understand that do you also have an early warning system in place, which helps you with your risk management? And can you throw some flavor around that? I mean, is it more ad hoc?

Has it helped you in the past, in this MFI cycle, that you are seeing? Did your early warning signal help you to curtail your book or curtail your lending practices and that help you manage the risk? Because obviously, now we are at the end of the cycle, but I just want to understand

from a future readiness perspective, how is MAS differentiated from other financiers in terms of risk management? Your track record speaks for itself. I mean, there is no doubt about it. And we can see the credit quality. But just give us some flavor around what the early warning signals might be within the company, if you can?

Kamlesh Gandhi:

See, the most potent early warning system is your ears very close to the ground because when the early warning signal starts appearing on the data, that means the things have already started going bad for us. So, the biggest thing what we do is that have our ears very close to the ground, assess the ground level situation, talk to various borrowers.

I'll just give you an example that soon after the Middle East crisis kicked in, we talked to as many as more than 2,000 to 3,000 borrowers in our commercial vehicle segment, took the feedback from them that how they are affected and what they think they will be affected in the future, and taking the feedback from our feet on street, not just sitting in the conference room and understanding basis our wisdom. So, the first thing is that having ears very close to the ground.

Secondly, obviously, from the data that what are the non-starter cases, which are the early delinquent cases and what are the characteristics of all those type of cases. And since we have 100% banking-based or E-NACH based collection, the bouncing is also an early warning signal. So based on the bouncing and the data that we collect from the ground, we frame our credit screens from time to time and the risk management is done accordingly.

Abhi Jain:

And yes, I know that INR1 lakh crore AUM is the target adjusted growth, but I hope that the company ends up achieving a bit more ambitious target, a bit more ambitious. Congrats and best of luck for that.

Moderator:

The next question is from the line of Devam Modi from ARDEKO.

Devam Modi:

Congratulations on a consistent set of numbers. Firstly, I wanted to check that the greater than 1 DPD trend seems to be showing early signs of improvement and very sharp improvement in the 1 to 90 DPD, that is probably the best absolute level since March '24. So, could you share any flavor on this and what on-ground signs we are seeing that could play out going ahead?

Also, the West Asia crisis and the general inflationary trend that would be there because of higher crude and other input prices, would it affect the incremental lending environment? And would there be a possibility of some reversal of this trend of higher NPAs? Also how do we price this risk in an appropriate manner?

Kamlesh Gandhi:

So, as you rightly told that the quality of the asset has been very steadily improving. And all the steps that you take post any of the stress or so-called stress, it was not a stress as far as we were concerned, but the market was in stress. It takes time to show results. So that results are now showing off that since '24, what all steps were taken in order to extend credit where it is due or to tighten the credit screens, that was evident in the numbers this quarter.

And secondly, these are all dynamic situation. I hope that this crisis does not spiral out of control and the borrowers whom we are funding will be in a good financial position as they are right now. So that is what we presume. But if something goes out of their control, that can slightly reflect once again on the asset quality because there is something that is beyond our control, but we have already disbursed it.

But what keeps us in good stead on asset quality is being agile, as I answered to the earlier query is that we have our ears very close to the ground. And we say to that, that we act proactively rather than reacting to a situation. So as of now, as I talk to you, we think that this asset quality should be maintained, but keeping a close watch on the current situation where we all know that there is a potential inflationary trend setting in, and we need to see that how exactly that spans out for our borrowers.

But we are quite agile if to just give an example that we are quite agile in how we lend to the borrowers who are energy dependent, who are into logistics. So there, if you can see that our CV portfolio, we have cautiously been growing at a lesser pace. So, these are all the precautions that we have taken. And we would like to say to that, this quality trend which has set in, that continues.

Devam Modi: But on ground, basically because of whatever developments, you are not slowing down your growth rates as of now as yet in terms of the asset advances growth rates?

Kamlesh Gandhi: No, not now.

Devam Modi: And just one more question. What would be the further room of improvement on the current quarterly cost of borrowing of 9.39% annualized, which we have shown in this quarter? Is there further room of improvement there? And in how many quarters one can expect that to play out?

Kamlesh Gandhi: I think from 9.39%, we can see this going down to around, say, 9.20% to 9.25% over next 2-3 quarters.

Devam Modi: This is the incremental quarterly cost of borrowing?

Kamlesh Gandhi: Yes.

Devam Modi: And if we can squeeze in one more question. Basically, we have this cost of basically the origination of around INR36 crores, which has gone up unduly on a year-on-year basis. However, it does seem that it is a cost related to the other income that we have. So how do we see that? And this is one of those quarters wherein the other income is relatively lower at around INR20 crores, while base cost is around INR36 crores. So, any explanation of them? And how that is skewing our operating expenses per se?

Kamlesh Gandhi: So, there are two parts to it. On the fees and commission on the income side, it depends upon the disbursement in a particular product, that how we are doing a disbursement in a particular

product, that whether the portion of the interest is charged upfront as fees or commission or it has been built up in the interest yields.

If you see for this quarter, our yields have increased by almost 0.5%. So that is more of the marketing strategies that the company uses, that whether we are going to build up in the interest rates or we are going to charge as fees and commission. That was on the income side.

On the expenditure side, while it will correspondingly grow along with the growth in the asset side, the other component in that is that we have been sourcing business through fintech whereby for a better control on the transaction, we will be booking the complete interest in the book.

At the same time, whatever the interest difference has to be paid, that is being booked as commission to them. So around close to 10% of our business is from fintech. So, depending upon that business, the fees and commission is structured from time to time. So, these are the components.

But as far as the opex is concerned, what I would like to draw the attention is that, that since we are a multiproduct, multi-distribution company, the right way of looking at it is that whether we are in a position to maintain our ROAs or not.

So, the complete hierarchy works like this that we charge a yield and then we have to bear the cost of interest, then we get our NIMs. And from that, opex and the credit cost is being appropriated. So, in case where the fees and commission as an expenditure increases, our income also increases at the top, and that is what allows us to maintain the ROAs anywhere between 2.75% to 3%.

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

Ishank Gupta: So, my first question was, despite our direct sourcing still remaining at 64%, our sequential growth in the segment like SME has increased. Despite that, our average yields sequentially has moved higher by around 40 bps. So, what is the reason attributable to that?

Kamlesh Gandhi: Can you come again? I could not really understand your question. What are you trying to ask?

Ishank Gupta: Yes. My question was, our average yields on loans have increased around 40 bps sequentially, despite our direct business staying at around 64% and the least yielding product, that is SME, grew fastest sequentially. So, what was the reason for increase in yields sequentially?

Kamlesh Gandhi: So one of the reasons as I told that the yield also reflects our partnership with fintechs, plus the growth in the 2-wheeler business. Two-wheeler business, the yields are anywhere between 19% to 23%. So, if you see, the 2-wheeler business grew by 35% this year. So, these two combination helped us to increase the yield by 0.4%.

Ishank Gupta: Okay. My second question is regarding the higher credit cost observed during the quarter. So, was it due to the impact of West Asia conflict or some stress in certain pool accounts?

Kamlesh Gandhi: No, nothing like that. We as a forward-looking reason, we have this year little aggressively written off the 90 DPD assets. So ideally, we would close like 2.57%, we have written off more than 0.10% of the assets aggressively rather than showing higher profitability. So, in a sense, this is sort of a buffer write-off that we have done, while we are expecting recovery, but we have aggressively written off because we had that profit on the books to do that. So, we have utilized that profit. Rather than showing more profitability, we opted for more write-offs.

Ishank Gupta: And then last one, if I can squeeze in. In the Gujarat state, we have observed that there's a decline in number of branches by two. So, what would be the reason? Because Gujarat remains our core focus area. And how do we plan to grow our branch network in the upcoming 2 years?

Kamlesh Gandhi: So, this recalibration of branches across states is a very dynamic process, this happens, because we don't open branches just for the count of it. We need to see that how the branches are contributing and what is the potentiality. So, in order to see that the opex does not go absolutely out of hand, such decisions are taken from time to time where certain branches are merged or certain new branches are opened. So that reduction of two, what you see is because of that fact, and that's a very continuous process.

But if you see overall, this year, we did not increase much branches because we were in the process of sweating our existing branches. So, we believe in building up squares rather than just doing a linear expansion. We want our branches to sweat and to contribute to the profitability. And having done that in the last year, this year, we should see the increase in branches from anywhere from 30 to 35 branches this year across our area of operations.

Moderator: The next question is from the line of Meghna Luthra from InCred Equities.

Meghna Luthra: Sir, like you mentioned that 2-wheeler book and the fintech book was one of the two main reasons for the boost in yield. Sir, last quarter, 2-wheeler book grew at a higher pace on a sequential basis than this quarter. So, on a sequential basis, sir, what would be the reason for yield, I mean, movement?

Kamlesh Gandhi: So, yield, we being a multiproduct company and depending upon the opportunity and the products offered to the market from time to time, even within what I alluded to was that this might be the 2 major reasons. But even within SME, we operate various segments, right, from, say, tying up with likes of PhonePe to giving loans right up to INR5 crores. So depending upon the configuration of the business within the SME segment also, within the MEL segment also can also have the impact.

But the major impact can be because of the increase in our fintech business and the 2-wheeler business, and accompanied by the yield increase in our SME business, maybe because of the different type of products that we operate in. So that might have resulted into a slighter higher yield.

And in the last quarter, it might have been offset by certain type of products, which are low yield, taking the precisions over the products which have a lower yield. So, this calibration of various products happens over a period of time, and hence, the yields are range bound. So that is what we call it that we keep a range-bound yield anywhere between 16% to 17%.

Meghna Luthra: Got it. So, we could see this level of yield at a sustainable level for FY '27 as well, right?

Kamlesh Gandhi: Yes, so the range bound is anywhere between 16% to 17%.

Meghna Luthra: And another question would be on how do we see credit cost to pan out for FY '27 and '28? And the same thing for cost-to-asset or cost-to-income ratio?

Kamlesh Gandhi: Credit cost, I think we always painted that it will be anywhere between 1% to 1.25%, a few basis point here or there, because if we have the room, we believe in writing off aggressively within our NPA assets. This is one way we create buffers on the balance sheet. But ideally, on a statistical basis, it can be anywhere between 1% to 1.25% on our closing AUM.

On cost-to-NII ratio, I think, currently, we are at around 35%, a range bound between 35% to 37%. I would once again reiterate that should not be seen in isolation. It should be seen on the overall metrics that if the yields are higher, that opex can also be higher because those products are sold, which are having higher opex and higher yields. So at the end of the day, we would like to maintain that the ROAs after opex, credit cost appropriated from our NIMs, it will be anywhere between 2.75% to 3%.

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

Shreepal Doshi: Congrats on a good quarter. So, my first question was on the update on LOS and BRE. So, while we had rolled out that in the last quarter itself for all the products, I just wanted to understand how are the trends with respect to rejection rates, any other update are we able to sort of gauge in terms of any industry-facing issues?

Because we had highlighted earlier also that textile, FMCG along with agro-linked MSMEs were a few industries which had got impacted. So, anything that our BRE and tech initiatives also helping us in terms of picking up some more, let's say, ground level updates? And just update on the implementation of LOS and BRE.

Dhvanil Gandhi: So, LOS implementation, as you mentioned, has been done across the product. Now it is all about enhancements and adding the BRE across to all the products. So as mentioned in the opening remarks as well that 2-wheeler is one product where we have made good progress in terms of faster processing, faster disbursements, automated rule engines. So good progress has been made there.

On the MSME side, overall, I think those sectors that you mentioned, textile, agro stay cautious for us for this quarter as well. And additionally, in the last month, in February end and mid of March, we added petrol pumps, gas agencies, transporter profile, certain chemical-related industries also into caution profile. So as a cautionary mechanism, we added those

because we wanted to see that what effect does this Middle East supply of gas and all of those things have an impact on these sectors. So, we are a little bit cautious on that.

Other than that, things as normal. The approval rates have been decently maintaining a very steady percentage, wherein we are happy with those numbers, and we would want to see those numbers getting continued in the new financial year as well. So, post the Diwali and the GST cut, what exuberance that we were seeing, I think Q4 is also seasonally stronger. So, we saw good momentum of business.

Hopefully, after the election results and all, there are not very massive negative surprises on inflation and all. If that doesn't happen, then we see the good momentum going into new financial year as well. So, no new additions per se except for the ones I mentioned, on the caution on the negative list as of now.

Shreepal Doshi:

Just a bit on the approval rate. So post the implementation of this BRE, what is the kind of change that we have seen in terms of what the approval rates earlier versus now for, let's say, some of our key products such as MEL SME?

Dhvanil Gandhi:

So, what happens is that earlier, we had policy parameters, which would get verified by our credit managers manually. Now, that manual intervention of checking the credit parameters has been given to the system where system will run those algorithms and then give a score. And based on that score, risk pricing and approval or rejection will happen.

So currently, the first step is automizing the process, and second step is that how can the process automization also lead into us getting more insight, that how exactly the rules should be framed. So currently, we have not tinkered a lot in terms of rules framing. We have kept the rules more or less the way we used to do them earlier.

We still want to run this scorecard for another 1 or 2 quarters and then see the output coming out on the scores and then maybe run some statistical models on those and then come out with maybe newer policy parameters. So, this is a continuous exercise that we keep on doing. And we have successfully achieved the first step, and then we are working towards the next steps as well.

So, MEL is a little bit difficult to convert to absolutely score-based because of the physical assessment and requirement of physical visit and all. But at least in SME, where formal data is more reliably available, we are able to do this more effectively. So, MEL, I would say, is still more of manual in terms of underwriting and rules and all.

But we are exploring ways to automate that as well because we feel that optimization of credit resources, sales resources is required to get opex under control. So we are exploring MEL, maybe say, we can do more of automization through BRE, but SME is a very ripe product to do it.

- Shreepal Doshi:** second question was on the credit cost front. So, I suppose post the ECL review, the credit cost requirement has gone up. Incrementally, we should see the credit cost at closer to 1.5%-1.6%. Is that a fair assumption to move ahead?
- Kamlesh Gandhi:** See how you take the denominator, on the closing AUM, we should see that at around anywhere between 1.25% to 1.3% or something like that. But as I shared earlier that if we opt for some aggressive write-offs during the quarter profit permitting, so that should see us anywhere between 1.5%, as you told, but without disturbing much on our ultimate ROAs and ROEs.
- Moderator:** The next question is from the line of Aditya from Securities Investment Management.
- Aditya:** Sir, just wanted to understand what is the write-off policy which we have for our different loan segments? And in this quarter, the loans which we have written off, are these more pertaining to unsecured or secured loans?
- Kamlesh Gandhi:** The write-off policy is that we write off post 360 days. And this year, what we have written off, not off the cuff data I have, but it might be a combination of secured and unsecured loans.
- Kamlesh Gandhi:** More in unsecured.
- Aditya:** And this post 365 days, it is applicable for all product segments or it is different for different products?
- Kamlesh Gandhi:** No, it is applicable on all products.
- Aditya:** And sir, on recovery, so do you expect these loans to get recovered? And how do you account for recovery? So, is it accounted in the credit cost itself or it's part of other income?
- Ankit Jain:** So, what all amount is recovered from this account are written back. So, the figure which is in the P&L will be the net figure.
- Aditya:** Sir, next question was on net interest income growth. So, if I look at sequentially, your NII growth is around 11% as against our AUM growth of 4%. So, you mentioned some of the reasons were because of improved product mix and lowering of borrowing costs. But how big the assignment book plays a role in this? Because when I look at the amount, quantum of assignment incurred this quarter, it has almost doubled from last year. So just wanted to get a sense how big a role does assignment play in your higher NII growth? Because I believe there is some upfronting of income because of assignment.
- Kamlesh Gandhi:** I don't know whether you recollect, we were the ones who always advocated that we would not like to upfront but amortize the income. So, the other way around, in order to calibrate that, we do sufficient provisioning that it is very close to an amortized income only. So, we do not upfront income in order to improve the profitability or the NII growth.

So that is very, very close to an amortization levels only. And the reason for the NII rise, this quarter was because of the interest cost. If you see, the interest expense for Q3 and Q4 were same, almost same. If you see, the interest expense for Q3 was close to INR180 crores, INR181 crores, that remained -- right?

So in short, it remains same for both the quarter, 219 and 222 Crore. And that was because the incremental cost of borrowing is now 9.39%, what used to be around 9.75% to 9.8%. So this resulted in higher NII.

And secondly, this happened in this quarter because there was a lot of MCLR reset this quarter. Because we have an MCLR reset every year, so there was an MCLR reset this quarter and hence, this impact.

Aditya: And also going forward now, NII, so you are expected to get further benefit of 15_20 bps on your borrowing side. So, are we passing on this incremental rate benefits to our customers, or we are keeping the yields stable?

Kamlesh Gandhi: It all depends upon the market situation. As of now, the way we are operating, we are operating at a competitive rate. So, if this rate reduces more it will be a combination of both that we'll be keeping it something for ourselves and something might be passed on to the borrowers. But difficult to predict right now. It all depends upon the market situation going ahead.

Aditya: And sir, last question was on our CV book. So, we have been a little slow in growing our CV book, I think, for the last many quarters now. As against when I look at the industry growth, the CV industry is doing pretty well. So just wanted to get a better sense from you, what are you seeing in your segment which is restricting you to grow CV book?

Kamlesh Gandhi: That is all about the perception of the quality of the assets that will happen over the next few quarters, depending upon the current situation. So, we see that whenever there are any sort of abnormal situation which we are going through right now, the first casualty is the logistics and the transport.

So, looking at that, we internally, from the risk perspective, we understand that this book should grow at a slower pace for coming 1 or 2 quarters before we really pick up the pace in parallel to the overall growth of the AUM of the company. So, our perception right now is that we would like to wait and watch, and we would like to grow slower for coming 1 or 2 quarters.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. And with that concludes the question-and-answer session. I now hand the conference over to management for closing comments.

Kamlesh Gandhi: So, thank you, everyone, for sparing your valuable time and attending this analyst call. And as I shared in the beginning that we remain confident of growing steadily anywhere between 20% to 25% towards our mission, which we have set for ourselves for 10 years of reaching INR1 lakh crores AUM without compromising on the quality of the assets and profitability, and that



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we have demonstrated over the last three decades. So, thank you for joining, and look forward to be in touch. Thank you.

Moderator:

Thank you members of the management. On behalf of ICICI Securities that concludes this conference. Thank you all for joining with us today and you may now disconnect your lines. Thank you.