



# Baid Finserv Limited

(Formerly known as “Baid Leasing and Finance Co. Ltd.”)

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Ref No: BAIDFIN/2024-25/31

Date: June 07, 2024

To,

BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street  
Mumbai-400001 (Maharashtra)

National Stock Exchange of India Limited,  
Exchange Plaza, C-1 Block-G,  
Bandra Kurla Complex,  
Bandra (East), Mumbai  
Maharashtra-400051

Scrip Code: 511724

NSE Symbol: BAIDFIN

**Sub: Transcript of Earnings Conference Call for the Quarter and Year ended March 31, 2024**

Dear Sir / Ma'am,

Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and year ended March 31, 2024 conducted on Wednesday, June 05, 2024 for your information and records.

The above information is also available on the website of Company: [www.baidfinserv.com](http://www.baidfinserv.com)

This is for your information and record.

Thanking You,  
Yours faithfully

**FOR BAID FINSERV LIMITED**  
(Formerly known as Baid Leasing and Finance Co. Ltd.)

**SURBHI RAWAT**  
**COMPANY SECRETARY AND COMPLIANCE OFFICER**  
**MEMBERSHIP NUMBER: A49694**



Aapki Pragati Hamara Saath

“Baid Finserv Limited

Q4 FY '24 Earnings Conference Call”

June 05, 2024



**MANAGEMENT: MR. AMAN BAID – WHOLE-TIME DIRECTOR – BAID FINSERV LIMITED**

**MODERATOR: MS. PREETI BHARDWAJ – KIRIN ADVISORS PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Baid Finserv Limited Q4 FY '24 Earnings Conference Call hosted by Kirin Advisors Private 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

And I'll hand the conference over to Ms. Preeti Bhardwaj from Kirin Advisors. Thank you and over to you, ma'am.

**Preeti Bhardwaj:** Good afternoon. Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Baid Finserv Limited. From the management team, we have Mr. Aman Baid, Whole-Time Director. Now I hand over the call to Mr. Aman Baid, Whole-Time Director. Over to you, sir.

**Aman Baid:** Good afternoon, everyone. I warmly welcome each one of you to our first conference call for Baid Finserv Limited. Before we delve into the specifics of our performance of our Q4 FY '24 and Financial Year '24, let me give a brief overview about the company.

Baid Finserv Limited is a non-deposit taking NBFC that specializes in providing secured MSME loans, loan against property, vehicle loans, and insurance products. With over 30 years of experience based in Jaipur, we are now serving severe urban and rural areas in Rajasthan and we have expanded into Madhya Pradesh and Gujarat.

The company has a broad lender base of 17 active lenders, each providing valuable resources to support its financial endeavors. We have provided loans to over 50,000 customers, with the total number of active customers reaching close to about 7,000 in Financial Year 2024. Our vehicle loans cater to various transportation needs, including loan for tractors, commercial vehicles, and cars.

We also provide mortgage loans such as MSME loans and loan against property to support both business and personal financial requirements. Additionally, our insurance products cover life, dwelling, and motor insurance, ensuring comprehensive protection for our clients. In the quarter 4 of Financial Year '24, we have expanded by opening new branches in Jabalpur, Sagar, and Satna area in Madhya Pradesh and north geographies of Gujarat, to name a few locations, Deodhar, Modasa, etcetera, bringing the total number of branches to 45 and further increasing our penetration in the newer geographies.

Our network now comprises of 45 branch locations in semi-urban and rural areas across Rajasthan, Madhya Pradesh and Gujarat. Our disbursement reached to about – reached to INR179 crores in Financial Year '24. Our AUM surged to almost INR368 crores, making an impressive growth of 22.31% compared to the previous year. The substantial increase reflects our strong performance and the trust bestowed upon by our clients.

Additionally, our total borrowings escalated to INR242 crores, showcasing a notable 41% surge over the preceding year, in which we have added small finance banks and few commercial banks, increasing our share of lending from banks. We prioritize efficiency and

customer satisfaction by harnessing digital solutions such as NACH, BBPS and UPI to streamline payment processes with minimal manual interventions, achieving a NACH activation in under 48 hours with almost 80% of our EMI collection presentation through NACH as on date.

Our system ensures seamless transactions. We have a collect-on application that enables real-time collection receipts, empowering executives to manage customer data efficiently and generate prompt receipts via Bluetooth printers for a transparent payment experience. Furthermore, we've dedicated to technological advancements for streamlined operations.

Our Auto Swift app facility instant vehicle valuation is done, while upcoming IT plans to address IT issues and manage asset allocation centrally. We prioritize data security through centralized backups, password protection communications and real-time attendance systems, ensuring a robust infrastructure for efficient operations and enhanced security measures. In the financial year 2024, vehicle loans contributed to about 19.50% of the total lending and MSME and loan against property, that is mortgage loans, were 80.50% of the total AUM.

In financial year '24, the company showed strong financial growth, with total revenues reaching INR66.36 crores, up by 19.07%. The company's EBITDA increased by 30% to INR41.62 crores, with a notable EBITDA margin of 62.72%. Net profit rose to INR12.92 crores, making a significant 24.59% increase, resulting in a net profit margin of 19.47%. The earning per share stood at INR1.08, reflecting an 11.34% growth.

In Q4 2024, we recorded strong financial performance, with total income amounting to INR15.21 crores and we achieved an EBITDA of INR8.80 crores, resulting in an EBITDA margin of 57.88%. Way forward, we aim to achieve a 25% to 30% annual increase in AUM, with targets surpassing INR500 crores by financial year 2025 and we aim to reach INR600 crores loan book by FY '26.

By the end of financial year '25, we aspire to establish a total of 75 branches, enhancing our market presence and accessibility. Embracing technological advancements and intelligent risk management tools will be instrumental in optimizing our operations for greater efficiency and effectiveness. Furthermore, our commitment to innovation extends to introducing a new product portfolio, including electric vehicles and two-wheelers in the vehicle loan segment, to better serve our customers and drive continuous success in the evolving market landscape.

Looking forward, Baid Finserv is poised for continuous growth and expansion, with targets to increase AUM, expand branch network, and introduce new products. We are committed to leveraging technology and innovation to drive efficiently and meet evolving customer needs. We also plan to tie up with a couple of large lenders, large NBFCs or small finance banks, for micro-housing products to be added in this year.

Our focus remains on delivering value and sustained success in the dynamic financial landscape. With these brief remarks, now I request to open the floor for questions and answers. Thank you once again for your presence and continued support.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from Karthikeyan, an Individual Investor. Please go ahead.

**Karthikeyan:** Good afternoon, sirs. So the first question is, our net worth is around INR167 crores and our borrowing is around INR240 crores. So if you see, the leverage is around 1.4x. But we wanted to raise rights apart from, instead of increasing the leverage at least 2x, 3x, like the other competitors in the NBFC. So what is the idea behind going for a rights issue? So that is my question number one.

And second question is, what is the cost of borrowings now and what is the NIM that you guys are making? And what is the targeted cost of borrowings and targeted NIMs? And can you tell us more about the P&L of next year? How do you envisage it?

**Aman Baid:** Sure. Thank you for the question. So we have given intimation for the rights issue, but later we deferred this agenda. The proposal was placed for the Board of Directors, but the management along with the Independent Directors of the company were in the opinion to defer the proposal of issuance of rights issue at a later date and for consideration at an appropriate time.

Once it is approved from the board, we shall update on the stock exchanges as well. But for now, we have deferred the rights issue. Yes, the INR167 crores of net worth compared to a INR250 crores of borrowing is 1.4x while like you rightly said, the competition is at 2.5x, 3x of leverage. So we are also in a view now that once we have achieved this AUM to be around 500 mark, then that should be the right time. And as of now, our capital adequacy stands around 46% roughly.

Secondly, your second question was around the cost of borrowings and NIMs. So we have maintained a roughly 11.75 to 12% kind of a range in our average cost of borrowings. While we have added new lenders this year, majority of the borrowings that have been added in the previous financial year are from very large NBFCs or scheduled banks and small finance banks, which further gives us a broader base to borrow and the cost of borrowings should be around 25 basis points lower in the current financial year now in FY25.

NIMs are around 10.5 to 11% which have been stable and marginally improved. We see the same kind of NIMs going forward as well. Little bit improvement could be seen if we are able to add a good amount of two-wheeler loan, three-wheeler loan, vehicle loan and electric vehicles portfolio. That should give a better yield compared to a mortgage loan product.

**Karthikeyan:** How do you envisage the next year's profit growth, revenue, interest income growth to be?

**Aman Baid:** We are seeing around 20% to 25% growth in the coming year as well, both on the P&L and the income. So the major expansion that we have to do is already done. We have opened around 7 to 8 branches in last 4 to 5 months. So that expansion has been already done. This year, we will target to open 3 to 4 branches in the new state that we are targeting, mostly Maharashtra. And apart from that, I think should P&L and the total interest income should see around 20% to 25% growth.

**Karthikeyan:** Great. Great, sir. I have a few more questions. Should I wait a few or I'll...

**Aman Baid:** No, please go ahead.

**Karthikeyan:** Okay. Yes. And what about the NPA data of the companies? So what is the NPA of the company? Are we seeing a declining trend over the last year? And how do we see it next year?

**Aman Baid:** So there was a little bit of surge in the NPAs in times of COVID, especially in FY20 and 21 because of lockdown as well. But post that period, we have seen revival in our NPA accounts. We are seeing good collection from NPA accounts. With the help of legal and our hard collection team, we are solving these cases on a rapid pace now.

And we have about 2.6% NPA, gross NPA that we have reported this year with a very comfortable provisional coverage on that. And net NPA is 0.36%. So we have done a very conservative approach there and we don't see further slippages there. In fact, with the addition in the AUM, this number should come down by 25 to 30 basis points by end of this year.

**Karthikeyan:** Great. Great, sir. And as we see, we are expanding into different states now. But how does that, from a manpower perspective, what are the various changes that you have done? Have you done any key hirings? So what is the hiring strategy behind this? Because hiring is crucial, especially when you expand beyond your comfortable state. So your thoughts on that, sir.

**Aman Baid:** Right. So the thought behind expanding into newer geographies came from this thought that manpower hiring in the state of Rajasthan especially was getting tough. And we have seen a lot of NBFCs favoring Rajasthan and penetrating into smaller geographies in Rajasthan. And the demand of the employees and the customers have been haywire at a few times. But while we are expanding, there is very good feedback and approach from employees in the newer geographies. We are commanding good traction from employees from other successful companies in new geographies.

And yes, hiring is in process. We have hired a few key positions and they will be joining the company in about 40 to 45 days from now. So by June end, our key hiring will be done for the financial year. And teams below them will join in the next quarter. So yes, MP Madhya Pradesh that we started last year around this time, around May, we've been able to add about INR60 crores of AUM there with a stable team with almost nil attrition rate. And the teams that have come in are also from large A and AA rated large NBFCs.

So we feel that it will be comfortable going forward and further penetrating in Madhya Pradesh. Similarly, in Gujarat, we have opened four to five locations as of now. And the small team that is there has joined us in months between December and February. And one key hiring, we are almost closing for the state of Gujarat, which will give us comfort and broader employee base for the six branches that we have allocated this year.

**Karthikeyan:** Got it. And how do you see the performance in this new state that we are entering into? Is it better than Rajasthan?

**Aman Baid:** Yes, the portfolio is performing much better. The yield is a little bit lesser because as far as we are going from Jaipur, we are concentrating on a better profile of customers. And we are not targeting first time borrowers and new to credit customers there as of now. So that has given

an additional comfort to the portfolio. And we have close to 99% of collection efficiency and portfolio in the current and zero buckets in Madhya Pradesh and Gujarat as of March.

**Karthikeyan:** Great. And the GNPA number that we are reporting, it is 90-day number or 180-day number, sir?

**Aman Baid:** So this is a 150 cut off number. And as per RBI, we have a couple of more years to come down to 90 days and be at par with larger NBFCs and banks. So this year, we'll be going ahead and closing March '25 at 120 days and March '26 at 90 days.

**Karthikeyan:** March '26 at 90 days. Okay, great. Yes, that's it from my end, sir. Thank you.

**Aman Baid:** Thank you. Have a good day.

**Moderator:** Thank you. Next question is from the line of Anirudh Singh from Singh & Associates. Please go ahead. Anirudh, may I request you to unmute your line, please? Anirudh, if you can hear us, may I request you to unmute your line, please?

**Anirudh Singh:** So my first question is, what business risks do you foresee in the next few years?

**Aman Baid:** What? Sorry, I beg your pardon?

**Anirudh Singh:** So what business risks do you see in the next few years?

**Aman Baid:** Yes, hi, Anirudh. So business risk, as per my understanding, we don't see in the next couple of years because of the uptrend in the markets, market sentiments and favorable cash flow positions with our borrowers. One of the risks that we foresee is higher attrition in our employees, which is in the older geographies, not in the new geographies. The team has been stable for around 15 to 18 months with us in MP and now Gujarat.

But in the older geographies, there has been an uptrend of attrition. And this is similar all across NBFCs and especially small finance banks. I don't know what has happened in Rajasthan, to be honest. The high attrition here could possess a little bit of challenge in growing our AUMs and keeping all the branches active and steady and growing at 20%, 25% month-on-month.

**Anirudh Singh:** Okay. So if anything, political instability happens in the nearby, will it impact our company's growth?

**Aman Baid:** I mean, there could be a few challenges that it brings along with it, but business continuity won't be challenged. I don't see that challenge. And to be very honest, the confidence comes from our robust credit underwriting and our portfolio of MSME and secured loans being tested at various intervals like demonetization, COVID-1, COVID-2.

So we feel that even if there is a very big setback on the economy or external factors, we will be able to control it much better because we are well-placed compared to where we were prior to COVID or prior to demonetization.

- Anirudh Singh:** Okay. Thank you for answering my questions.
- Aman Baid:** Thank you.
- Moderator:** Thank you. Next question is from the line of Yashwanti from Kojin Investments. Please go ahead.
- Yashwanti:** Yes, thank you for the opportunity and congratulations for the good set of numbers. I just wanted to understand that are we looking to cross around INR100 crores of milestone in the revenue in FY'25 and INR100 crores of milestone in AUM as we are very near to -- we reported very good numbers in the top line and our AUM is also nearing 400. So what are your targets going forward for FY'25?
- Aman Baid:** Hi, Yashwanti. If I've heard your question right, you're saying INR100 crores of AUM growth...?
- Yashwanti:** Milestone in the revenue and INR500 crores of AUM.
- Aman Baid:** Sorry, can you please repeat your question?
- Yashwanti:** Yes, I'll just break it into two parts. I just want to understand, can we see FY'25 crossing milestone revenue of around INR100 crores?
- Aman Baid:** To be honest, INR100 crores looks tough, but total revenue should be around INR80 crores- INR85 crores at a conservative approach. AUM, yes, definitely we are targeting to add, to disburse around INR200 crores of fresh disbursement this year. And with the rundown every month that we have of principal via collections and closures, we should be adding around INR120-odd crores of fresh AUM to the existing. So we see ourselves around INR500 crores mark by end of this year.
- Yashwanti:** And my next question is regarding to your MSME segment, which contributes majorly to our revenues...
- Moderator:** I'm sorry to interrupt you. Can you speak a little bit louder, please? Your voice is not coming clear, ma'am.
- Yashwanti:** Yes. So I just wanted to understand more of your MSME business, which contributes majorly to your revenues. So I just wanted to understand out of your loan portfolio, I just wanted to know in rupees how much has been disbursed as an MSME loan.
- Aman Baid:** How much has been disbursed in the previous year, you're saying, in MSME, right?
- Yashwanti:** Yes, in rupees. Percentage around 70% plus, I believe.
- Aman Baid:** So in terms of our AUM, around 80% comes from mortgage loans, that is MSME and loan against property. And 20% roughly constitutes from the vehicle loans. In terms of disbursements, we have done about INR68 crores or INR69 crores, if I'm not wrong, this year



in the MSME lending -- sorry, INR68 crores-INR69 crores in the vehicle loans and about INR110 crores from MSME and LAP this year.

**Yashwanti:** Okay. Many banking and VFC are focusing on MSME loans, so just wanted to understand your position as your competitive advantage vis-à-vis your competitors. This is one. I just wanted to understand what is the rate of lending in MSME segment for you vis-à-vis your competitors?

**Aman Baid:** Yes, so the second part of the question first. We started about 16% and go to roughly 22%, 23% average yield on our portfolio comes to about 19.5%, 20% and competitive advantage that we see with us is having tested the portfolio and performance very minutely in a couple of Black Swan events that have happened recently number one.

Number two we in the management team have been working with the people at our ground with feet on street have visited a lot of customers, done their interaction PD, FIA on our own. So we understand what the customer is actually demanding and thirdly we have a lean hierarchy.

So our turnaround times are much faster than larger NBFCs and banks where if there are any deviations or waivers then the chain of command is such that it takes three to four days to actually respond and get to a conclusion wherein with us the hierarchy is not that huge as of now and we have made a proprietary internal scoring module also where all our MSME LAP borrowers are marked on various parameters.

And with the average score they are given the credit underwriting is done and final sanction is made. So the hierarchy is much smaller where the final signing authority can be reached in a couple of steps and not five to six or five to seven steps that typically other NBFCs and large banks have.

**Yashwanti:** And sir how has been the collection from the MSMEs are there any good collections happening or how is the NPA in the segment?

**Aman Baid:** Roughly NPA is 2.5%. Collection efficiency on the entire book comes to about 95% -- has been 95.5% last year and this has significantly improved in the last 3 years to 4 years. It has -- we have seen this collection efficiency close to 75%, 70% also in the lockdown period. So it is improving year-on-year and we see this to continue the momentum to grow and be at the same level or better itself compared to last year in the current financial year.

**Yashwanti:** So if I can take two more questions just wanted to understand that you have expanded your branch network F5 by FY24. So what were the capex you have earned to enhance this network or is it on a rental space or have you bought the spaces and what were the capex or the working opex for the same?

**Aman Baid:** So yes the expansion of newer geographies has happened this year, but to be very honest our branches are not very grand where we are splurging on the IT or infra of the branch. So typically INR2 lakh to INR3 lakh per branch is what the early cost is and then 3 months to 4 months of hiring and I mean till the branch becomes viable on its own and the team joins in

and there is a INR4 crores to INR5 crores AUM built on that branch. Until that it's not breakeven, but once in 4 months to 5 months the team is stable and we are able to achieve a INR3.5 crores INR4 crores kind of AUM from one branch then the branch is viable.

**Yashwanti:** Sir if you breakeven if possible within 6 months to 8 months?

**Aman Baid:** I am not able to hear you that well?

**Yashwanti:** I'm saying breakeven is possible within 6 months to 8 months?

**Aman Baid:** Yes definitely.

**Yashwanti:** Are there any plans to expand what are the number of branches you're planning for the current year?

**Aman Baid:** So we wish to reach 70 branches, 75 branches by end of next year and we'll add about 7 locations, 8 locations this year, but these will be mostly spoke locations very close by to the branches that we have already opened. As a state we wish to enter Maharashtra soon and we are looking at a few senior hiring from Maharashtra. Once we close that within a couple of months we'll be able to shut down on a few locations and open about 4 locations to 5 locations in Maharashtra in the current financial year.

**Yashwanti:** I am sorry, but can you just explain us like whom do you have an IT tie-up for all these banking operations?

**Aman Baid:** The IT tie-up you're saying?

**Yashwanti:** Yes.

**Aman Baid:** So we have finalized on a LOS, LMS software from Graviton. So all our team will be on a real time basis on the applications. We are providing our team with an application tool starting from lead inquiry generation to the final disbursement and apart from that Collect-ON is the app that we are currently using for our collections where all our collection executives have login IDs and rights on that.

And for the comfort of our rural customers they can print out Bluetooth printer generated receipts and issue those receipts at real-time. At our HO, we get that information on a real-time basis where we can track the cash collection and cash deposit in the bank within 10 to 15 seconds of the receipt being generated.

Apart from that just to add on collections bit we are live on BBPS. Our customers can go on and pay through any wallets. We are active on NACH. We are doing eNACH continuously now where customers about 80%, 85% of our customers on before the disbursement itself are registered on NACH. And apart from that all banking channels, UPIs, QR code, etc we have already are there with our customers which makes it easier and the dependence on cash collection is coming down drastically. So that also adds in operational efficiency.

**Yashwanti:** This is a very user-friendly model even for the customers?

- Aman Baid:** Yes.
- Yashwanti:** Thank you so much sir. I will join back in the queue. I wish you all the best.
- Aman Baid:** Thank you. Have a good day.
- Moderator:** Thank you. Next question is from Lana Saloni Sharma from Unity Small Finance Bank. Please go ahead.
- Saloni Sharma:** Good afternoon. So, the question is out of our loan portfolio what in rupees has been disbursed to MSME segment?
- Aman Baid:** On the current AUM you are asking?
- Saloni Sharma:** Yes.
- Aman Baid:** So roughly 80% of our AUM is the MSME and the LAP space. So roughly – and disbursements like I just mentioned about 110 crores of disbursements was done MSME LAP last year and about INR68 crores was done in vehicle loans.
- Saloni Sharma:** So my next question what is the rate interest of MSME and vehicle plan?
- Aman Baid:** We start at 16%, 16.5%.
- Moderator:** Sorry to interrupt you Saloni can you mute your line from your side please. Thank you. Sir go ahead.
- Aman Baid:** So, our interest rate starts from 16.5%, but typical yield on our portfolio is close to about 19.5%. We are also going up to 23%, 24%. It's all profile based. So, the interest rate range is 16.5%-23%, 24%, but average yield is 19.5%.
- Saloni Sharma:** Okay. Thank you sir.
- Moderator:** Thank you. Next question is from the line of Mahesh Sheth, Individual Investor. Please go ahead.
- Mahesh Sheth:** Hello, good afternoon sir. First of all, congratulations for this good set of numbers. I wanted to ask that what are our plans for expanding our branch network in next year? That is FY '25. And which specific locations are we targeting?
- Aman Baid:** So, we will be further penetrating deeper into spoke locations near the branches that we have already established. So, which will be north region of Gujarat, includes Mahesana, Palanpur, Himatnagar etc. And we have opened new locations in Madhya Pradesh that is near Jabalpur. So, Jabalpur, Sagar, Satna, Rewa, Katni, these areas is what we are targeting this year. We are also finalizing a couple of hirings for Maharashtra.
- Once it happens, then maybe next quarter, we plan to open 4-5 branches in Maharashtra. Apart from this, majorly around these branches, we'll be opening spokes locations with a small team

size and smaller targets for those branches, which comes at a lower cost as well. And further solidifying our presence in this geography.

**Mahesh Sheth:** Okay, so we are expecting the branches to be open in the next quarter, right, in Maharashtra?

**Aman Baid:** Yes, hopefully. If the hiring draft finalized next quarter, otherwise in the third quarter of this year.

**Mahesh Sheth:** Okay. And my next question is, are we looking to associate with more banks for more funding requirements to get a comparatively better rate?

**Aman Baid:** Yes, definitely, that's the plan. So, just to give a brief history about the borrowings, we started as a company, we started borrowing majorly in 2015, once we started doing MSME (LAP) and earlier, our average cost of fund was about 15.5%-16%, completely relying on NBFCs, mid-level and small NBFCs that we were lending from. That has completely changed in the last 5-6 years. Our major borrowing comes, today as on date, comes from banks, where the largest contributor is PSU Banks, SBI and Yugo Bank.

And apart from that, we have also added new lenders in the last couple of years, which are scheduled banks like IDFC, Federal Bank, ICICI Bank, ESAF Small Finance Bank, Capital Small Finance Bank. IndusInd Bank was our existing lender. So, we've added large banking and we are actually banking on scheduled banks for our fundraising in near future as well. I mean, the majority share would come from banks and large NBFCs, which will be at a lower rate.

**Mahesh Sheth:** Okay, sir. Thank you for answering my question.

**Moderator:** Thank you. Next question is from the line of Mansi Verma from Gajanan Capital. Please go ahead.

**Mansi Verma:** Hello, sir. The question of mine is, what opportunity Baid Finserv sees to expand its business in penetrated rising markets?

**Aman Baid:** There is a huge opportunity, I feel, after, you know... So, I'll tell you a very brief example. When we started doing MSME (LAP) in 2015-16, we opened few rural branches for mortgage loans. And we saw huge resistance from the customers where they would not mortgage their residential property and take a loan on it. But the dynamics of the market has completely changed. In last 7, 8 years, we have seen so many housing finance companies, NBFCs entering Rajasthan and states like Madhya Pradesh and penetrating into rural pockets, which has given us an immense scope to work with.

The markets are broadening month-on-month. And there are new set of borrowers with greater aspirations now even in the rural areas who are willing to mortgage their land and take a mortgage their residential premises and take a loan on it. And even like we are graduating from smaller NBFCs to banks for our cost of borrowing.

Even this customer base is graduating from local moneylenders to NBFCs and then to small finance banks. So, there is a journey that they also have within 5-6 years. This is the aspiration of rural borrowers that they will enter a formal borrowing structure with the NBFC at 22%, 23% and come down to 16%, 17% kind of a rate with a small finance bank or a large bank. So, the scope of market is huge. And with so much aspiration in the rural areas and young population in the rural areas, we don't see any challenge of not finding customers to lend to.

**Mansi Verma:** Okay. Thank you.

**Moderator:** Thank you. Next question is from one of Mansi Agarwal, Individual Investor. Please go ahead.

**Mansi Agarwal:** Hello. Hi sir, good afternoon. So, my question is, with the expansion of over 5 branches, what was the capex?

**Aman Baid:** Capex is not huge, like I just said. So, each of our branch within 6 months, 5-6 months is very given on its own. The basic infra that our branches are designed by are couple of lakhs is more than enough to get a branch ready. But the challenge comes to hire the team in that branch and get the business started. So, once we achieve a INR3-INR4 crores of AUM levels in a particular branch, then there is no problem and each branch is sustainable and breakeven on its own. So, this takes usually, it takes about 5-6 months. Once we open a branch and the team comes in and understand the policies and begin their disbursements.

**Mansi Agarwal:** Any future expansion plans, sir? Apart from these branches? Any future expansion plans apart from these branches?

**Aman Baid:** Yes, we will be opening spoke locations around the branches that we have already opened and we will be entering Maharashtra very soon. So, we plan to open 4 to 5 branches in Maharashtra by in next quarter if the team joins us on time. Otherwise, in Q3. By financial year 26, we wish to reach a branch strength of 75 locations.

**Mansi Agarwal:** And can you give a little bit idea about your working capital cycle?

**Aman Baid:** In terms of working capital, we have limits from large banks and, we maintain a 2 months to 3 months a liquidity on our hands. And most of the borrowings comes from in the form of term loan from large NBFCs and banks. Apart from that, we are also thinking of issuance of NCDs very soon. But as of now, it's completely through banks and NBFCs via the mode of term loans or small working capital limits from a couple of banks.

**Mansi Agarwal:** Okay, sir. Thank you. That is from my side. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Karthikeyan, an individual investor. Please go ahead.

**Karthikeyan:** Yes, thanks again for the opportunity. One more question. Our ROE has been relatively lower around 6% to 7%. So, what could be the reason for this? Is it due to the low leverage that we have or it's due to high opex cost, high employee cost? How do we see this going forward, sir?

- Aman Baid:** Hi, Karthikeyan. I think you answered the question on my part and it's definitely because of the low leverage. If you compare us to larger other NBFCs, generally, all the NBFCs are 2 to 2.5, 3x leveraged and have a capital adequacy of around 20%-25%. But we're sitting at 45%. As of now, we have enough headroom ahead of us for the next 2 years where we wouldn't be required to add any fresh capital. And with the similar NOF structure, we can go up to INR600 crores of AUM with a, INR400 crores, INR450 crores, a balking without any hesitation. So, once we achieve those numbers and this leverage improves, goes to 2, 2.5, 3 times, the ROE will get much better.
- Karthikeyan:** And the promoter holding is also quite low at 34%. So, what is your thought about it? Do you think?
- Aman Baid:** So, this goes long back. Since, the day of IPO in 1995, our promoter holding has been around the same mark. And there is no dilution planned or even in our mind-set to dilute further. And we would be maintaining this promoter holding for the next 3 years, 4 years at least. And on a regular basis also, there is no dilution plan or in our minds as well.
- Karthikeyan:** And so this is the crucial business for the families because you are there, others are there. So, could you spend some thoughts about that, sir? Is there any other family business?
- Aman Baid:** No, Karthikeyan. And this is our bread and butter actually. And four of us from the family are involved in the business. Right, from my grandfather, Shri Panna Lal ji, who is the MD of the company. The company was started by him. And we are the third generation from the family involved in the same business.
- And to be honest, we have a clear mind-set of carrying forward this legacy and make this a big success story, another big success story from Rajasthan. So, I'll just give a brief, given the opportunity, I'll just give a brief about the mind-set and the company also. Up till 2014, 2015, when we were doing only vehicle loans, our AUM was roughly INR30 crores, INR35 crores.
- And no borrowings from banks or large institutes. It's only after 2015, we have capitally increased our AUMs, grown about 10 times in less than 8 years and started borrowing, got ourselves rated from external credit rating agencies. So, the mind-set shift has happened post 2015, 2016. And we wish to grow at 20%, 25% decent pace year-on-year and see where it takes us.
- Karthikeyan:** Got it. I wish you all the best.
- Aman Baid:** Thank you, Karthikeyan.
- Moderator:** Thank you very much. As there are no further questions, I will now end the conference. Over to Ms. Preeti Bhardwaj for closing comments.
- Preeti Bhardwaj:** Thank you, everyone, for joining the conference call of Baid Finserv Limited. If you have any queries, you can write us at [research@kirinadvisors.com](mailto:research@kirinadvisors.com). Once again, thank you, everyone, for joining the conference call. Thank you, sir.

**Aman Baid:** Thank you so much. Have a good day.

**Moderator:** Thank you, sir. On behalf of Kirin Advisors Private Limited, that concludes this conference.  
Thank you for joining us and you may now disconnect your lines. Thank you.