



Baid Finserv Limited
Q1 FY '25 Earnings Conference Call
August 22, 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 Q1 FY25 Earnings Conference Call hosted by Kirin Advisors. 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 the star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Preeti Bharadwaj from Kirin Advisors. Thank you and over to you, ma'am.

Preeti Bharadwaj:

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:

Thanks, Preeti. Good afternoon, esteemed ladies and gentlemen. I extend a hearty welcome to each one of you who has joined us today for Baid Finserv Limited. Investor Call, where we will delve into the financial results of the first quarter of fiscal year 2025. Before we dive into the details of this quarter, let me offer a brief overview of our company and its business model.

Baid Finserv Limited is a non-deposit-taking NBFC based in Jaipur with over 30 years of industry experience. We specialize in secured MSME loans, loan against property, vehicle loans, and few insurance products. Our vehicle loan covers tractor loans, commercial vehicle loans, and personal car loans, while our mortgage loans support both businesses and personal financial needs.

We also offer comprehensive insurance products like dwelling, motor insurance, including life insurance of the borrowers, etc. Q1 FY25 Achievements. In the first quarter of financial year 2025, we are pleased to report several significant advancements that underscore our strategic vision and operational success.

One of the achievements is the expansion of our vehicle loan portfolio and include financing options for three-wheeler electric vehicles and three-wheeler loading vehicles. This strategic move aligns with our commitment to sustainable development and address the growing demand for eco-friendly transportation solutions. By incorporating electric vehicles into our offerings, we not only diversify our product portfolio but also position ourselves as a forward-thinking financial institution that responds to evolving market trends and customer needs.

Additionally, as a Whole-Time Director within the Promoter Group, I have acquired 2,12,500 equity shares at INR44,64,400. This acquisition is intended to enhance the Promoter's stake in the company.

Following this, the Promoter shareholding has increased from 34.8% to 34.98%. We currently serve semi-urban and rural areas in Rajasthan and are expanding into Madhya Pradesh and Gujarat. Our operational branch offices have grown from 45 to 52 this quarter with new additions in regions like Jodhpur, Pali, Osia, Balasar in Rajasthan, Agar and Devat in Madhya Pradesh, and Patan in the state of Gujarat. Financial performance in Q1 FY25, we reported a total income

of INR19.35 crores. Our EBITDA was INR11.32 crores with a strong margin of 58.49%. We achieved a profit after tax of INR3.12 crores with a PAT margin of 16.12%.

Vehicle loans accounted for 22.15% of the total assets under management, while MSME loans and mortgage loans contributed 77.85%. Future initiatives. Looking ahead, we aim to prioritize efficiency and customer satisfaction through digital solutions like eNACH, BBPS, UPI, ensuring seamless payment process with minimal manual intervention.

Our collect-on application will provide real-time collection receipts, enhancing transparency in payment transactions. We are committed to boosting operational efficiency and customer experience. Our initiatives include reducing loan processing times from three to seven days to just two days, utilizing the Auto Swift app for instant vehicle valuation, and launching an IT portal to centralize the IT management and streamline asset allocations.

We are also implementing strong data security measures, including centralized backups and real-time attendance systems, etc., for our team. Our strategic focus is on achieving a revenue distribution of 75% from MSME loans and 25% from vehicle loans in this financial year supported improved operational efficiency and customer-centric services.

We target a 25% to 30% annual increase in AUM, aiming for close to INR500 crores by financial year 2025 and INR600 crores by FY26. By the end of FY25, we plan to open more branches and reach a number of 75 branches with new locations and incremental AUM contributions from Madhya Pradesh and Gujarat. This year, we are also planning to start a few locations in Maharashtra.

We also have a business partnership agreement with small finance banks to enhance our financial service capabilities. In terms of our expansion, our goal is to grow to 75 branches across four states by the end of this year and reach 100 branches by the end of next year, that is March 2026. Our diversified portfolio includes car loans, tractor loans, commercial vehicle loans, passenger vehicle loans, three-wheeler electric vehicle loans, and loan against property MSME loans, all designed to meet the varied needs of clientele and support our growth objectives.

In summary, the company is well-positioned for ongoing growth and expansion by harnessing technology and innovation. We are enhancing efficiency and adapting to changing customer demands. Baid Finserv remains dedicated to providing value and achieving long-term success in the ever-evolving financial sector.

With these remarks, I now invite questions from the audience. Thank you for your presence and continued support.

Moderator: Thank you very much. The first question is from the line of Riya Rao from Insight. Please go ahead.

Riya Rao: Good afternoon, wanted to know with QIP, what will the promoter stake?

Aman Baid: Sorry can you repeat the question please?

- Riya Rao:** QIP, what would be the promoter stake?
- Aman Baid:** In the QIP?
- Riya Rao:** Yes.
- Aman Baid:** The promoters holding it 34.98% as on date. And there is no QIP that is planned as of now.
- Riya Rao:** Okay, and from when we can see contribution from solar to our revenues and profitability?
- Aman Baid:** We are not adding solar loans as of now, but electric vehicles we have already added. We are focusing on three-wheelers electric vehicles and two-wheelers is what we are planning next. Solar loans maybe next year we will target. Although the company has engaged with some brokers and some ECPs to understand what the solar loan process is, looking at the demand in the rural sector and promotion of rooftop solar panels by the government as well. And the government has added a few incentives for the retail customers as well. So, we are engaging with a few stakeholders about it, but not in the current financial year.
- Moderator:** The next question is from the line of Diwakar Rana from Prudent Equity. Please go ahead.
- Diwakar Rana:** Sir, in the last 10 quarters, we have seen a lot of volatility on the operating profit front. So, why is this volatility there, basically? I'm asking this question because from the last year, our order group has grown by almost 20%. But we are doing operating profit in the range of only INR8 crores to INR10 crores in the last basically 10 quarters. What is the reason behind this volatility?
- Aman Baid:** So, the profitability of the company is increasing. Just this quarter, if you compare it with the first quarter of last financial year, there is a dip of about INR2 crores. And that amount is because last year in the first quarter, we had received recovered around INR2.1 crores of bad debts. So, that is the major reason. Otherwise, the operational profitability and the total top line also is in an increasing trend.
- Diwakar Rana:** Yes, but margins are basically really volatile. Sometimes we do 64, 70, and then we do 57?
- Aman Baid:** So, this top line is directly proportional to the AUM. And with the increase in the target of getting a better customer on board, we are reducing our yield by around 1%, 1.5% expected in this financial year. And there are a few quarters where looking at the liquidity of the company, we have to at least maintain two to three quarters of liquidity. And in some quarters, the cost of that adequate liquidity maintained in the FDs in the form of FDs or negative carry because of that is sometimes higher.
- Diwakar Rana:** And sir, we are, are you not focusing on the housing and LAP? Because the LAP is kind of flat on the last three years, only the vehicle loan is growing. So, what is your basic outlook on the housing front?
- Aman Baid:** So, we are not doing housing loans. We are doing Loan Against Property. And although the LAP book, because it's a old book now, which is tenured and, we started LAP doing LAP in 2015-16. And most of the loans thereby are getting foreclosed or pre-closed and settled now. So, even if, we are doing incremental disbursements every month, every quarter, the overall impact on the

AUM is not as high as vehicle loans. Vehicle loans, if you see, we had a small base of about INR20 crores-INR25 crores of AUM last to last year.

And that has grown to about INR80 crores-INR85 crores now, which has seen a jump of over 2.5x, 3x. So, because the base was higher in the MSME LAP, and with a lot of HFCs and larger NBFCs, small finance banks focusing on this sector, on the MSME LAP secured loan sector, we see a lot of foreclosures and pre-closures, settlements, etcetera from our customers.

So, in today's number, if I say, every month we are doing almost equal disbursements of MSME and vehicle, but the MSME loans are not adding to the AUM because of closures from the customer side.

Diwakar Rana: Okay. And sir, can you give me the basically segment-wise NPA in both housing and vehicle?

Aman Baid: So, vehicle is a very new book relatively. So, we have almost grown, like I said, 2.5x, 3x in the last couple of years, in the last four, five quarters. So, the NPA and delinquency has, on the overall new book of the vehicle loans, is quite low now. It's approximately, the NPA, if I say, it is about 2.1%-2.2%, and MSME LAP is close to about 2.8%.

Diwakar Rana: Okay. And sir, I have two more questions. First is, in our shareholding patterns, there are many corporates. So, my question is, are these companies anyway related to the promoter group?

Aman Baid: No, they are unrelated private limited companies.

Diwakar Rana: Okay. And the last one, sir, basically, in the last one, you said that, you know, you are projecting 25% growth in the revenue this year. So, are you maintaining that guidance?

Aman Baid: Yes, for sure. We are aiming to reach about INR75 crores to INR78 crores of revenue by end of this year.

Diwakar Rana: Okay. So, that means you have to do around INR21 crores per quarter in the remaining three quarters. So, are you confident to achieve that?

Aman Baid: In quarter three and four, with the new expansion and new branches that we have added this year, those will also contribute to the top line, and we'll be able to reach our targets this year.

Moderator: The next question is from the line of Vinod Gupta, an individual investor.

Vinod Gupta: So, sir, my question is, rural and semi-urban organized market is huge. So what are your strategies to divert market from an unorganized market?

Aman Baid: So, sir, our focus will be on the rural Tier 3, Tier 4 locations in the near future, because that is where the demand and the gaps are to fulfill for us. Anyway, in the larger cities and Tier 1 or 2 cities, there are a lot of banks and public sector banks or private banks, large NBFCs, which are already present. And it is tough for us to compete there because of the cost of borrowing and the NIMs that we maintain. But actual growth and actual demand for us and our products lies in the rural areas. And we are going to harness that in the future as well.

With our strategic expansion planned in Maharashtra and further penetration in Gujarat and Madhya Pradesh, the states that we started in last financial year, we are doing pretty well there. And this year, there are more number of branches that we have planned and they are coming up in these two states, which will add to our focus and add to our AUM from the rural areas. So, for instance, we are mostly targeting Nagar Palika and Tehsil level locations. In some new areas, district levels to start first, but most of the concentration is in Tehsil and Nagar Palika level villages.

Vinod Gupta:

Okay, sir. And my another question is, who would be your key competitor in MSME loan segment?

Aman Baid:

So, to be very honest with you, this sector has become very competitive in last two, three years. And there are larger players plus local Rajasthan NBFCs who are competing against us for the same pie, you can say. And to name a few, SK Finance, Lakshmi India, Kokta, even small finance banks like AU, Jeevan Utkarsh, IDFC, almost all of them are competing for the same MSME mortgage loan customer.

Vinod Gupta:

So, another question is, last one, what opportunity Baid Finserv has to expand the business and penetrate the rising market?

Aman Baid:

Sir, I'll be very honest with you and give you my experience of last 10 years. When we started doing MSME LAP in 2015-'16 and we went out to rural locations, the people were hesitant to mortgage their residential premises, their houses and take a loan from NBFC. But that trend has completely changed in last few years.

And I would credit lot of NBFCs and HFCs which have come into Rajasthan and states like MP, Rajasthan, where mortgage loans wasn't that big a pie in the previous decade. But now because of so many companies coming in and educating the customer, the customers are feeling safe to mortgage their house with NBFC, which was earlier only with their comfort with only was banks.

Plus, the scope has also widened because the customers think that -- the rural customers think that the way forward for them to decrease their cost of borrowing is getting into a formal structure, NBFC first, then graduating to a small finance bank and finally reaching a scheduled commercial bank and not rely on local moneylenders.

So with that thought and so much of customer education through NBFCs, banks, RBI, the scope of the market is widening. And you will find a lot of new entrants, NBFCs catering to these rural locations where the scope is immense and customers were hesitant, but now they are becoming our first-time borrowers, first-time mortgage borrowers, and increasing our AUMs.

Vinod Gupta:

Sir, my last question is, what is your competitive strength?

Aman Baid:

I think I had mentioned this earlier also, and I will repeat it again. Our competitive strength is that we as promoters, we have spent a lot of time at the ground level, working with our customers, working with our teams, getting their feedback, and implementing the changes. So

initially, all the loans in a new area are directly underwritten by the top management. And the market presence and market knowledge is very sound with us.

So I think that is our competitive advantage, that we understand the customer and the teams. And through our policies, we are reducing our turnaround times. Our hierarchy is very lean. It's not a very complicated hierarchy. And the decision-making for any loans, their underwriting, their sanctions, can be done in a very quick and swift manner.

Moderator: The next question is from the line of Jairaj Jain from PSV Capital.

Jairaj Jain: My first question is like, in revenue performance, Q1 FY '25 was not very pleasing. So what is your outlook for the rest of the year?

Aman Baid: Sir, like I already answered this, we are targeting a revenue of INR75 crores to INR78 crores by the end of this year. And the gap in Q1 was because practically, the months of April and May are very slow in terms of both disbursement collections. And June, July onwards, it starts picking up. So after this monsoons, through the income agriculture produced demand in the rural sectors and cash flows coming in, in the rural segment, we see quarter 2 to be much better than quarter 1. And also next quarter 3 will be the festive season. So there will be additional business done in these two quarters.

Jairaj Jain: Okay. Thank you for answering my questions. Thank you.

Moderator: The next question is from the line of Aditi Roy, an Individual Investor. Please go ahead.

Aditi Roy: Congratulations, sir. And thank you for giving me opportunity. My question is what are your competitive advantages?

Aman Baid: Aditi, I just mentioned those. And I think on ground knowledge keeping up with the relevance in the market, understanding what our customer and the teams at the ground level require from us, the policies that we make around that. Secondly, reducing the turnaround time, approving the loans and underwriting the loans in a quick and a swift manner by keeping a very lean hierarchy and reducing the turnaround times.

So, for instance, a vehicle loan with us, if the case is logged in with proper documentation, we are able to sanction the case within one or two days and two to three days we are able to disburse those cases as well, wherein other banks are taking much longer to give a soft sanction to these customers.

Aditi Roy: Okay, sir. And my next question is, what business risk do you foresee?

Aman Baid: Sorry, can you please repeat the question?

Aditi Roy: What business risk do you foresee?

Aman Baid: Business risk is what I understood you're asking. Am I right? Is that your question what is the business risk that we see?

- Aditi Roy:** Yes.
- Aman Baid:** So, I think the increase in competition and thereby the attrition rate going up in the financial sector is one of the risks that we see. And the cost of retaining the same manpower or replacing the manpower that is the biggest risk that we see in next couple of quarters and maybe next year because I was reading some articles and I've also seen HDFC banks and larger banks also reporting an attrition of in excess of 40%, 45%, and especially in the young age employees band. So, that is the biggest risk that we see in coming future.
- Aditi Roy:** Okay, sir. And my next question is, is political instability to impact our growth?
- Aman Baid:** Political instability, yes, is a major factor in the rural areas, but the states that we have chosen Gujarat, MP and Rajasthan are quite politically stable. Unlike, RBI intervention in Telangana, West Bengal, Assam for the Assam bill and microfinance bill. Because we are away from microfinance sector I think we are one step better placed and the states that we are working in has political governments at least what we have seen in the history. And that adds to the business stability as well. Microfinance sector is more risk prone to the government policies and government instability or political instability.
- Aditi Roy:** Okay, sir. Thank you, sir for answering me. Congratulations once again.
- Aman Baid:** Thank you so much.
- Moderator:** The next question is from the line of Jairaj Jain from PSV Capital. Please go ahead.
- Jairaj Jain:** Thank you for taking me into the queue again. So like my question is like, what is our borrowing rate, can you answer it?
- Aman Baid:** So our average cost of borrowing is close to 12%, 11% to 8% to 12% comprising of loans from banks like SBI, ECO bank which are public sectors. There are about five private sector banks and eight, nine NBFCs. In total, we have around 17 lenders as on date and the average cost of borrowing is sub 12. With the discussions happening in the monetary policy front on the rate cut, maybe this quarter or next quarter, we see this going down by 10 to 20 basis points if the rates are cut down by RBI for the banks. So that onward, I mean, that that rate cut advantage would be passed on to us also.
- Jairaj Jain:** Okay and like what will be a rate of interest for MSME and vehicle loans in upcoming years?
- Aman Baid:** We are maintaining an average yield of about 20% to 21% in both the products, but with the competition coming in, I think we are going to keep the same for vehicle loans and increasing the presence in electric vehicles would help us in maintaining our yield in the vehicle loan, but MSME loan -- MSME and mortgage loans this yield is going to come down because of the competitive pressure by around 1%, 1.5%. We have seen that decrease in the last two years as well and we anticipate that decrease in next two years as well.
- Jairaj Jain:** Okay. Thank you.
- Aman Baid:** Thank you so much.

- Moderator:** Thank you. The next question is from the line of Mahesh, an Individual Investor. Please go ahead.
- Mahesh:** Yes, thank you for the opportunity, sir. So my first question is what is our net NPA?
- Aman Baid:** Net NPA is 0.37% approximately or to be precise I think it is 0.37% this quarter. Gross NPA is 2.7% approximately. We have a very high provision coverage of about 75%-80%, which adds to the comfort and we have done this provisioning on a very conservative basis. So we do not anticipate any further slippages apart from this provisioning that we have done.
- Mahesh:** Okay, sir. And what was the capex spend in Q1 FY '25?
- Aman Baid:** Sorry, I did not get your question.
- Mahesh:** I was asking, what is -- what was our capex spend in Q1 FY '25?
- Aman Baid:** Capital expenditure?
- Mahesh:** Yes, capital expenditure.
- Aman Baid:** I will have to check that. I am not sure about that. But overall, the capital expenditure is very low for us as the branches that we are opening also are not that costly for us. And within three to five months, we are able to recover our investment cost in these branches with a business volume of about close to INR40 lakhs to INR50 lakhs monthly. It takes usually three to five months for us to recover and be break-even on our branch level wise. And typically, we are spending about two to INR2 lakhs to IN2.5 lakhs on the basic infrastructure of a particular branch. So that is negligible on the overall cost of the company.
- Mahesh:** Okay. So you said that it takes around three to five months to recover that cost, right?
- Aman Baid:** Yes. So basically, INR2 lakhs is the investment per branch on the infrastructure, furniture, fixture, IT, expenditure, etc. And it takes three months for a new branch to be stable in its business.
- So those three to four months of staff salary or CTC is basically added to this cost. And from the fourth month onwards, once the team is stable and we are getting about INR40 lakhs to INR50 lakhs of fresh disbursements from a particular branch then fourth or fifth month onwards from the fee income that we receive from these new disbursements, we are able to maintain our variable cost for the branch the CTC and the variable costs.
- Mahesh:** Okay. That was nice to have an elaborated answer. And also, can you explain some plans for FY '25 and FY '26 regarding the capital expenditures?
- Aman Baid:** So the additional capital expenditure, mostly on the IT front is going to be close to INR20 lakhs to INR25 lakhs this year and about INR20 lakhs to INR25 lakhs next year. That is on the company level because we are getting a new LOS, LMS and mobile app complete MIS software we are changing this year. So that is going to be the cost in this year and next year on the IT.

And except for that, like I said, close to INR2 lakhs to INR3 lakhs per branch that we open now. So to be precise around 50 branches are to be opened in next couple of years. So close to about INR1 crores -INR1.5 crores will be spent there.

Mahesh: Okay, so around 50 branches in next couple of years.

Aman Baid: Yes, we have identified locations and we are going to open these rural locations, rural branches and will map it to a large city branch around that. So we have already, we are in the process of identifying these locations and finalizing these locations and we are going to add these spoke locations in next two years.

Mahesh: Okay, Got it. And my next question is, how do you see the overall demand for secured MSME and vehicle loans in current economic environment?

Aman Baid: With the looks of it and the reports published around the demand of the rural sector, I think it's going to flourish for next two years, if not more. And we've seen a great jump in the demand in the rural sector since 2021 since the pandemic ended. So we foresee next couple of years to be solid in terms of new demand, disbursements and collections as well.

Mahesh: Okay, and my next question is regarding customer acquisition and service cost. So how has been the integration of digital channels impacting our customer acquisition and service cost?

Aman Baid: So like I said, we are going to implement a complete new LOS, which will include a mobile app for the customer, for our team, etc. That will reduce our customer acquisition cost. As on date, we are almost able to recover the customer acquisition cost through the processing fees and login fees that we charge the customer. For the, I mean, so our login to disbursement ratio is close to 60%. For instance, if we log in 100 customers a month, we are able to finally disburse and close that customer that ratio is about 60%. So on 100 login, we are doing about 60 disbursements.

That 40% customers that we log in process the entire underwriting process, credit process and finally customer either don't take loan from us or we deny the customer based on his factors like his income stability, bureau score, credit history, etc. So that is the additional cost that we are incurring, which is close to around 0.5% to 1% more on the fee income that we are charging.

Mahesh: Okay, that's nice to have a conversation with you, sir. Thank you for answering my question. Thank you so much.

Moderator: The next question is from the line of Ananya Swaminathan from C-Square. Please go ahead.

Ananya Swaminathan: Hi Sir, thanks for the opportunity. I want to understand the rationale behind product diversification into EV financing and how do you foresee its growth?

Aman Baid: So this year, we have started doing three-wheeler EV loans, which includes loading and passenger both. We see an incremental yield there in that product. So I think 23% to 24% is what we are going to get out of that product average yield on that product. How much is going to add to the AUM? I think close to INR15 crores is what we are targeting this year. So INR2 crores to

INR2.5 crores per month is what we are targeting. Plus, next year, I think it should add about INR30 crores to INR35 crores to our AUM. So that is what we are projecting for the EV loans.

Ananya Swaminathan:

Okay, for particularly EV, right?

Aman Baid:

Yes.

Ananya Swaminathan:

Okay. And what were the key growth drivers in last quarter and do you expect to continue the trend?

Aman Baid:

So last quarter on the whole was sublime and next quarters, next couple of quarters the current quarter and next festive quarter is where we are seeing higher numbers of disbursements, volume and collections as well, revenue as well. So generally, April, May, June months because of excessive heat and released pressure from March end of the financial year is typically on the lower side. And I think that is all across the industry. And next couple of quarters is what we are foreseeing to be much better than Q1.

Ananya Swaminathan:

And any plans for geographical expansion?

Aman Baid:

Yes. So we are adding more branches and further penetrating into Gujarat and Madhya Pradesh. Some untapped territories of Rajasthan were left and we have opened four branches near Jodhpur location. So this is the current plan. And by end of this year, we aim to be present in Maharashtra with, if not many, with at least couple of branches just to kick start operations and be present for the next financial year and leverage the presence.

Ananya Swaminathan:

Okay. Could you provide insights on the future growth after opening, like after expanding?

Aman Baid:

So the new states this year will add about INR100 crores of AUM and this number, sorry, total AUM will be at INR100 crores from the new states and next year they will add INR100 crores. So by end of financial year FY '26, we are aiming for about INR200 crores of AUM from MP Gujarat and Maharashtra. So this is the growth plan from new states. In terms of our AUM, we wish to close at around INR500 crores this year and INR600 crores plus by FY '26.

Ananya Swaminathan:

Okay. Great. So that was helpful. Thank you. That's it from my side.

Aman Baid:

Thank you so much.

Moderator:

The next question is from the line of Yash Rane, an Individual Investor. Please go ahead.

Yash Rane:

So my question was, can you break down the key contributors to revenue growth this quarter or year? And how sustainable are these growth drivers?

Aman Baid:

So roughly 80% revenue comes from the MSME lap, about 20% comes from the vehicle loans and some additional income in the form of fee. So broadly product wise, if you see about 80% from vehicle -- 80% from lap and 20% from vehicle. And if you break that down in terms of interest income and other income, then close to 85%, 87%, if I'm not wrong, would be from interest income and additional fee income plus some foreclosure charges, etc., would add to the balance.

And roughly 3% to 4% would be in the form of some inventory sold or repossessed stocks sold or some bad debts recovered from NPAs or return of cases.

Yash Rane: And I have another question. How are you managing the cost of funds and what are the strategies in a place to maintain or reduce current interest environment?

Aman Baid: So we are going to add a couple of banks in this quarter. We are actively talking to Bank of, sorry, Union Bank and Bank of Baroda. So these two banks we are going to add probably in the month of August and September -- by the end of August and September. So that will reduce our overall dependency on NBFC borrowings, which is at a higher cost.

Plus, apart from that, we are also adding HDFC Bank very soon. We are in talks with HDFC Bank for a new term loan proposal. They are yet to receive a confirmation from their side if they can go ahead and fund a small NBFC because earlier their policy was for INR500 crores plus AUM NBFC only. So we are talking to them. If that pans out, then these three large banks will add to our borrowing profile.

So we'll be able to get the cost down by 10 to 15 basis points on the overall cost. Plus, we are expecting at least one or two rate cuts by RBI in this financial year. So that will also add to reduction in our cost of borrowings because all the borrowing from banks mainly or NBFCs which are at floating rate, they will also pass on their benefit to us. So 10 to 15 basis points on the overall cost of borrowing is our target to reduce in this financial year.

Yash Rane: Okay, sir. Thank you. That's it from my side.

Moderator: The next question is from the line of Diwakar Rana from Prudent Equity. Please go ahead.

Diwakar Rana: Yes. Hi, sir. I have only one question remaining. So, sir, can you give me the segment-wise growth in FY '25 and FY '26, both in housing and vehicle?

Aman Baid: So vehicle loans, we are targeting to close this year by, I mean, March 2025. At between INR110 crores to INR120 crores of AUM. So that is, INR80 crores is approximately what we are today and about INR40 crores, INR45 crores will be added in the current financial year. In the mortgage loan, so our target is quite high and we have added new teams as well.

But like I mentioned already, the pressure on the pre-closures and, customers coming in and closing their accounts is quite high at this moment. So the kind of new disbursements adding to the AUM is quite low because of this closure that is happening. So this is happening on two accounts. One account on two, basically two sides.

One side is because a lot of our loan against property and MSME loans mortgage-based were to customers, who have taken loans from us during 2020, '21 pandemic time. And now because of the high Real Estate value, they are closing these accounts by selling the property, etc. And on the other hand, larger banks and small finance banks are increasingly penetrating into rural areas where most of them are not finding new customers.

They are relying on the existing customer base of NBFCs. And, by giving them, say, an enhancement or top-up loan, a longer tenure loan at a lower ROI, it's getting tough for small NBFCs like us to retain the customers. So on these two fronts, we are facing challenges. And hence, we are actively talking to a bank for, co-lending and BCE lines where these customers that we are losing out, we can, retain them on the balance sheet of the bank as we as the originator and them as the large-sized lender.

And at least, it will add to our AUM and help our revenue growth and retain these customers by offering them longer tenure loans, a higher top-up loan and a lower ROI loan. So this is what we are targeting. And we are -- so in short, I think INR120 crores vehicle loan AUM and close to about INR360 crores, INR370 crores of AUM by the end of this year in the MSME lab space.

Diwakar Rana:

Okay, sir. That was helpful. Thank you.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would like to hand the conference over to Ms. Preeti Bhardwaj for their 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@kirinadvisor.com. Once again, thank you, everyone, for joining the conference call. Thank you.

Moderator:

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