



*The Power of Distribution*

26<sup>TH</sup> ANNUAL REPORT

**2020-21**

**1995**

**2021**

***EVERY TIME WE REACH  
A MILESTONE,  
WE BELIEVE  
WE HAVE  
JUST BEGUN...***



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Visit Company's official website to download the Annual Report.



**WHEN FACED WITH THE  
CURRENT CHALLENGES,  
WE BELIEVE "THIS TOO  
SHALL PASS."**

**DURING THESE DIFFICULT  
TIMES THAT TEST THE  
METTLE OF MEN AND  
ENTERPRISES, WE HAVE  
FALLEN BACK ON OUR  
CORE MISSION AND  
VALUES TO SEE US  
THROUGH.**

**WE RECALLED OUR  
VISION THAT "WE  
HAVE MILES TO GO &  
PROMISES TO KEEP..."AND  
"TOGETHER WE CAN AND  
WE WILL."**

When times got tough, we summoned  
the strength of our experience over  
the past 25 years.

We moved forward with

**RESILIENCE.**

Revisited our strategy to

**REFOCUS.**

Revived our spirit and

**REENERGISED.**

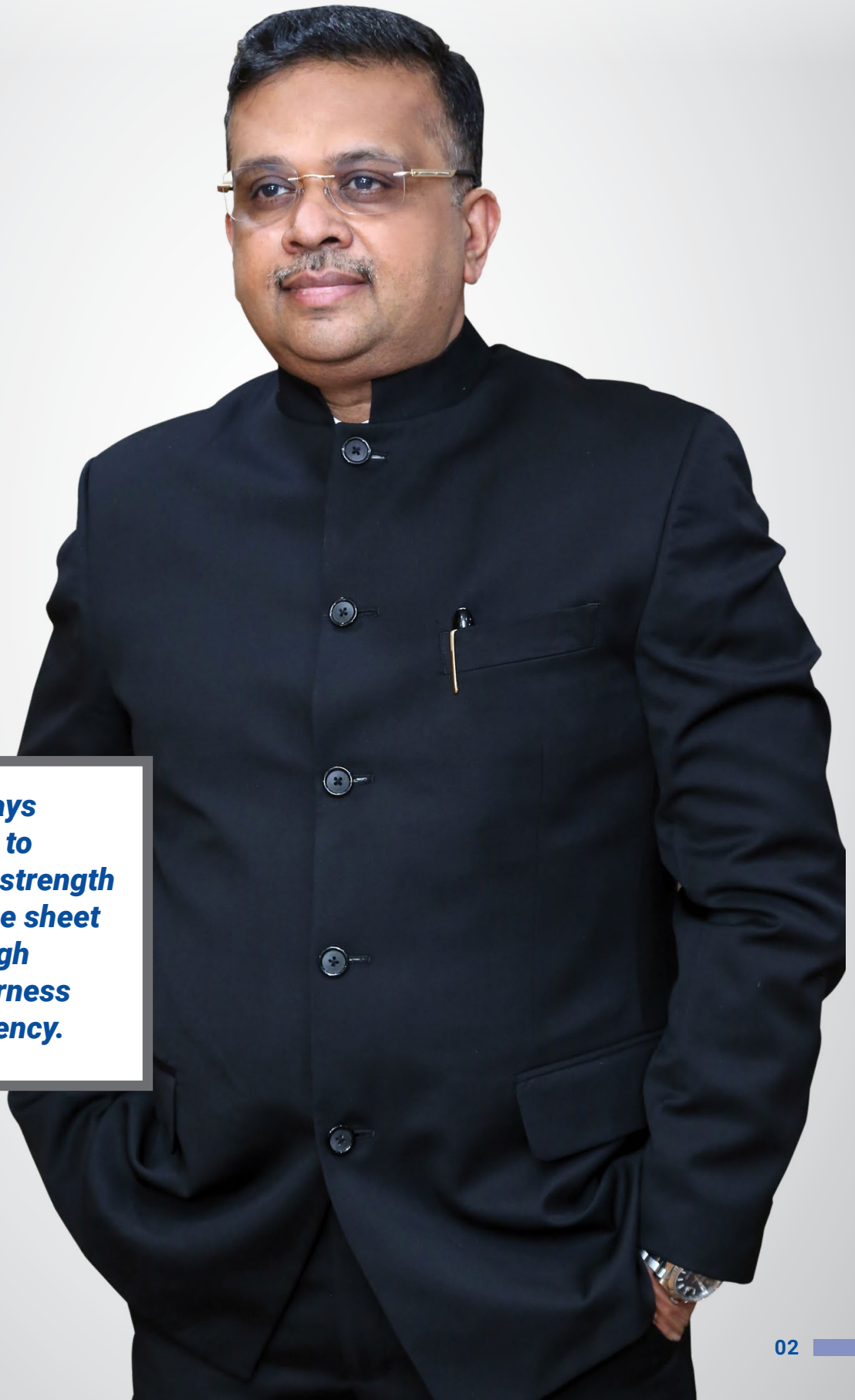
With these attributes, we keep  
moving ahead with our eyes seeking  
out our next milestone...

...on our journey to attain excellence,  
and create a very wide financial  
distribution network and to be  
a catalyst in providing the most  
efficient financial services which we  
term as financial inclusion.

***EVERY TIME WE REACH  
A MILESTONE, WE BELIEVE  
WE HAVE JUST BEGUN***



## Founder and CMD's Message



***We have always endeavoured to maintain the strength of our balance sheet along with high degree of fairness and transparency.***

### Dear Shareholders,

I would like to start with by paying my utmost heartfelt homage on behalf of team ~~PHAS~~ and the family to our departed co-founder and my companion of 54 long years Shri Mukesh Gandhi who departed for his heavenly abode on 19<sup>th</sup> January 2021.

We have all seen very turbulent and challenging times last year. I personally believe that rather than focussing on the problems, it is always prudent to focus on possibilities. I would like to share with you how we stayed resilient, refocussed on the possibilities instead of the problems and reenergised ourselves to face the challenges head-on and overcome them.

Rather than pursuing comparative figures of growth and profitability, we worked on staying financially robust. As always, we endeavoured to maintain the strength of the balance sheet along with a high degree of fairness and transparency. This resulted in adopting a cautious approach, even while following prescribed practices. While our AUM contracted by almost 10% for the year ending 31<sup>st</sup> March 2021, our portfolio quality remained stable with Gross Stage 3 Assets and Net Stage 3 Assets at 1.94% and 1.52%, respectively. The Company's capital adequacy remained strong at 26.85% with Tier I capital at 24.81%, resulting to debt-equity ratio of 3.12 times, giving us an ample opportunity to pursue our growth plans going forward.

With respect to our liabilities, we maintained an ideal debt resource mix, ensuring a continuous flow of funds while maintaining optimum utilisation of capital. The assets created by the Company are expected to generate good assignment demand, thereby enabling us to de-risk and maintain the off-book portfolio. We established a new relationship with the premier government lending institute, NABARD, and could also float new debt instruments like MLDs (Market Linked Debentures).

Throughout the year gone by we have been constantly assessing the evolving situation, in order to make necessary amendments in our credit policy. In line with our dictum of

extending credit where it is due and adopting a cautious approach, our disbursements were ₹ 32,535.25 Mn. for the year ending 31<sup>st</sup> March 2021. Even our collection efficiency, which stood at around 95% for the last quarter of the financial year, was very close to pre-COVID levels.

Where our ALM is concerned, based on our assessment of structural liquidity for the period ended 31<sup>st</sup> March 2021, there is no negative impact on the liquidity. Further, our cash flows in all the cumulative buckets remain positive. With efforts directed towards efficient liability management and due to a reduction in MCLR by the banks, we were able to reduce our cost of borrowing.

Although the first few quarters were difficult, we were happy to see that the economy coming back to normal, and that was reflected in our working too. Our experience of over 25 years has taught us that difficult phases shall pass too and when the economy returns to normal, companies with strong fundamentals have the opportunity to grow their balance sheet size once again. We are confident that once things return to normal, we will get back onto our growth trajectory on the strength of our capital adequacy, our commitment to our endeavours and the vast size of the markets that we cater to.

Where our housing finance performance is concerned, our AUM stood stable at around ₹ 2,849 Mn. while our net NPA remained minimal at 0.26%. We registered a higher profitability in housing finance due to lesser provisioning on account of the secure nature of housing loans. I feel confident that this vertical is going to contribute meaningfully over the next three to five years due to the systems we have established in our operations. These, alongside our strong capital adequacy and capital commitment from the parent company and promoters, will facilitate us in managing the quality of the assets.

During the last year, we have stayed focussed on the safety of our employees and wellbeing of our customers. To relieve pandemic-related stress, we invoked resolution plans for 425 eligible MSME borrowers amounting to ₹ 150.13 Mn.,



based on the parameters laid down in accordance with the resolution policy approved by the Board of Directors of the Company and in accordance with the guidelines issued by the RBI on 6<sup>th</sup> August 2020.

To safeguard the wellbeing of our employees, we ensured that we undertook regular sanitisation of our office premises, as well sanitisation of all individuals working within. We ensured that they received suitable health advisory and always had a doctor on call for them. At a broader level, we undertook reskilling and training of employees to enable them to refocus and stay energised about our mission.

We initiated several operational measures to support our employees and customers. All our 99 branches became operational with suitable staffing levels that enabled distancing while meeting our customers' needs. We also used our banking platform for 100% of disbursement and collections to facilitate seamless collection operations during the lockdown.

Where cost monitoring is concerned, we have taken various initiatives to enhance the efficiency of the employees, while cutting down on advertisement spends, travelling and other related expenses.

Going forward, looking at the current scenario it is difficult to accurately assess how things will pan out, especially with the second wave of the pandemic impacting human resources more severely. However, as I have often shared before, we will continue to focus on fundamentals rather than growth, keeping quality of assets as our goal rather than setting quantity-based targets. We believe that this will enable us to meet our longer-term goals of serving our target segment more effectively as well as meeting the expectations of our other stakeholders.

As we move into the new normal future, we will stay anchored to our belief that growth along with quality is the key to enhance the shareholders' value. We anticipate growth in the range of 20% - 25% for the next five years, with scope for recalibration based on the macro situation. We will continue to prioritise asset quality and profitability and thereby maintain healthy ROA and ROCE.

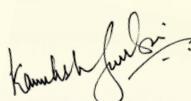
We will continue to serve LIG and MIG customers, especially those transitioning from the informal sector, spread over rural, semi urban and urban areas. We look forward to leveraging our experience of over two decades to add value to these customers.

***I would like to take this opportunity to thank our stakeholders for the confidence that they have placed in us and look forward to rewarding this trust with sterling and sustainable results.***

We continue to believe that SME and Housing finance offer huge potential and will focus on these segments as key growth drivers. Using the 'Power of Distribution', i.e., by strengthening our distribution network and operations in the current states and exploring the potentiality of entering into new geographies.

I would like to take this opportunity to thank our stakeholders for the confidence that they have placed in us and look forward to rewarding this trust with sterling and sustainable results. I would also like to thank our employees and our core team, in particular, for being the bedrock of strength on which we have been able to stay resilient throughout these difficult times. I sincerely acknowledge the support of all the stakeholders.

Let me reiterate on behalf of Team H.A.S. the commitment to our mission of "Excellence through Endeavours" and maximising shareholders' value, aware of the fact that we have miles to go and promises to keep and I trust together we can and we will...



**Kamlesh C. Gandhi**  
Chairman and Managing Director



*Tribute to*  
**Shri Mukesh Gandhi**

Co-Promoter, Whole-Time Director & Chief Financial Officer

**IT IS WITH GREAT SORROW  
WE SHARE THAT OUR  
CO-PROMOTER,  
WHOLE-TIME DIRECTOR  
& CFO SHRI MUKESH  
GANDHI, AGED 63 YEARS,  
HAS LEFT US FOR THE  
HEAVENLY ABODE ON  
19<sup>TH</sup> JANUARY, 2021.**

It is with great sorrow we share that our Co-Promoter, Whole-time Director & CFO Shri Mukesh Gandhi, aged 63 years, has left us for the heavenly abode on 19<sup>th</sup> January, 2021.

Shri Mukesh Gandhi played an important role in raising the Company to its present level of strength and robust fundamentals from a humble beginning in the year 1995. Over the years, the Company has benefited immensely from his vision and vigilance.

By 2018, he decided to focus on his health and successfully groomed and mentored a second line of talent to actively take on his roles and responsibilities, thus ensuring seamless succession and transmission of his duties and the efficient working of the Company.

Shri Mukesh Gandhi's passing away will be irreplaceable loss to the family, organisation and also for everyone who knew him in any capacity.

We, the management and the employees of the Company, convey deep sorrow and condolences to his family. We will always remember him as a positive, enthusiastic and kind person, filled with zeal and pragmatism.

To honour his memory, Team **MAAS** will remain dedicated to its mission of "Excellence through Endeavours".

## Corporate Snapshot

### HFS at a Glance

HFS Financial Services was registered as an NBFC with the Reserve Bank of India in 1995. In support of the nation's drive to promote financial inclusion, we strive to financially empower individuals and enterprises that stand at the threshold of the formal financial system, with access to suitable credit. We cater to the needs of retail customers, especially those in the low-income and middle-income segments, and offers enterprise loans to MSMEs.

Our offerings span retail financing products for MSMEs, home loans, two-wheeler loans, used car loans and commercial vehicle loans. We have a presence in urban, semi-urban and rural areas through 99 branches in 7 territories: Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Tamil Nadu, Karnataka, and Delhi NCR. By the end of March 2021, we had serviced 7,00,000+ active customers, in formal and informal sectors, often taking financial services to the customers' doorstep.

To meet the needs of our target borrowers, who often lack credit history and adequate paperwork to prove their eligibility, we have crafted alternative systems that enable us to assess

their loan repayment ability without compromising our Return on Capital Employed (RoCE). We also leverage our human resources to analyse the creditworthiness of our borrowers through in-depth and regular engagements with them.

One of our key strategic moves is to be present everywhere and become a leading lender. To achieve and retain this advantage, we leverage the distribution network of our partners, which include non-banking finance companies (NBFCs), microfinance institution NBFCs, housing finance companies and franchisees – to reach out to those who are financially unserved and under-served.

#### PRODUCT OFFERINGS



**Micro Enterprise Loan (MEL):** We offer loans to small and micro enterprises, enabling them to pursue their growth aspirations.



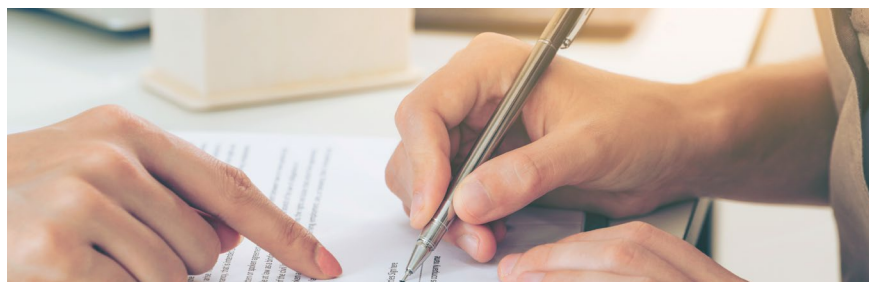
**Small & Medium Enterprises (SME) Loan:** Towards fuelling the growth and development of small and medium enterprises, we offer a complete bouquet of credit including machinery loans, industrial shed loans, working capital loans and loans against property.



**Two-Wheeler Loan:** Our two-wheeler loans fulfil the dreams of self-employed and salaried customers for purchasing a vehicle.



**Commercial Vehicle (CV) Loan:** We support entrepreneurs to expand and fuel up their distribution business with commercial vehicle loans for new and used vehicles.



**Home Loan:** Through our subsidiary - HFS Rural Housing and Mortgage Finance Ltd. - we offer affordable housing loans for middle and low-income individuals for the purchase of new and old houses, home improvement and loans for purchase and construction of commercial property. We also extend loans to developers for construction of affordable housing projects.





## Vision

To be one of the most efficient distributors of financial services and create value on a very large scale.



## Mission

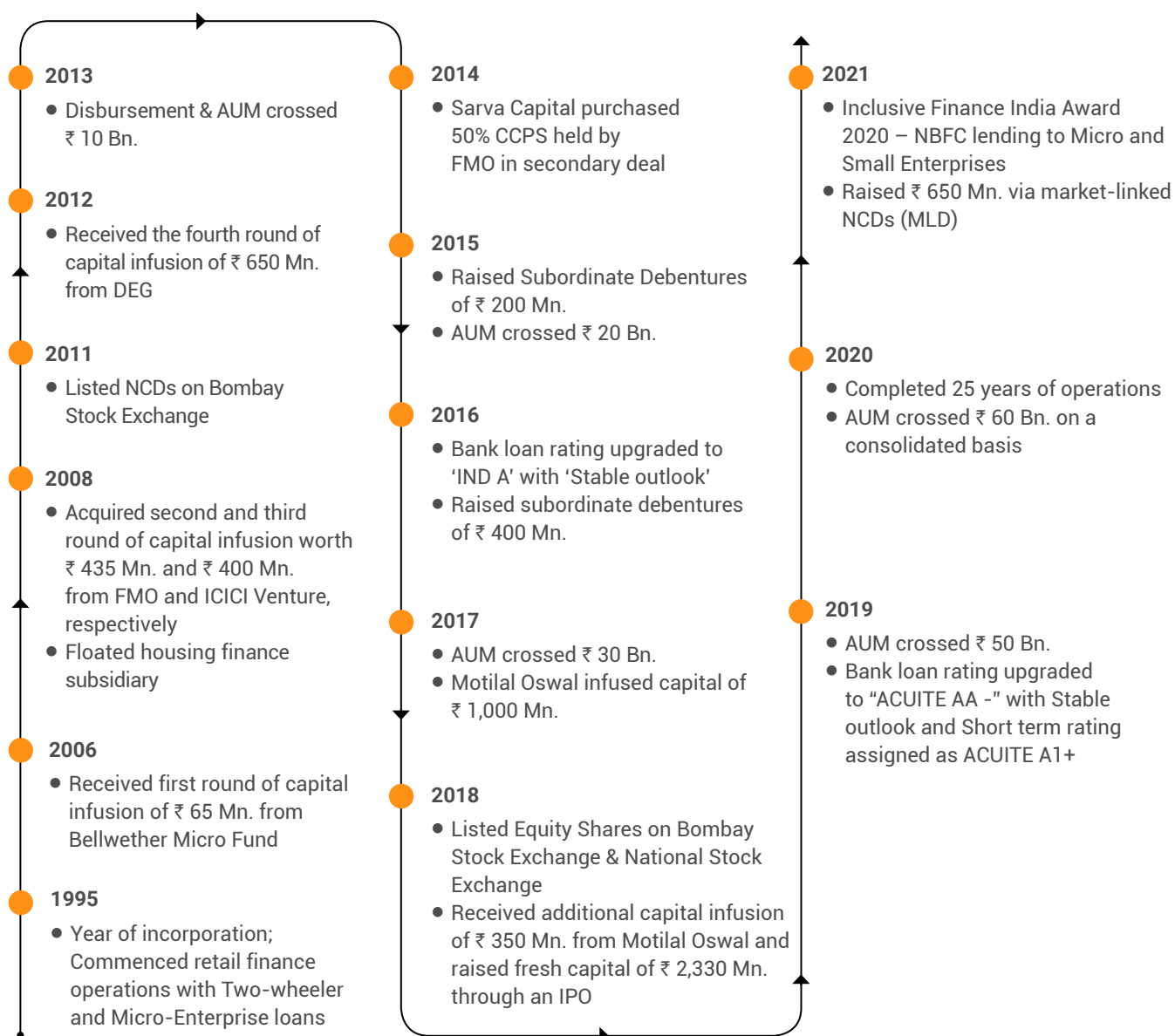
To constantly endeavour, to attain excellence, and create a very wide financial distribution network and to be a catalyst in providing the most efficient financial services which we term as financial inclusion.



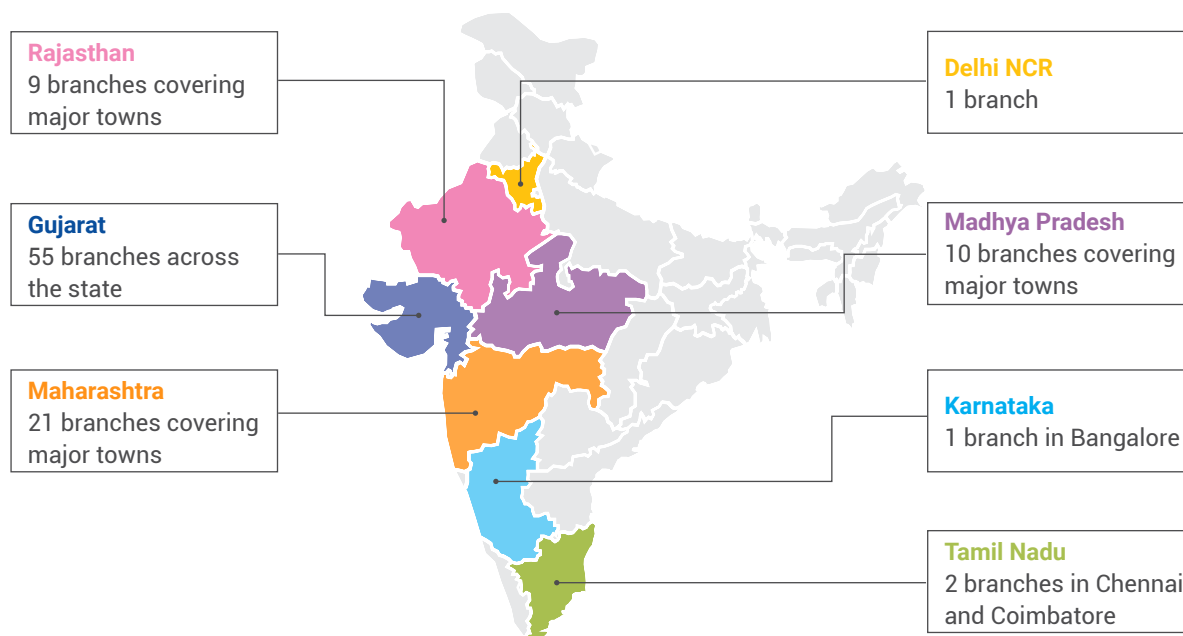
## Beliefs

*"We have miles to go & Promises to keep..."*  
*"Together we can and we will"*

## KEY MILESTONES



## GEOGRAPHIC PRESENCE



## KEY STRENGTHS



### Large customer base with immense potential for growth

Our present customer base is very wide, and the potential to grow is enormous. The number of Indians in need of accessible financial services runs into tens of millions, and we are well positioned to serve them, thanks to our robust retail presence. Our partnerships with financial service distributors; and our proven ability to identify trustworthy borrowers in the formal and informal sectors of the urban, semi-urban and rural areas.



### Extensive presence and wide network of branches, partners and service agents

We are present in 7 territories across the country, with 3,470+ service points, and the promise of doorstep delivery of services. We go to our customers wherever they need us to be. Team HFS also reaches out to customers across hinterlands, through our 127 partner companies and 604 service agents.



### Effective Liability Management and Asset Creation

We follow a self-propelling business model wherein our capital requirements are met predominantly from internal accruals. We focus on maintaining a healthy ALM, the right mix of resources and planning and maintaining cost efficiency.

While creating assets, we follow the dictum of 'Credit where it is due'. Our asset base is built on ensuring the right product mix, adding value and our unique distribution model.



### A broad spectrum of loan products

Since our inception over two and a half decades ago, we have been steadily expanding the range of our loan offerings, to include new products, in keeping with the transformation of the economy and the evolving needs of our target customers. Our product portfolio includes MSME loans, home loans, two-wheeler loans, used car loans and commercial vehicle loans, all of which are vital for our target group of middle- and low-income families and essential for their social mobility and employment prospects.



### People-centric approach

Although we have adopted cutting-edge technology to facilitate our employees and customers, our focus in the business remains people. This has enabled us to achieve steady growth over the years despite macro-economic ups and downs thanks to the dedication of our employees, loyalty and delight of our customers, support of our partners and confidence and trust of our stakeholders.