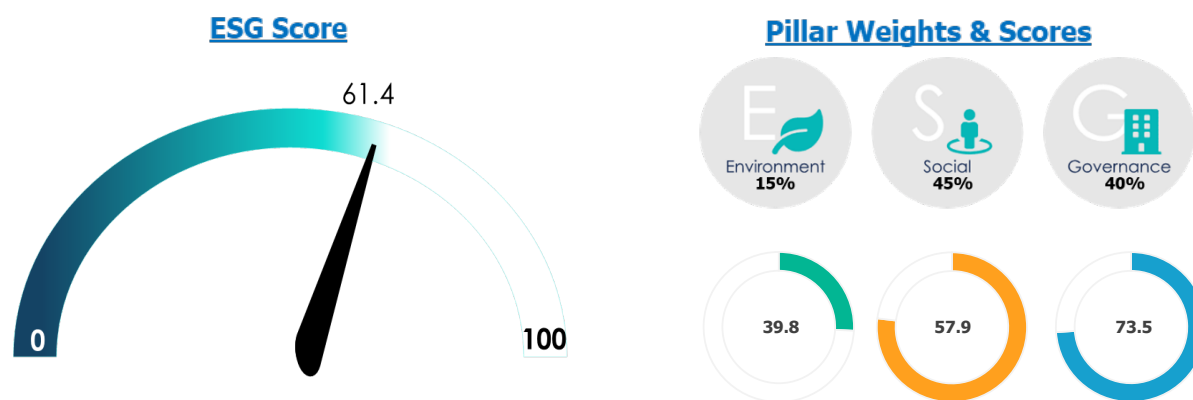


MAS Financial Services Limited	Rating Symbol*	Rating Score	Rating Action
<b>ESG Rating</b>	<b>CareEdge-ESG 2</b>	<b>61.4</b>	<b>Assigned</b>

\* Please refer to [www.careedgeesg.com](http://www.careedgeesg.com) for detailed understanding of CareEdge-ESG's rating symbols and definitions.

**Strong** position in managing ESG Risk through **superior** disclosures, policies, and performance



### Rating Scale



All scores are on the scale of 0 – 100

### Rating Rationale

The rating assigned to MAS Financial Services Limited (MAS) reflects its strong ESG stewardship with superior disclosures, programmes, and accomplishments. As a non-banking financial company (NBFC) primarily focused on lending to Micro, Small and Medium Enterprises (MSME), MAS has enabled sustainable livelihood and employment generation since its inception, through its lending activities. MAS, with a legacy spanning two decades, has products and services targeted to the underpenetrated states and the bottom of the pyramid segments, enabling the creation of jobs in rural areas. MAS's rating reflects its strong board diversity coupled with the leadership expertise and skills. The rating also factors in its unqualified information systems audit report which augments its cybersecurity practices. Overall ESG score of 61.4 reflects the company's strong position among its peers and the superior level of disclosures, polices, and high impact performance.

However, the rating is muted by absence of employee benefits such as health insurance, training on whistle blower mechanisms and non-availability of third-party verified data on the Business Responsibility and Sustainability Reporting (BRSR) principles. The rating is further underpinned by absence of an ESG management team, non-expansive coverage of emission accounting, negligible green loan book, and absence of CSR impact assessment.

### Social Score



With a score of 57.9, MAS has performed above the industry median in the Social Pillar. The score reflects its commitment in promoting financial inclusivity by lending to underpenetrated regions and the bottom of the pyramid segments coupled with increased share of women borrowers (accounting for 61.3% of total borrowers) in FY24. The score considers the company's strong initiatives towards addressing customer grievances and consistently attaining a high rate of complaint resolutions. However, the score underpinned by lower-than-industry-median female representation in the workforce and gender pay parity. The score is further constrained due to absence of employee benefits encompassing health and life insurance. These present significant opportunities for MAS on improving its social performance and incorporation of evaluation of human rights practices and its integration into business contracts.

### Governance Score



With a score of 73.5, MAS ranks above the industry median showcasing its strong performance in the Governance Pillar. The company is compliant to regulations and has formulated requisite policies relating to business ethics. Additionally, MAS has established an ESG policy, which is managed by a dedicated board level ESG committee. The governance at MAS is enhanced by its coverage of the majority of the BRSR principles in its policies, adequate oversight by the board, and a Business Continuity Plan (BCP). The company demonstrates strong gender diversity and independence within its Board of Directors. However, score could be bolstered with introduction of standalone board approved and monitored Anti-Corruption Policy that transcends all stakeholders, and a structured and detailed escalation matrix and resolution timelines of the formulated grievance redressal mechanism for investors and shareholders. Though the company has formulated and communicated a whistleblower policy to all its employees, the score is underpinned by the lack of training on the same. The rating may find further support by conducting external assessments of its policies related to its ESG practice.

## Environment Score



For this industry, the environment pillar has less relevance as opposed to the manufacturing sector, given its minimal impact on emissions, energy efficiency, and waste management. Therefore, this pillar carries the least weight of 15%, which is because industry peers are in the initial stages of their ESG journey related to climate risk and non-tracking and/or non-availability of relevant indicator data. Hence, improvement in disclosures and initiatives shall assist entities in this industry to rapidly transition to better performance on this pillar. While MAS is also in its nascent stages of addressing key environment themes, it has initiated processes to implement mechanisms for tracking and disclosure of climate transition risks indicators and achieved a marked increment in its green portfolio (outstanding at INR 60.8 crore as on March 31, 2024) by 10.5x in FY24 compared to FY23. With an Environment score of 39.8, MAS is positioned above industry median. The environmental score is further accentuated by MAS' measures towards low carbon transition, reflective from its reduction by 5.4% and 6.4% in scope 1 and 2 intensities, respectively, from FY23 to FY24. The company has set a target to further reduce its carbon emissions by 2% by FY25. Scope 3 emissions are the major contributor to emissions in the financial services sector, and MAS has commenced taking initiative to account for them, exhibiting a 3.5% reduction in its Scope 3 intensity in FY24. However, the accounting is not comprehensive as there is an absence of coverage of financed emissions. These initiatives present significant opportunities to MAS for improving its performance via accelerated decarbonisation, tracking financed emissions, detailed accounting of Scope 3 emissions, and waste inventory and usage of renewable energy in total energy consumption.

## Key Rating Drivers

### Strengths

#### Strong and diversified board composition

MAS has a robust board structure with two-third of its board members being independent directors. The company has a strong women representation on its board, with two female directors against just one female director for majority of its peers. The board of directors of MAS is composed of a mix of individuals with extensive experience across social and governance domains. The members bring in expertise from varied fields such as accounting, financial services, cybersecurity, international banking, and law. However, the strength of MAS partly diminishes due to absence of anyone on the

board or senior management with expertise on environment/climate-related parameters and a dedicated ESG/sustainability management team.

### **Proactive and strong board advisory committee**

MAS has formed an external advisory board comprising professionals from the industry who advise the board of directors and top management on the ongoing and future strategies. The advisory committee comprises three professionals with previous stints with Reserve Bank of India (RBI), NITI Aayog, Finance Industry Development Council, and Association of Small Finance Banks of India.

### **Large-scale social impact attributed to micro enterprise loans and women borrowers**

MAS has effectively leveraged its wide distribution network to extend its financial services across the underpenetrated regions and the bottom of the pyramid segments. Among the various asset classes, micro enterprise loans (MEL: 43%) and small & medium enterprise (SME: 37%) loans account for 80% of its total assets under management (AUM) as on March 31, 2024. MAS's high impact social lending practice has led to significant job creation particularly in smaller cities. The social impact is further accentuated reflecting from the substantial proportion of female borrowers comprising 61% of its total borrowers.

### **Effective grievance redressal mechanism and channels for consumer engagement**

MAS's grievance redressal mechanism comprehensively outlines process for monitoring consumer grievances, time frame for addressing complaints, and detailed escalation matrix to address the concerns. Though the consumer complaints received in FY24 were 2729, the customer grievance resolution has been above 98% over the last two years, reflecting MAS's emphasis on strong customer protection attributes. The company has also ensured mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services through diverse communication channels.

### **Protecting data privacy and security by implementing an information management system and providing employee training**

The company has received ISO 27001 certification, validating the efficacy of its systems to identify, assess, and mitigate information security risks. Additionally, the company conducts regular cybersecurity training for its employees and performs annual cybersecurity audits, underscoring its robust cybersecurity practices.

### **Conducting essential training for employees ensuring organisational health, performance, and ethical integrity**

Training on POSH, Code of Conduct, and Human Rights are crucial pillars of a company's social performance. The company has expanded the scope of these trainings in FY25 and has launched a dedicated portal for disbursement of courses to their employees on the same. Demonstrating a strong commitment to developing its human capital, the company has increased the scope of POSH training from 4% (FY24) to 83% (FY25) and Human Rights training from 53% (FY24) to 77% (FY25). As these trainings have been recently made more expansive, MAS has more ground to cover particularly for POSH trainings as the industry median stands at 99%.

### **Weaknesses**

#### **Significant gap in female workforce representation and gender pay disparity**

MAS has a lower representation of women in its employees, accounting for 6.8% of its total employees compared to the industry median of 11%. Additionally, there is only one woman in its senior management. There is also significant room for improvement in median pay ratio of female to male employees, as the industry average is 0.96, while MAS currently stands at 0.82; primarily as majority of the women workforce is at the junior hierarchy.

#### **Absence of evaluation of human rights practices and its integration into contracts**

MAS has not yet conducted any third-party evaluations of its human rights practices within its operations. Moreover, the company has not incorporated human rights standards into its business agreements and contracts. Considering the nature of the segment MAS operates in and its consumer interactions, both directly through its employees and through outsourced entities, it is essential for human rights assessments to be integrated into its operations to maintain ethical business practices.

#### **Absence of employee health insurance**

MAS currently does not provide health insurance to its employees. While the NBFC sector generally faces fewer occupational hazards compared to other industries, companies in this field typically offer health insurance, extending coverage beyond just workplace-related health concerns. This gap represents a missed opportunity, as health insurance can significantly enhance employee wellbeing, reduce turnover, and foster loyalty. MAS is currently exploring on introducing it for employees.

## Non-expansive coverage of emission accounting

MAS is in the nascent stages of accounting for its Green House Gases (GHG) inventory. The current scope 1 emission covers only those arising from the diesel generators, excluding emissions from air-conditioners and refrigeration. While MAS is accounting for employee commuting and energy-related activities under its Scope 3 emissions, it is currently not tracking its financed emissions, leading to under-reporting of its Scope 3 emissions.

## Geographical concentration risk

Although MAS has reduced its lending concentration in western India from 66% to 62% of the portfolio, its products and customer base continue to be concentrated in Gujarat (March 2024: 44.6%) and Maharashtra (March 2024: 16.9%). This exposes MAS to business risk arising from adverse climate, social, or political changes affecting these states. However, CareEdge-ESG expects the geographical concentration in these states to reduce gradually, as the company plans to expand its operations in existing and newer geographies.

## Key ESG Parameters of MAS

Parameters	Unit	FY2024	Industry Median
<b>Environment</b>			
Scope (1+2) intensity	tCO <sub>2</sub> equivalent/ employees	0.9	0.5
Scope 3 intensity	tCO <sub>2</sub> equivalent/ employees	0.5	0.5
Renewable energy consumption	% of total energy consumed	0.0%	0.0%
Green finance	% (of total AUM)	0.6%	-
<b>Social</b>			
Female borrowers' percentage	%	61.3%	81.1%
Female to male employees' ratio	Per 100 male employees	7	12
Female to male median pay	Per INR 100	81.9	97.0
<b>Governance</b>			
No. of Females in board	#	2	-
No. of Females in SMPs	#	1	-
% board members trained on BRSR	%	100.0%	100.0%
% KMPs trained on BRSR	%	100.0%	100.0%
Income gap ratio (CMD to median pay)	X:Y	155:1	72:1

Data source: company, public sources, CareEdge-ESG research & analysis

Industry median: publicly available information of peer set

## Rating sensitivities

### Positive factors

- Sizable increment in green finance loan book.
- Improvement of female representation in total workforce.
- Incorporation of ESG assessment in loan portfolio.
- Usage of renewable energy in total energy consumption.
- Adoption of comprehensive climate scenario analysis and stress testing.
- Initiation of impact assessment of CSR projects.

### Negative factors

- Significant decline in women borrowers.
- Increase in carbon emission or energy consumption intensities.
- Occurrence of data or privacy breach.
- Increment in the extant geographical concentration in western India.
- Lower utilization of allocated CSR funds.
- Lower coverage of essential trainings including code of conduct, POSH, human rights.

## Analytical approach

**Rating boundary:** CareEdge-ESG has considered standalone data of MAS for assessment, which is in line with MAS's disclosure in BRSR.

## Methodology/Criteria

For detailed understanding of the criteria and methodology used by CareEdge-ESG, please refer to the methodology document available on [www.careedgeesg.com](http://www.careedgeesg.com)

## About the company and industry<sup>1</sup>

MAS is an RBI-registered non-deposit-taking non-banking financial company (NBFC) based in Ahmedabad, Gujarat, established in 1995. It focuses on serving middle and low-income customers with financial products such as microenterprise loans, SME loans, home loans, two-wheeler loans, pre-owned car loans, commercial vehicle loans, and personal loans. MAS operates two subsidiaries:

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<sup>1</sup> Source: CareEdge Ratings

MAS Rural Housing & Mortgage Finance (MRHMFL), specialising in affordable housing loans, and MASF Insurance Broking. As of June 2024, the company raised ₹5 billion through a qualified institutional placement (QIP).

MAS primarily targets MSME with ~80% of its loan portfolio focused on this sector. As on September 30, 2024, its AUM stands at ₹110,167 million, with microenterprise and SME loans contributing 43.3% and 36.9%, respectively. Additionally, its housing finance business, through its subsidiary, MAS Rural Housing, manages ₹6,645 million in AUM.

The company operates in 13 states and union territories, with 189 branches as of March 2024. It has established partnerships with NBFCs to expand its reach into underserved regions. MAS aims to increase its direct retail distribution, targeting 70-75% of total AUM in the long term. Its branch network is growing rapidly, with plans to open 30-40 new branches annually, aiming to reach 250 branches by FY26.

### Source of information

While assigning the ratings, CareEdge-ESG has considered publicly available information such as annual reports of the company and other policies, sustainability reports, certifications, BRSR reports, additional information, and disclosures provided by the company.

**Status of non-cooperation with previous ERP:** Not applicable

### Rating history for last three years:

Sr. No.	Name of Product	Current Rating		Rating history		
		Rating	Score	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1	ESG Rating	CareEdge-ESG 2	61.4	January 25, 2025	-	-

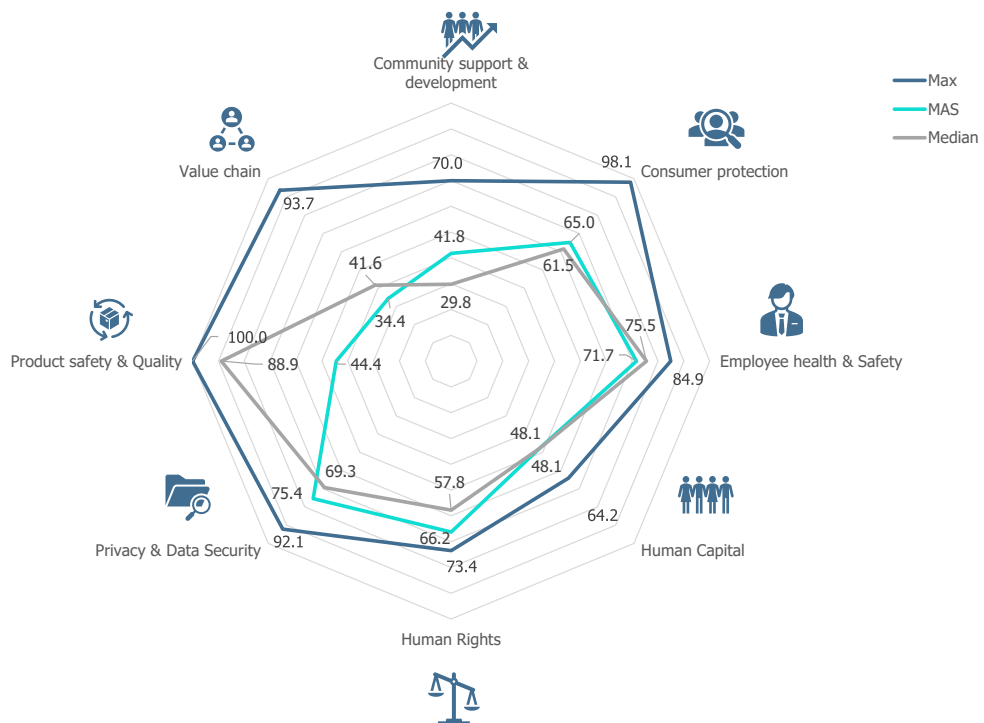


**Annexure: Graphical summary of key rating drivers<sup>2</sup>**

Hierarchy: While arriving at pillar level scores for MAS, CareEdge-ESG has assigned theme weights based on relative importance and sectoral hierarchy as depicted in the exhibit below

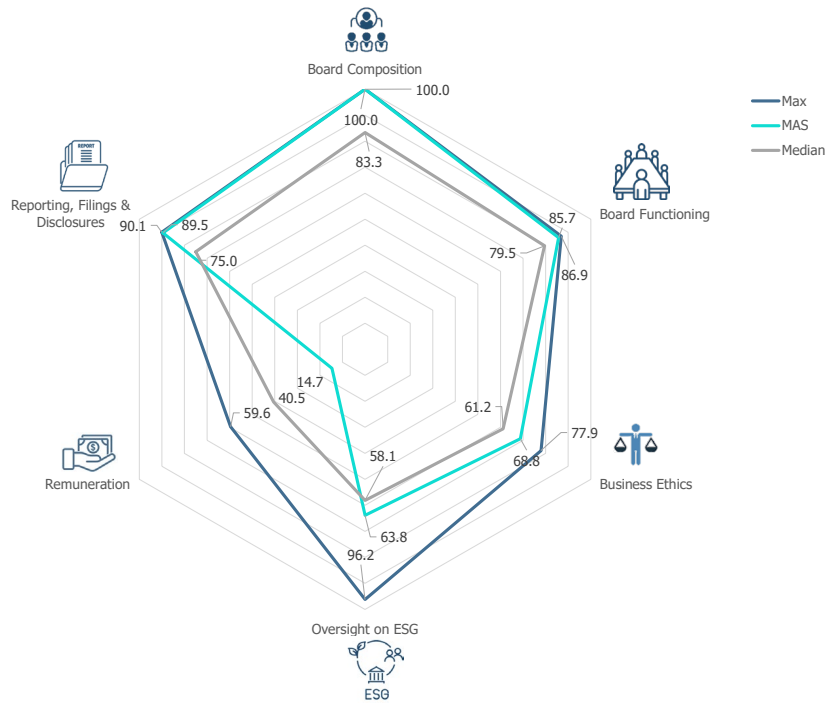
Importance	Environment	Social	Governance
HIGH	Climate change risk management	<ul style="list-style-type: none"> <li>☆☆☆ Customer protection</li> <li>☆☆ Community support &amp; development</li> </ul>	<ul style="list-style-type: none"> <li>🚩 Oversight on ESG</li> <li>🧠 Business Ethics</li> <li>📄 Reporting, filling &amp; disclosures</li> </ul>
	Carbon and other emissions	<ul style="list-style-type: none"> <li>👤 Human capital</li> <li>📄 Privacy &amp; data security</li> <li>⚖️ Human rights</li> </ul>	<ul style="list-style-type: none"> <li>⚙️ Board functioning</li> </ul>
MEDIUM	Energy efficiency	<ul style="list-style-type: none"> <li>📄 Product safety &amp; quality</li> <li>🏃 Employee health &amp; safety</li> <li>🔗 Value chain</li> </ul>	<ul style="list-style-type: none"> <li>👥 Board composition</li> </ul>
	Effluent & waste		<ul style="list-style-type: none"> <li>💰 Remuneration</li> </ul>
LOW			

**Social Pillar: MAS's theme-wise performance and industry benchmarks**

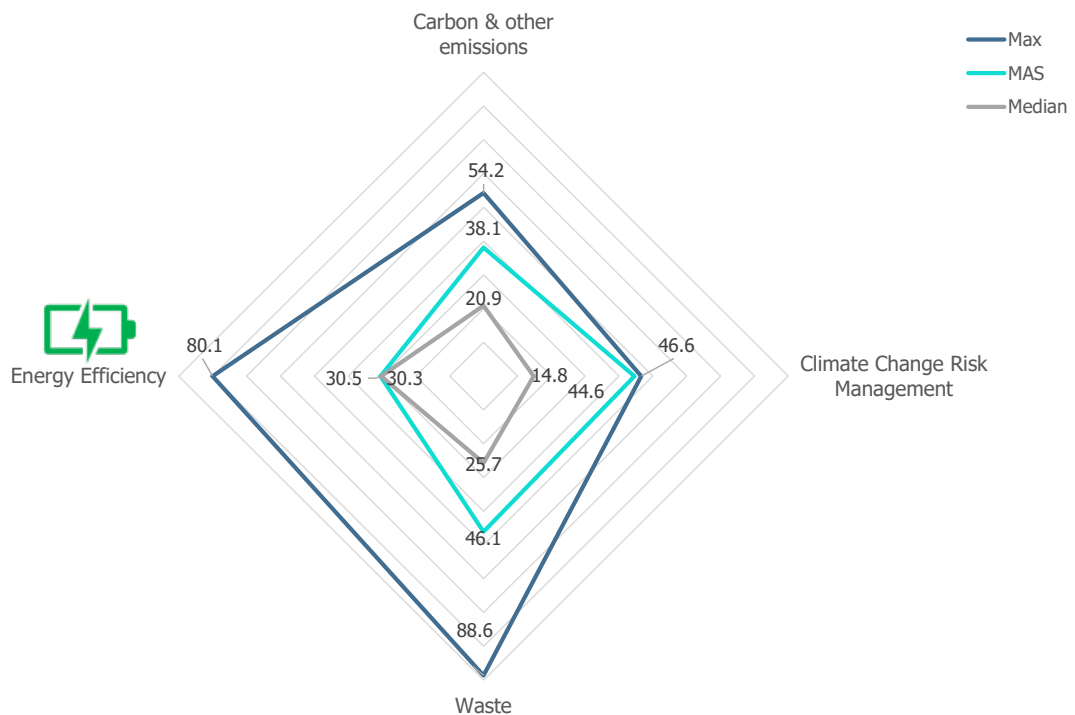


<sup>2</sup> Comprehensive analytical insights, inferences and benchmarking is provided in CareEdge-ESG's detailed ESG Report

Governance Pillar: MAS's theme-wise performance and industry benchmarks



Environment Pillar: MAS's theme-wise performance and industry benchmarks



## Annexure

Theme	MAS	Industry Median	Industry Max
Carbon and other emissions	38.1	20.9	54.2
Climate change risk management	44.6	14.8	46.6
Effluent & Waste	46.1	25.7	88.6
Energy Efficiency	30.5	30.3	80.1
<b>Total Environment Score</b>	<b>39.8</b>	<b>24.8</b>	<b>51.7</b>
Consumer Protection	65.0	61.5	98.1
Community support & development	41.8	29.8	70.0
Privacy & Data Security	75.4	69.3	92.1
Human Rights	66.2	57.8	73.4
Human Capital	48.1	48.1	64.2
Product safety & quality	44.4	88.9	100.0
Employee health & safety	71.7	75.5	84.9
Value Chain	34.4	41.6	93.7
<b>Total Social Score</b>	<b>57.9</b>	<b>54.8</b>	<b>73.1</b>
Business Ethics	68.8	61.2	77.9
Oversight on ESG	63.8	58.1	96.2
Reporting, Filing and Disclosures	89.5	75.0	90.1
Board Functioning	85.7	79.5	86.9
Board Composition	100.0	83.3	100.0
Remuneration	14.7	40.5	59.6
<b>Total Governance Score</b>	<b>73.5</b>	<b>64.2</b>	<b>77.6</b>
<b>Total ESG Score</b>	<b>61.4</b>	<b>55.4</b>	<b>66.5</b>

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## About:

CareEdge is a knowledge based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE ESG Ratings Limited (CareEdge-ESG) is one of the India's pioneer ESG rating provider fostering sustainability with ESG insights. With an aim of being a catalyst of change for a sustainable future with the most credible ESG assessments, CareEdge-ESG provides a 360-degree appraisal for the ESG performance benchmarking cum transition enabling ESG risk mitigation and enhanced decision-making capabilities for all stakeholders.

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