MAS FINANCIAL SERVICES LTD.
EXCELLENCE THROUGH ENDEAVOURS
The Power of Distribution

MAS FINANCIAL SERVICES LIMITED

MFSL/SEC/EQ/2018/34

12th July, 2018

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

To,
General Manager
National Stock Exchange of India Limited
Exchange Plaza
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400051

Scrip Code: **540749**

Trading Symbol: **MASFIN**

Dear Sir,

Sub: PRESS RELEASE – Credit Rating for Long Term and Short Term Bank Facilities by CARE Ratings Limited

We wish to inform you that CARE vide their rating rationale release dated 11th July, 2018 has assigned the ratings on the captioned subject as mentioned below:

Facilities	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	2,900.00	**CARE A+; Stable**	Assigned
Short Term Bank Facilities	100.00	**CARE A1+**	Assigned
TOTAL	3000.00		

This is intimation Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The above information shall be available at the website of the company www.mas.co.in .

The Rating Letter dated July 11, 2018 is enclosed with this letter for reference.

Kindly take the above in your record.

Thanking you.

Yours faithfully,
For, MAS Financial Services Limited

Riddhi

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

MAS FINANCIAL SERVICES LIMITED AHMEDABAD MAS

Encl: As above

CARE Ratings
Professional Risk Opinion

CARE/ARO/RL/2018-19/1489

Mr. Mukesh C. Gandhi
Director & CFO
MAS Financial Services Limited
6, Ground Floor, Narayan Chambers
Behind Patang Hotel
Nehru Bridge Corner, Ashram Road
Ahmedabad - 380009

July 11, 2018

Confidential

Dear Sir,

Credit rating for bank facilities of MAS Financial Services Ltd.

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. Crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	2,900.00	**CARE A+; Stable [Single A Plus; Outlook: Stable]**	**Assigned**
Short Term Bank Facilities	100.00	**CARE A1+ [A One Plus]**	**Assigned**
Total Facilities	**3,000.00 [Rupees Three Thousand Crore only]**		

3. Refer **Annexure 1** for details of rated facilities.
4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (i.e. July 02, 2018).
5. The rationale for this rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. **We request for your immediate response since we have to publish the same by tomorrow.**

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,

Janki Aswani

[Janki Aswani]
Deputy Manager
janki.aswani@careratings.com

H.M. Shah

[Hardik Shah]
Senior Manager
hardik.shah@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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Annexure 1

Details of Rated Facilities

1. Long Term Bank Facilities

1.A. Rupee Term Loans

(Rs. Crore)

Name of the Lender	Sanctioned Amount	Rated Amount	Repayment Terms
Bank of India	40.00	18.00	20 equal quarterly installments starting from Sept. 30, 2015 and ending on June 30, 2020
Axis Bank Limited	25.00	4.17	6 equal half-yearly installments starting from Dec. 30, 2015 and ending on June 30, 2018
RBL Bank Limited	15.00	1.67	36 equal monthly installments starting from Aug. 31, 2015 and ending on July 31, 2018
RBL Bank Limited	25.00	3.47	36 equal monthly installments starting from Sept. 14, 2015 and ending on Aug. 14, 2018
Punjab National Bank	50.00	6.60	11 equal quarterly installments starting from March 31, 2016 and ending on Sept. 30, 2018
State Bank of India	35.00	8.81	12 equal quarterly installments starting from March 30, 2016 and ending on Dec. 30, 2018
Small Industries Bank of India	25.00	8.20	36 equal monthly installments starting from April 10, 2016 and ending on March 10, 2019
HDFC Bank Limited	50.00	15.62	36 equal monthly installments starting from Feb. 07, 2016 and ending on Jan 07, 2019
Bajaj Finance Limited	30.00	28.00	10 equal quarterly installments starting from March 31, 2018 and ending on June 30, 2020
Tata Capital Financial Services Limited	15.00	5.00	36 equal monthly installments starting from April 15, 2016 and ending on March 15, 2019
RBL Bank Limited	20.00	6.67	36 equal monthly installments starting from April 30, 2016 and ending on March 31, 2019
Bank of India	40.00	26.00	20 equal quarterly installments starting from Sept. 30, 2016 and ending on June 30, 2021
HDFC Bank Limited	50.00	36.23	36 equal monthly installments starting from April 07, 2017 and ending on March 07, 2020
State Bank of India	100.00	75.00	16 equal quarterly installments starting from June 30, 2017 and ending on March 31, 2021
Bajaj Finance Limited	35.00	14.55	11 equal quarterly installments starting from Sept. 30, 2016 and ending on June 30, 2019
Shinhan Bank	25.00	20.14	36 equal monthly installments starting from Sept. 01, 2017 and ending on Aug. 31, 2020
HDFC Bank Limited	54.00	54.00	96 equal monthly installments starting from April 07, 2018 and ending on March 07, 2026
Total	**634.00**	**332.12**	

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1.B. Fund Based Working Capital Limits

(Rs. Crore)

Name of the Lender	Type of Facility	Sanctioned Amount
Yes Bank Limited	WCDL	100.00
Dena Bank	CC	342.50
State Bank of India	CC	290.00
Bank of India	WCDL	100.00
IDBI Bank Limited	CC	150.00
Central Bank of India	CC	105.00
United Bank of India	CC	50.00
Dena Gujarat Gramin Bank	CC	30.00
South Indian Bank	CC	50.00
Oriental Bank of Commerce	CC	100.00
Bank of Baroda	CC	100.00
Indian Overseas Bank	CC	50.00
Bank of Maharashtra	CC	60.00
Union Bank of India	CC	70.00
Andhra Bank	CC	50.00
Lakshmi Vilas Bank Limited	CC	25.00
Tamilnad Mercantile Bank	CC	20.00
Punjab National Bank	CC	100.00
Syndicate Bank	CC	50.00
Indian Bank	CC	100.00
Canara Bank	CC	50.00
Proposed	CC	575.38
Total		**2567.88**

**CC: Cash Credit; WCDL: Working Capital Demand Loan*

Total Long Term Facilities Rated (1.A. + 1.B.) – Rs.2,900.00 crore

2. Short Term Facilities

2.A. Fund Based Working Capital Limits

(Rs. Crore)

Name of the Lender	Rated Amount
Proposed	100.00
Total	**100.00**

Total Short Term Facilities Rated (2.A.) – Rs.100.00 crore

Total Facilities Rated (1 + 2) - Rs. 3,000.00 crore

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Annexure 2

Press Release

MAS Financial Services Limited

Ratings

Facilities	**Amount (Rs. crore)**	**Ratings[1]**	**Rating Action**
Long Term Bank Facilities	2,900.00	**CARE A+; Stable [Single A Plus; Outlook: Stable]**	Assigned
Short Term Bank Facilities	100.00	**CARE A1+ [A One Plus]**	Assigned
Total Facilities	**3,000.00 (Rupees Three Thousand Crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of MAS Financial Services Limited (MFSL) derive strength from long standing track record & experience of its promoters in the lending business, experienced senior management team, diversified loan portfolio, moderate geographical diversification, comfortable asset quality on the back of adequate appraisal systems, strong resource base with long standing association with multiple banks, comfortable capital adequacy, strong financial risk profile marked by high net interest margin (NIM) & return on total assets (ROTA) and comfortable liquidity profile.

The long-term rating is, however, constrained on account of its concentrated borrower profile and exposure to relatively riskier micro enterprises and small and medium enterprises (SME) sectors.

Ability of MFSL to significantly grow its scale of operations while maintaining its asset quality, profitability & capital adequacy, reducing its reliance on bank finance and improving its risk management systems with anticipated growth in its scale of operations would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Long standing track record, experience of the promoters in the lending business and experienced senior management team

The promoters of MFSL have established track record of over 2 decades in the retail lending business. MFSL initially started its lending activities in the state of Gujarat and gradually has ventured and established its footprint in other 6 states. In the past 2 decades, MFSL has expanded its operations across 124 branches and 3311 locations and is catering to the funding requirement of around 5 lakh live customers. Furthermore, the senior management team of MFSL comprises of experienced professionals who have been in the retail lending business and have been associated with MFSL since its inception. These personnel continue to head the main functions at MFSL.

Diversified loan portfolio

The loan portfolio of MFSL comprises of micro enterprises loans, SME loans, two-wheeler loans, commercial vehicle loans and housing finance loans. MFSL was initially engaged in lending of two-wheeler and micro enterprises loans and later on forayed into commercial vehicle loan, small and SME loan and housing loan segments. Even in the aforesaid loan categories, significant amount of portfolio is built up through NBFCs and NBFC-MFIs. Moreover, about 35% of the total assets under management (AUM) of MFSL are directly assigned to banks and financial institutions. Due to product diversification, MFSL has been able to grow its total AUM at a CAGR of 26.49% during last three years ended FY18.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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Moderate geographical diversification

The lending activities of MFSL are directly carried out in 7 states. MFSL initially started its lending activities in the state of Gujarat and has gradually ventured and established its footprint in other 6 states of Rajasthan, Maharashtra, Madhya Pradesh, Karnataka, Tamil Nadu and Delhi. However, as significant amount of MFSL's lending activities are carried out through NBFCs / NBFC-MFIs it has resulted in highly diversified exposure of MFSL. Gujarat accounts for around 35% of the standalone total loan portfolio of MFSL as on March 31, 2018 driven by operational familiarity of the promoters with the Gujarat market whereas other 28 states and union territories account for balance 65%.

Comfortable asset quality on the back of adequate appraisal systems

The gross and net Non-Performing Assets (NPAs) of MFSL stood at 1.11% and 0.88% respectively as on March 31, 2018 as compared to 1.06% and 0.92% respectively as per March 31, 2017. Till FY17, the NPA recognition policy was 120+DPD (Days Past Due). However, from FY18 onwards, the same has been revised to 90+DPD. The NPA levels have remained comfortable even after migration to a more stringent NPA recognition policy, growth in AUM, impact of demonetisation, implementation of Real Estate (Regulation and Development) Act, 2016 (RERA) & GST. This was possible mainly on account of adequate credit appraisal processes and systems adopted by the company. As per the management of the company, the credit appraisal process of MFSL is reviewed and revised at regular interval based on its experience in the market. The credit appraisal process at MFSL is centralised. Sanctions are accorded by the centralised credit team whereas sourcing and collection functions are carried out at branch level. Multiple checks are carried out at centralised unit prior to disbursement. The asset quality is also comfortable due to near zero delinquencies in the loans to NBFCs and NBFC-MFIs majority of which have comfortable financial risk profile. Also, these loans are backed by security deposits in the form of cash collateral and corporate / personal guarantees taken by MFSL from the NBFCs and NBFC-MFIs. Moreover, the delinquencies are lower in case of micro-enterprises and SME loans which collectively account for approx. 84% of MFSL's AUM as on March 31, 2018.

Comfortable capital adequacy ratio and strong resource base with its long standing association with multiple banks

In October 2017, MFSL came out with an Initial Public Offer (IPO) and raised capital of Rs.233 crore. MFSL had also raised Rs.100 crore in March 2017 and Rs.35 crore in April 2017 in the pre IPO round of funding. Post capital infusion in FY18, the capital adequacy ratio (CAR) of MFSL improved to 31.29% in FY18 as compared to 22.94% in FY17. Out of total CAR, Tier-I CAR stood at 29.06% and 16.88% as on March 31, 2018 and March 31, 2017 respectively. Also, even after the IPO, promoter holding in MFSL has been retained at 73.33% as on March 31, 2018. Also, the promoters of MFSL have healthy relations with 28 banks and financial institutions for meeting its borrowing requirements based on which MFSL is able to raise resources in a timely manner and at competitive rate of interest thereby providing significant financial flexibility to MFSL. Most of the banks / financial institutions are also the ones to whom MFSL sells its portfolio under the direct assignment route. Existing capitalization level and strong resource base is envisaged to provide impetus to MFSL for growth in its loan portfolio over the next 5 years.

Strong financial risk profile marked by high Net Interest Margin (NIM) and Return on Total Assets (ROTA)

With growth in its loan portfolio, the profitability ratios of MFSL have improved marked by improvement in NIM to 7.58% in FY18 as compared to 6.79% in FY17. The same is due to reduction in weighted average cost of borrowings from 9.44% in FY17 to 8.67% in FY18. Moreover, ROTA of MFSL has also registered an improvement to 2.70% in FY18 compared to 2.20% in FY17. The same is due to growth in micro enterprises loans and two-wheeler loans in FY18 (which collectively account for approx. 70% of the total AUM as on March 31, 2018) as yield on these two products is higher compared to other loan products.

Comfortable liquidity profile

The liquidity profile of MFSL has remained comfortable on the back of strong resource base and good amount of unutilized bank limits. It has comfortable ALM without any mismatches. In FY18, the average utilization of the working capital limits remained comfortable at 55.61%. Also, the sanctioned fund based working capital limit has been enhanced for FY19. The total unutilized limits of MFSL can take care of upcoming 2-3 months of disbursements. Furthermore, due to the unutilized fund based working capital limits, the asset liability maturity profile of MFSL is expected to remain favourable.

Key Rating Weaknesses

Concentrated borrower profile

A significant portion of MFSL's exposure is to its top 10 borrowers. As on March 31, 2018, the top 10 exposures of MFSL accounted for approx. 57% of its tangible net-worth as on March 31, 2018 indicating high borrower concentration risk. This is because of significant exposure of MFSL to other NBFCs and NBFC-MFIs. Deterioration in quality of any of these exposures may lead to sharp increase in NPA levels of MFSL. Accordingly, credit quality of its large exposures would remain a key rating monitorable.

Exposure to relatively riskier Micro enterprises and SME sectors

The portfolio of MFSL comprises retail products like micro enterprises loans, SME loans, two-wheeler loans and commercial vehicle loans, which are high yield generating and low-price sensitive segments and at the same time are relatively riskier in nature. Also, about 55% of the exposure of MFSL in these segments is through NBFCs and NBFC-MFIs. However, the same is partly mitigated by 5-15% cash collateral and corporate / personal guarantees taken by MFSL from the NBFCs and NBFC-MFIs.

Analytical approach: Consolidated; MFSL and its subsidiary viz. MAS Rural Housing and Mortgage Finance Limited (MRHMFL).

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology - Non Banking Finance Companies (NBFCs)

Rating Methodology: Factoring Linkages in Ratings

Criteria for Short Term Instruments

Financial Ratios - Financial Sector

About the Company

MFSL was incorporated in the year 1995 by Mr. Kamlesh Gandhi and Mr. Mukesh Gandhi. The company was registered as a non-banking financial company (NBFC) in 1998 with RBI. It was initially engaged in lending of two-wheeler and micro enterprises loans and later on forayed in commercial vehicle loan and SME loan segments. In the year 2008, MFSL floated a subsidiary, MRHMFL, a non-deposit taking National Housing Board (NHB) registered Housing Finance Company (HFC) which provides housing loans to the low-income group segment in rural and semi-urban areas. The lending activities of MFSL are carried out directly through its own network of 124 branches in 7 states and also through other smaller NBFCs and microfinance institutions (MFIs). In October 2017, MFSL came out with an IPO and raised fresh equity capital of Rs.233 crore. MFSL had also raised Rs.135 crore in a pre IPO round of funding. The shares of MFSL are listed on Bombay Stock Exchange and National Stock Exchange.

Brief Financials MAS - Consolidated (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	364.70	454.96
PAT	69.32	105.82
Tangible Net-worth	385.53	723.68
Total AUM	3332.60	4318.40
Overall gearing (times)	3.35	2.06
Interest coverage (times)	1.64	1.96
CAR (%)	22.94	31.29
ROTA (%)	2.20	2.70
Gross NPA (%)	1.06	1.11
Net NPA (%)	0.92	0.88

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Facilities

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	NA	NA	March 07, 2026	332.12	CARE A+; Stable
Fund-based - LT-Cash Credit	NA	NA	NA	1792.50	CARE A+; Stable
Fund-based - LT-Working Capital Demand loan	NA	NA	NA	200.00	CARE A+; Stable
Fund-based - LT-Proposed fund based limits	NA	NA	NA	575.38	CARE A+; Stable
Fund-based - ST-Working Capital Limits	NA	NA	NA	100.00	CARE A1+

NA: Not Applicable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (25-Mar-16) 2)CARE A1+ (SO) (16-Jul-15)
2.	Fund-based - LT-Term Loan	LT	332.12	CARE A+; Stable	-	-	-	-
3.	Fund-based - LT-Cash Credit	LT	1792.50	CARE A+; Stable	-	-	-	-
4.	Fund-based - LT-Working Capital Demand loan	LT	200.00	CARE A+; Stable	-	-	-	-
5.	Fund-based - LT-Proposed fund based limits	LT	575.38	CARE A+; Stable	-	-	-	-
6.	Fund-based - ST-Working Capital Limits	ST	100.00	CARE A1+	-	-	-	-