October 30, 2017

MAS Financial Services Limited

MAS Financial Services Limited (MAS) raised equity of Rs 460 crore through IPO route. In this Rs. 227 crore has been used to replace the existing investors (DEG[1], FMO[2] and Sarva Capital LLC with offer of sale of Rs. 113 crore, Rs. 79 crore and Rs. 34crore respectively) and Rs. 233 crore will be used to scale up the operations of the company. In ICRA's opinion, this capital infusion is likely to support the company's ability grow its portfolio while maintaining adequate capitalisation levels .

MAS's consolidated portfolio grew by 23% in FY2017 and stood at Rs. 3,156 crore as on March 31, 2017 (Rs. 2,565 crore as on March 31, 2016). The growth in portfolio was primarily contributed by the SME Loans, which reported a higher growth of 78% over FY2017. While the micro-enterprise and two-wheeler reported a growth of 14% and 11% respectively, the commercial vehicle loan segment reported a de-growth of 15% during FY2017. As on June 30, 2017 the company had more than 3,000 active customers through 121 branches across six states and NCT of Delhi.

Although a significant part of company's loan book (~53% of the total AUM as on June 30, 2017) comprises of loans offered to other financial institutions, MAS has strong systems and processes in place for on-going portfolio monitoring. The company reported Gross NPA and Net NPA 1.9% and 1.6% respectively as on June 2017, which has marginally increased from corresponding levels of 1.7% and 1.4% respectively as on March 2015.

MAS reported a 26% YoY growth in net profits in FY2017 supported by a 21% growth in net interest income and lower operating expenses. In Q1 FY2018 the company has reported PAT of Rs. 23.04 crore on a total asset book of Rs. 2291.40 crore as on June 30, 2017 as compared to PAT of 14.93 crore in Q1 FY2017on a total asset book of Rs. 1890.49 crore as on June 30, 2016.

MAS's capitalisation profile is adequate with CRAR at 23.80% as on June 30, 2017 as against regulatory requirement of 15%. Reported gearing of the company has improved to 3.94 times as on June 2017 from 6.52 times as on March 2016.

The previous rating rationale is available on the following link: Click here

[1] DEG- Deutsche Investitions-und Entwicklungsgesellschaft MBH

[2] FMO- Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V.

Key financial ratios:

	FY2016	FY2017
Total Income	293.8	341.5
Profit after tax	53.4	67.4
Net Worth	227.9	376.9
Total Managed Portfolio	2,565.0	3,156.1
Total Managed Assets	2,775.2	3,235.1
RoMA (return on managed assets)	2.1%	2.2%
RoE (return on equity)	25.5%	22.3%
Gearing	6.5	4.0
% Gross NPAs	1.7%	1.8%
% Net NPAs	1.5%	1.6%
Net NPA/Net worth	10.5%	8.1%
% CRAR	18.3%	23.0%

Amounts in Rs. crore

Source: MAS, ICRA research

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