

MAS FINANCIAL SERVICES LTD.

RECOMMENDATION : BUY

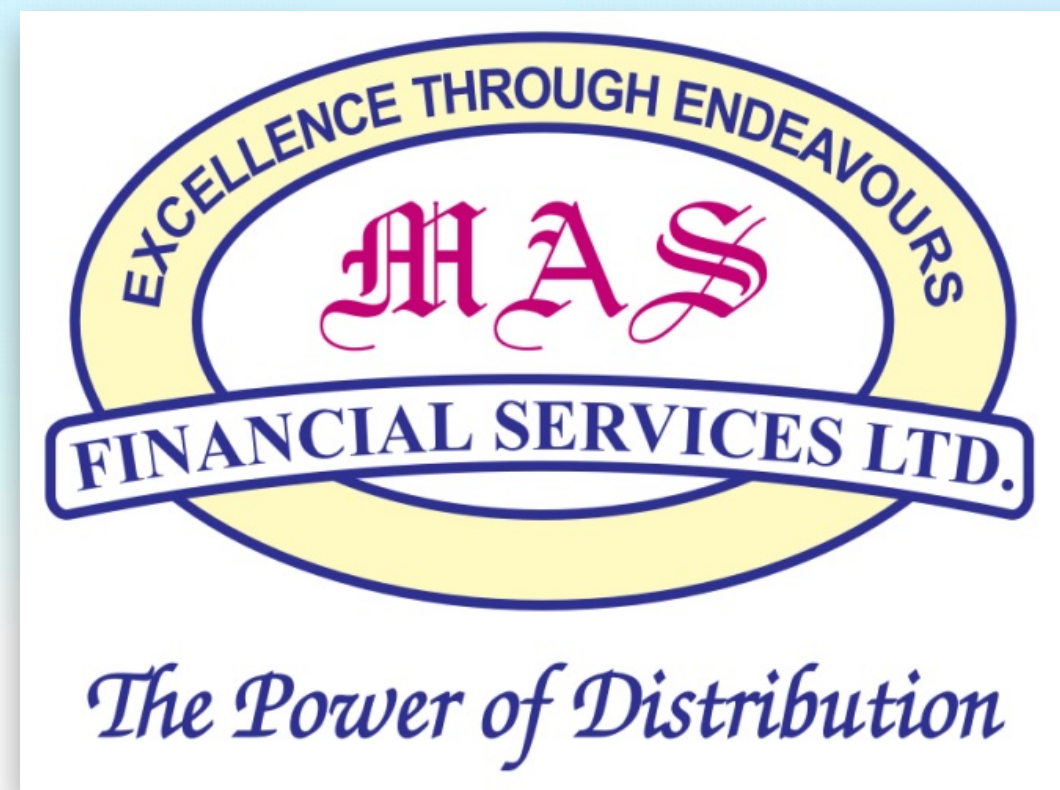
MARKET PRICE : Rs.763.50 (As on 16th June 2023)

TARGET PRICE : Rs.955.00

FACE VALUE : Rs.10

BSE CODE : 540749

NSE CODE : MASFIN





ABOUT THE COMPANY

Mas Financial Services Ltd. is registered as non-banking financial company with the Reserve Bank of India. With a plethora of retail finance options in its arsenal, MAS is focused on fulfilling the requirements of lower income and middle-income groups of the society. The Company offers Financial Services for Micro Enterprises Loans, SME Loans, Home Loans, Two Wheeler Loans, Used Car Loans, and Commercial Vehicle Loans to satisfy their varied needs. The focus remains on the vast lower income and middle income groups of the society, spread across urban, semi urban and rural areas, and including formal and informal sector.

The Company has network of 155+ branches in major cities of Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Tamil Nadu, Karnataka & New Delhi through which over 6000+ centres are catered is destined to grow so that it attend to the needs of the Company's valued customers efficiently, in every nook and corner.

MASS at a Glance



25+ Years of Endeavours

₹ 80,926 Mn.
AUM

7
States and NCR
of Delhi

149
Branches

9250+
Customer locations

7,58,000+
Active loan accounts

Diversified Product Portfolio



Micro-Enterprise
Loans (MEL)



SME Loans



2-Wheeler Loans

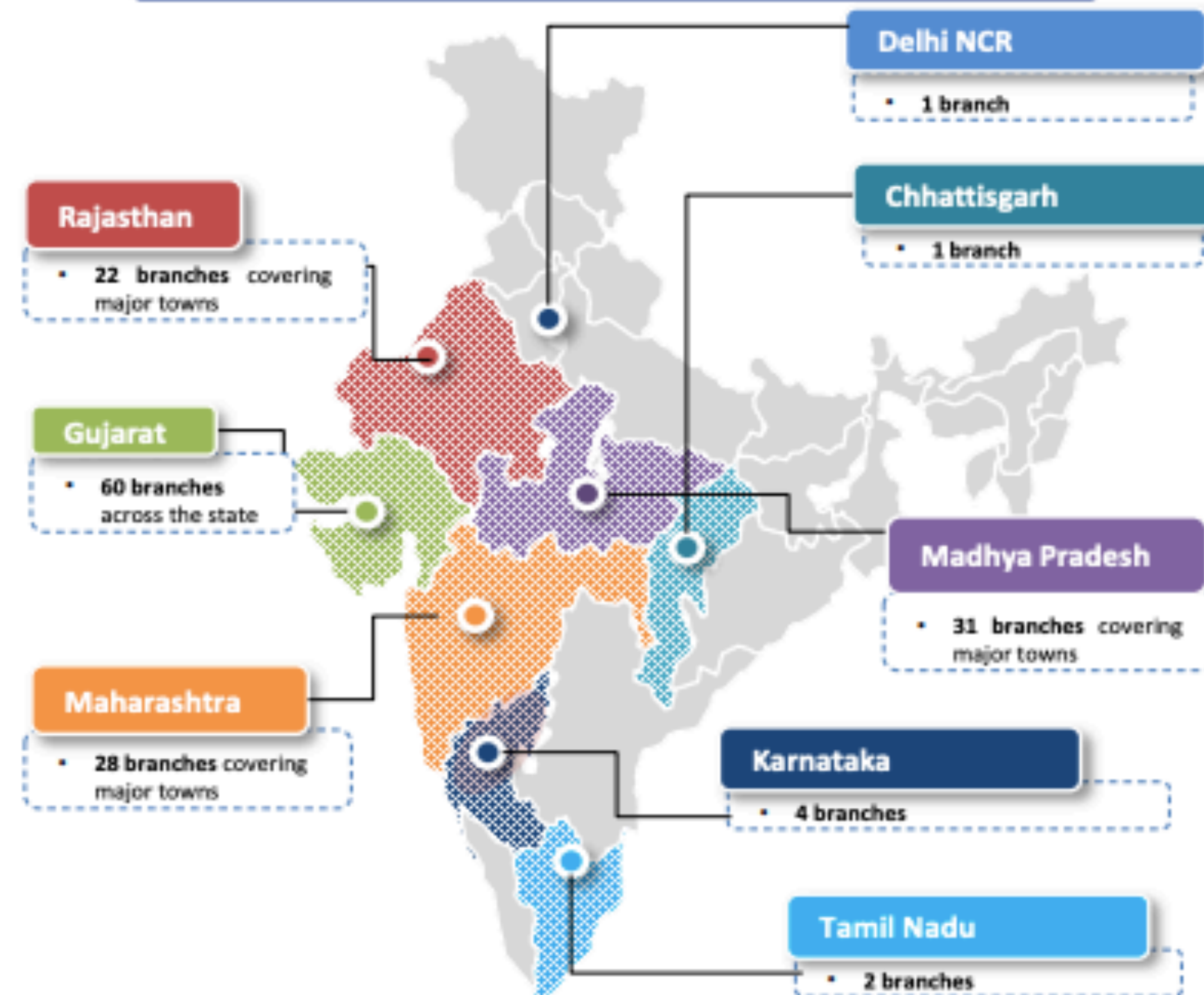


Commercial Vehicle
Loans



Salaried Personal
Loans

Strong Retail Presence & Distribution Network

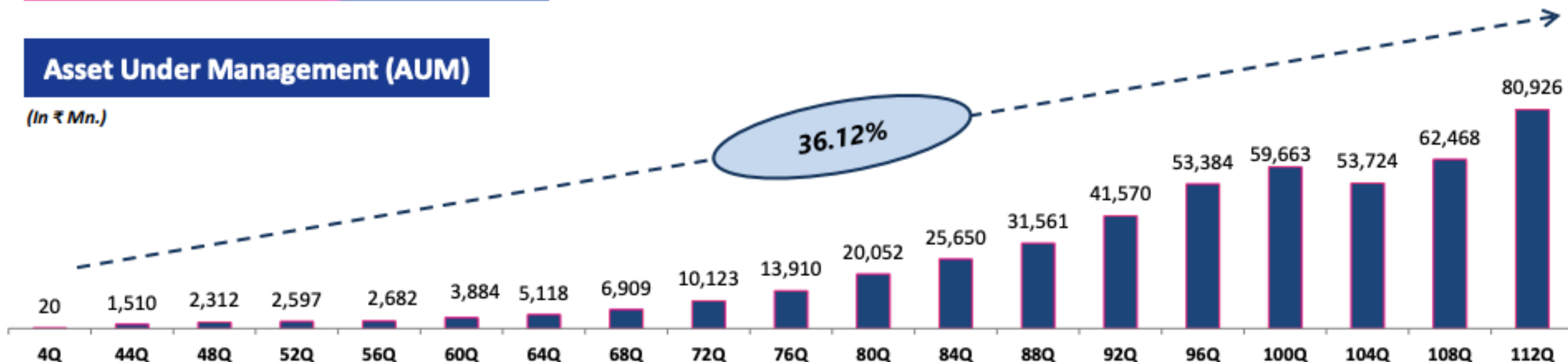


Sourcing Intermediaries: 268 242 148 NBFCs

Journey of 112 Quarters

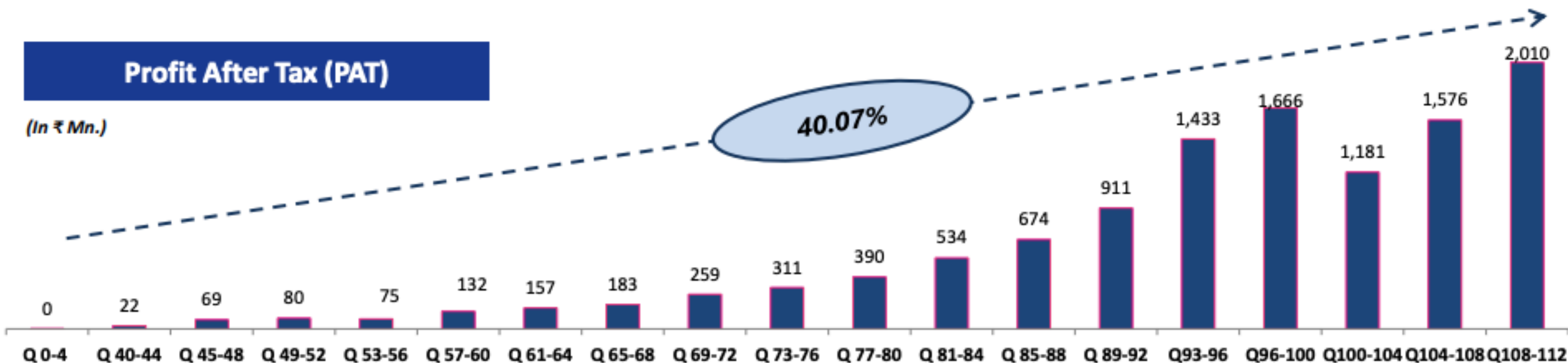
Asset Under Management (AUM)

(In ₹ Mn.)



Profit After Tax (PAT)

(In ₹ Mn.)



Growing consistently and steadily - *Our growth journey of LAST 16 YEARS SINCE OUR FIRST CAPITAL RAISE...*



ASSETS UNDER MANAGEMENT (AUM)

2,312

CAGR: 24.88%*

80,926

(In ₹ Mn.)

FY07

FY23

PROFIT AFTER TAX (PAT)

69

CAGR: 23.46%*

2,010

FY07

FY23

NET WORTH

212

CAGR: 30.53%*

15,057

FY07

FY23

✓ Despite various micro and macro headwinds including demonetization, GST, NBFC liquidity crisis, and COVID, **MAS** has displayed resilience and has delivered robust and sustainable growth

✓ Track record of high-quality portfolio with Net Stage 3 Assets below 2.00% over the period

✓ Maintained healthy return on assets and equity of around:

- ROA: Range -2.75% - 3.00%
- ROE: Range - 15.00% - 18.00%

Growth journey was fuelled predominantly from internal accruals

Going forward...

To continue consistent and steady growth momentum in the range of 20%-25%, resulting in a very strong compounding growth as demonstrated over the years

Enablers for Consistent Growth



HIGHLY CAPITALISED

- Highly capitalised for future growth. Sufficient capital to continue the growth momentum.
- Capital Adequacy of 25.25% ,Tier I Capital Adequacy of 20.79% & Tier II Capital Adequacy of 4.46%

2.

3.



Consistent Performer

1.

4.

SUCCESSFUL TRACK RECORD

- Successfully withstood multiple headwinds over the years.
- Proven track record of more than 25 years with AUM CAGR of 36.12% and PAT CAGR of 40.07%.

STRONG PROVISION BUFFER & PORTFOLIO QUALITY

- Consistent track record of high-quality portfolio with Net Stage 3 Assets of 1.52% as on 31st March 2023
- High provision buffer related to Covid-19 which is 0.31% of the on book Assets.

ROBUST LIQUIDITY POSITION

- Cash and cash equivalent of ~ ₹ 7,716 Mn. as on 31st March 2023.
- Sufficient liquidity to cover opex and debt liabilities for at least next 12 months.
- Positive across all cumulative ALM buckets.

Leveraging Technology Across Spectrum

1. Origination

- Centralized Onboarding System to capture new leads data digitally
- Captured Leads authenticated via mobile OTP
- Efficient & seamless Application Management (*Applicant, Co-Applicant & Guarantor*)
- Customized Document Upload with pre-defined check list & input validation
- Preliminary eligibility check (*positive/negative*) for further credit underwriting

4. Disbursement & Collection

- 100% Cashless / E-disbursement of loan amount
- eNACH permits paperless repayment setup
- Easy e-repayment facility via Paytm, BillDesk, and BharatPe for convenient and timely EMI payment



2. Decisioning

- Assess Credit worthiness through pre-set Business Rules Engine (BRE) & APIs plugins
- eKYC – Enables paperless verification of **customer's** Identity, Address, DOB etc. (*PAN/Aadhar/ DL / EC*)
 - Credit Bureau Check – Integrated API services to check customer past behavior, fraud detection/prevention, & trigger bureau score
 - Seamless process to fetch Corporate data such as financials, charges, shareholding, associates, litigation/defaults etc. (*Corpository Platform*)
 - Income Analyzer Tool – Customer Bank Statement / GSTR are automatically assessed to ensure current income and obligations

3. Operations

- Remote Digital Signatures – eSign permits paperless documentation wherein loan agreement is shared digitally with customer for review and e-signing (*eSign / eStamp APIs*)
- C-KYC management system for fast and accurate compliance
- Customer Engagement – Regular and timely updates to customers via WhatsApp, SMS & Email Services APIs

Enhancing Distribution Strength



Co – Lending Partnership



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra
भारत सरकार का उद्यम
एक परिवार एक बैंक

Bank of India



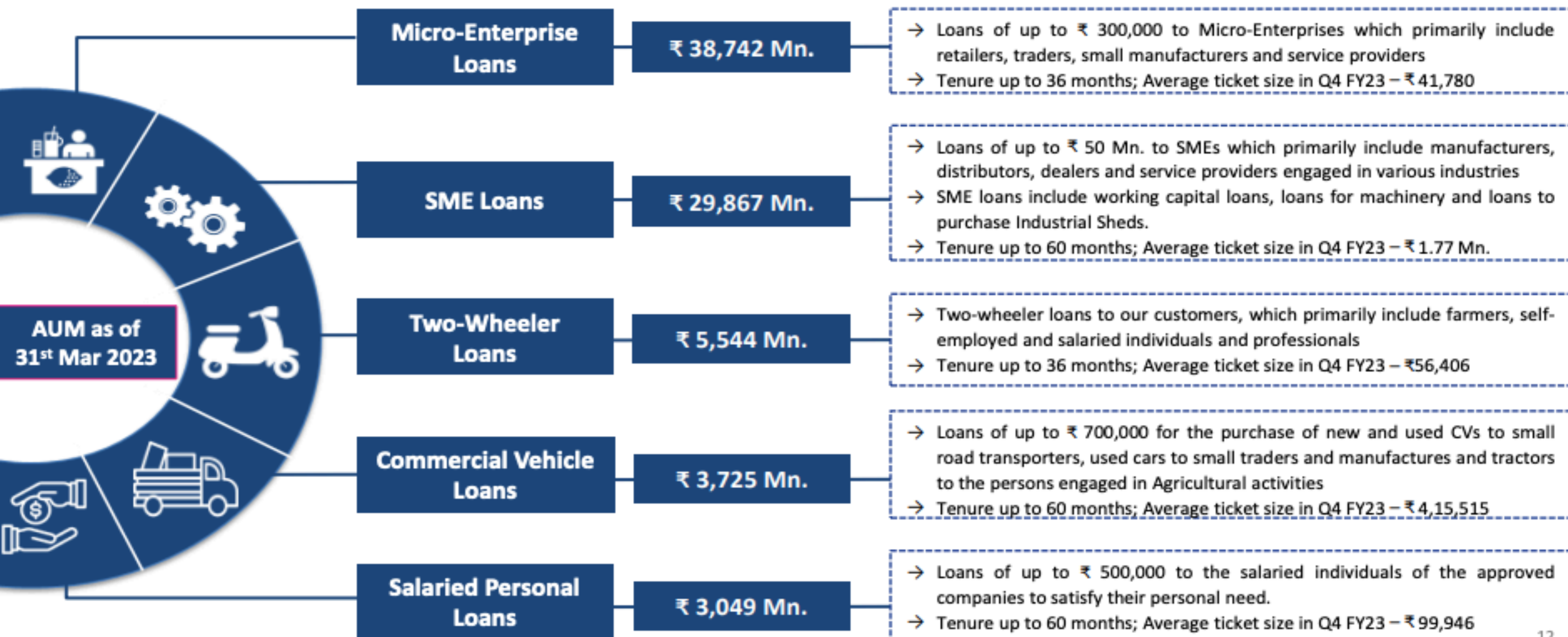
Relationship beyond banking

FinTech Collaboration



Diversified Product Offerings Presenting Significant Growth Opportunities

MAS FOCUSES ON SERVING THE UNDERSERVED CREDIT NEEDS OF MID AND LOW INCOME GROUP SEGMENTS

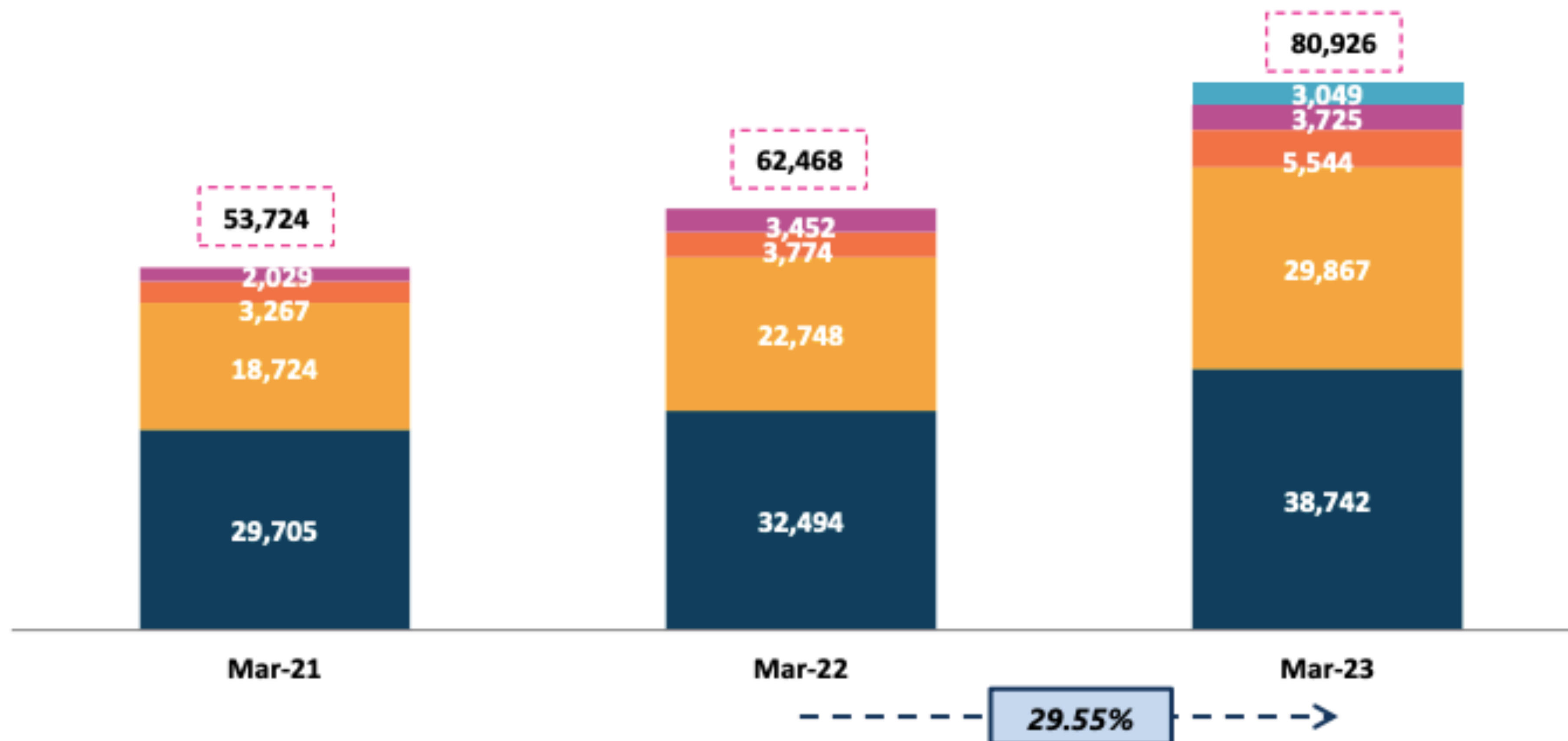


AUM by Product Category



AUM by Product Category (₹ Mn.)

■ Micro-Enterprise loans(MEL) ■ SME loans ■ 2-Wheeler loans ■ Commercial Vehicle loans ■ Salaried Personal Loans



Segment Performance

Mar -23 vs. Mar-22

Micro-Enterprise Loans

▲ 19.23%

SME Loans

▲ 31.29%

2-Wheeler Loans

▲ 46.88%

Commercial Vehicle Loans

▲ 7.90%

Adopted a cautious approach towards fresh disbursement during the COVID pandemic period i.e. FY 2020 and FY 2021, in line with our dictum of extending credit where it is due and high collection efficiency.

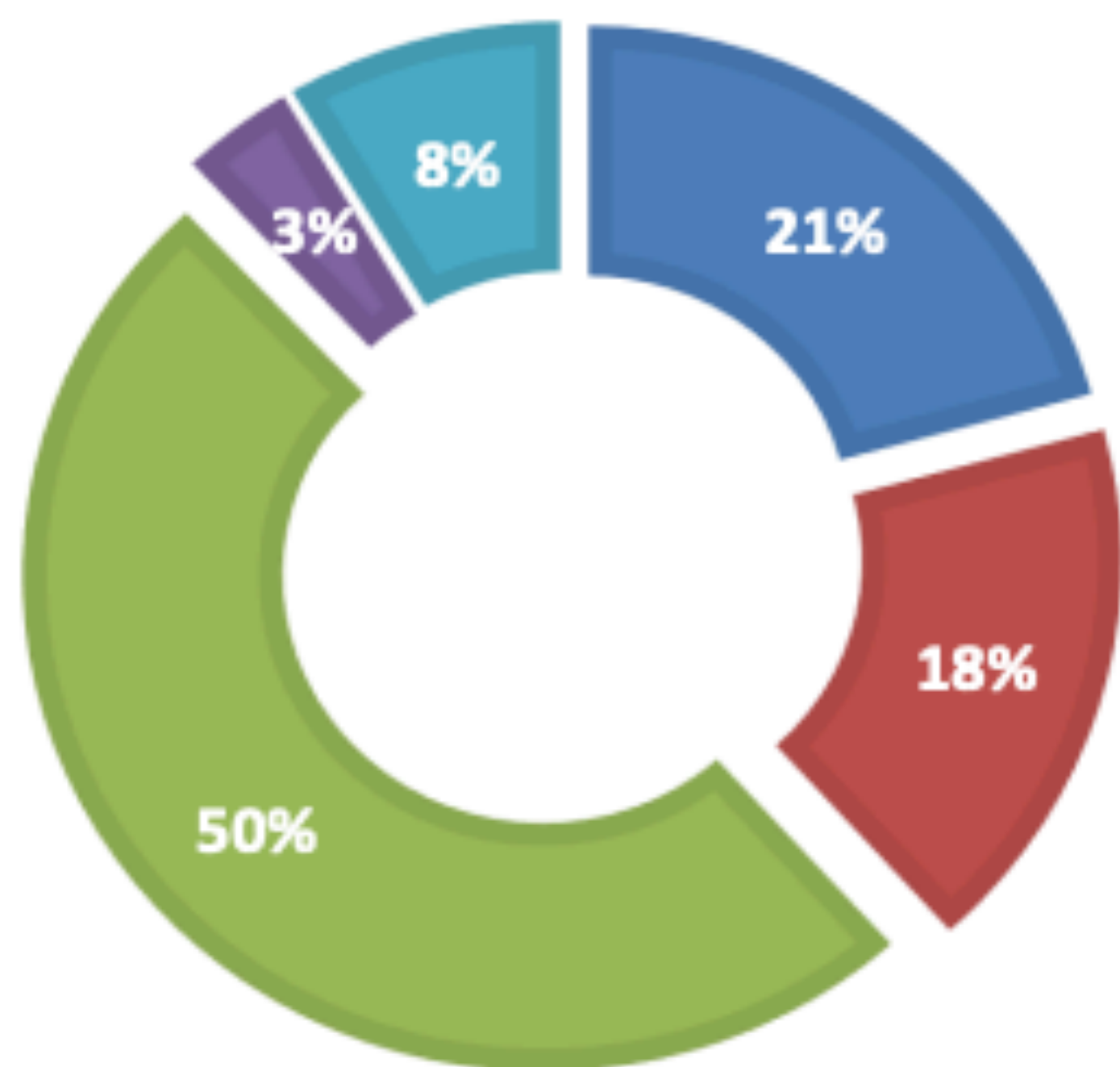


New Product Segment
Salaried Personal Loans

Liability Management

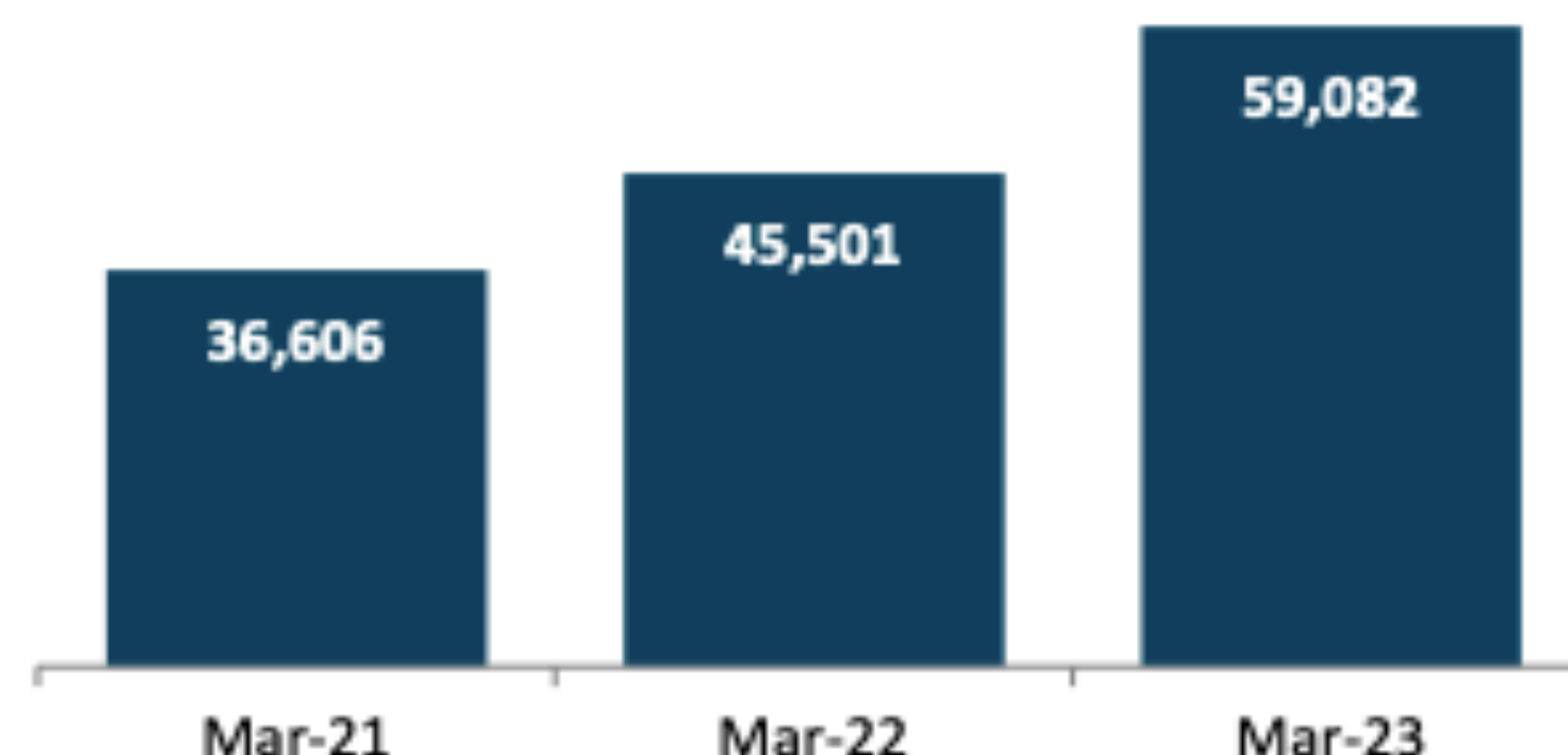


SOURCES OF FUND as on March 31, 2023

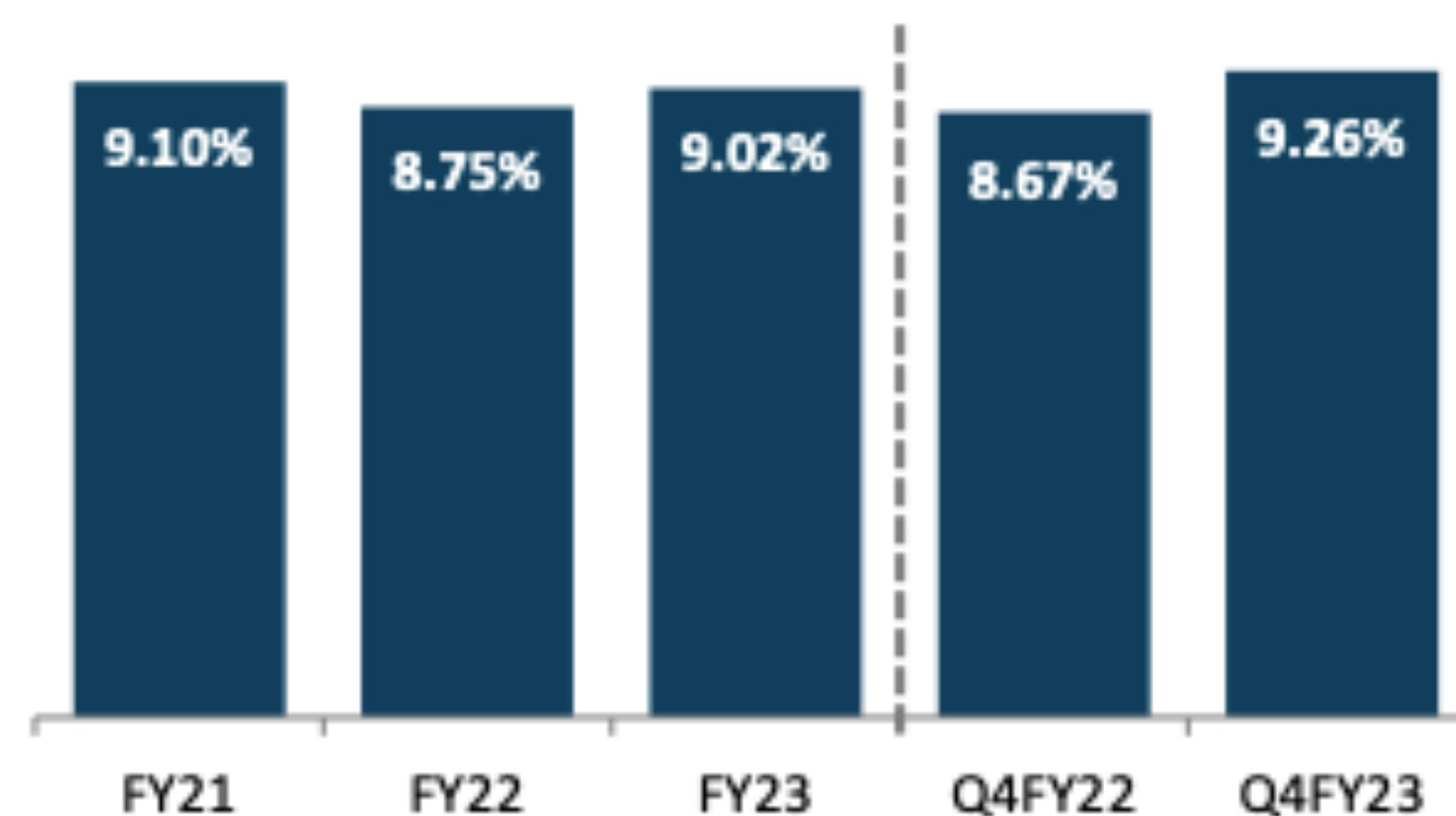


- DIRECT ASSIGNMENT (Incl. Co-lending)
- CASH CREDIT
- TERM LOAN
- SUB DEBT
- NON-CONVERTIBLE DEBENTURES

BORROWING (In ₹ Mn.)



COST OF BORROWING (COB)*



*Quarterly figures have been annualized.

- 1 The composition of our liability mix ensures healthy ALM and well diversified resource mix.
- 2 The Company withstood the litmus test very successfully during this most challenging period.
– A testimony to its very efficient liability management.
- 3 Capital adequacy ratio, as on 31st March 2023 is 25.25% against regulatory norms of 15%. Tier I capital is 20.79% as against requirement of 10%. Tier II capital is just 4.46% which may potentially increase from time to time depending on the requirement and also as a source of structural liquidity to strengthen ALM.
- 4 Around 85% of the portfolio is MSME loans which qualifies as Priority Sector Lending. The company aims to maintain around 20%-25% of AUM as off book through Direct assignment and Co-lending transactions. It is with matching door to door maturity and without recourse to the company. This further strengthens the liability management. The Direct Assignment and co-lending sanction on hand is around ₹ 12,000 Mn.
- 5 The total Cash credit limit available to the company is ₹ 16.90 Bn. spread across 14 banks. The utilization level is maintained at 65% - 70% of the total Cash Credit Facility, ensuring sufficient liquidity on hand.
- 6 Leverage Ratio on balance sheet works out to be 3.92 times and going forward plan is to maintain the leverage at optimum level.



Rural Housing & Mortgage Finance Limited (MRHMFL) Subsidiary

₹₹₹ is targeting affordable housing finance segment through its subsidiary

- ₹₹₹ Rural Housing & Mortgage Finance Limited (“₹₹₹ Housing” or MRHMFL) is a non-deposit taking , NHB registered, housing finance institution. It was incorporated in FY 2008 and headquartered in Ahmedabad, Gujarat
- MRHMFL provides loans for purchase of new and old houses, construction of houses on owned plots, home improvement loans and loans for purchase and construction of commercial property. It also extend loans to developers for construction of affordable housing projects
- MRHMFL provides housing loans in rural and semi-urban areas of Gujarat, Maharashtra, Rajasthan and Madhya Pradesh
- With its continued focus on the rural and semi-urban segments, the company has 73 branches and have sourcing arrangements with 54 intermediaries – typically project developers and property agents

Housing Loans



- Loans of up to ₹ 5 Mn. for residential and ₹ 10 Mn. for commercial
- Provides housing loans to customers, who are primarily salaried and self-employed individuals and loans to developers for construction of affordable housing project
- Tenure up to 300 months for residential and 144 months for commercial
- Average Ticket size in Q4 FY23– ₹ 7,08,367
- AUM as of 31st March 2023– ₹ 4,133 Mn.

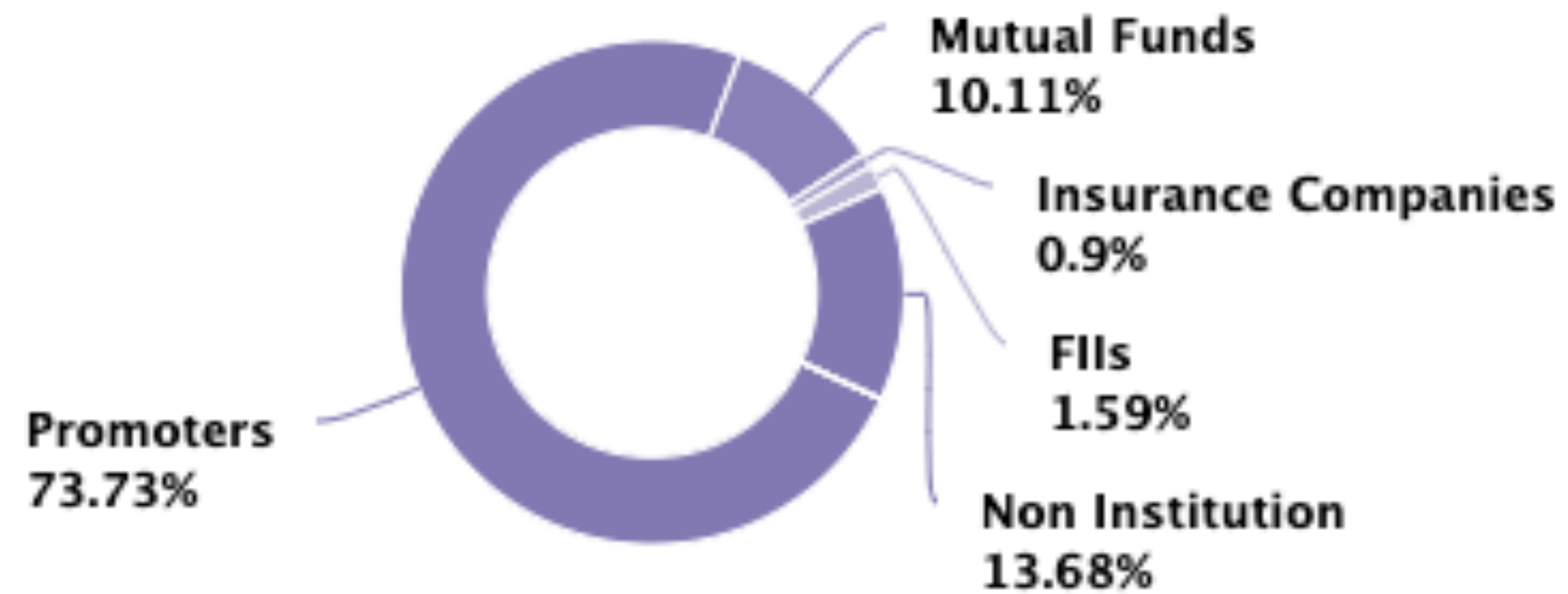
Yearly Results

YEARLY RESULTS OF MAS FINANCIAL SERVICES (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	987.83	690.17	626.98	722.06	604.58
Total Income From Operations	987.83	690.17	626.98	722.06	604.58
EXPENDITURE					
Employees Cost	70.70	47.79	35.03	58.69	52.05
Depreciation	2.72	2.07	2.57	2.85	1.60
Provisions And Contingencies	53.36	35.27	77.85	88.95	55.44
Other Expenses	95.82	50.81	31.35	37.22	31.42
P/L Before Other Inc., Int., Excpt. Items & Tax	765.23	554.23	480.17	534.35	464.07
Other Income	2.43	0.93	0.73	0.36	0.12
P/L Before Int., Excpt. Items & Tax	767.66	555.17	480.90	534.71	464.19
Interest	496.01	338.68	284.94	296.11	226.18
P/L Before Exceptional Items & Tax	271.65	216.48	195.97	238.60	238.01
P/L Before Tax	271.65	216.48	195.97	238.60	238.01
Tax	65.83	55.33	50.44	57.34	83.40
P/L After Tax from Ordinary Activities	205.82	161.15	145.52	181.26	154.61
Net Profit/(Loss) For the Period	205.82	161.15	145.52	181.26	154.61
Minority Interest	-2.56	-1.84	-1.16	-1.30	-1.07
Net P/L After M.I & Associates	203.26	159.31	144.36	179.96	153.54
Equity Share Capital	54.66	54.66	54.66	54.66	54.66
Reserves Excluding Revaluation Reserves	1,463.99	1,262.75	1,125.11	932.31	869.14
EPS BEFORE EXTRA ORDINARY					
Basic EPS	37.18	29.14	26.41	32.92	28.28
Diluted EPS	37.18	29.14	26.41	32.92	28.28
EPS AFTER EXTRA ORDINARY					
Basic EPS.	37.18	29.14	26.41	32.92	28.28
Diluted EPS.	37.18	29.14	26.41	32.92	28.28

Key Financial Ratios

KEY FINANCIAL RATIOS OF MAS FINANCIAL SERVICES (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	37.18	29.14	26.41	30.62	28.28
Diluted EPS (Rs.)	37.18	29.14	26.41	30.62	28.28
Cash EPS (Rs.)	38.15	29.86	27.09	31.27	28.58
Book Value [ExclRevalReserve]/Share (Rs.)	282.60	245.12	219.58	184.06	171.91
Book Value [InclRevalReserve]/Share (Rs.)	282.60	245.12	219.58	184.06	171.91
Revenue from Operations/Share (Rs.)	180.72	126.26	114.70	129.83	110.60
PBDIT/Share (Rs.)	140.94	101.94	88.45	96.85	85.21
PBIT/Share (Rs.)	140.44	101.56	87.98	96.33	84.92
PBT/Share (Rs.)	49.70	39.60	35.85	42.13	43.54
Net Profit/Share (Rs.)	37.65	29.48	26.62	30.75	28.28
NP After MI And SOA / Share (Rs.)	37.19	29.14	26.41	30.62	28.09
PROFITABILITY RATIOS					
PBDIT Margin (%)	77.98	80.73	77.11	74.60	77.04
PBIT Margin (%)	77.71	80.43	76.70	74.20	76.77
PBT Margin (%)	27.49	31.36	31.25	32.44	39.36
Net Profit Margin (%)	20.83	23.34	23.21	23.68	25.57
NP After MI And SOA Margin (%)	20.57	23.08	23.02	23.58	25.39
Return on Networth/Equity (%)	13.38	12.09	12.23	16.96	16.62
Return on Capital Employed (%)	49.22	29.16	29.18	45.19	14.24
Return on Assets (%)	2.53	2.52	2.65	3.47	3.84
Total Debt/Equity (X)	3.46	3.37	2.98	2.83	2.46
Asset Turnover Ratio (%)	0.14	0.11	11.54	14.72	15.12
LIQUIDITY RATIOS					
Current Ratio (X)	1.23	1.41	1.41	1.30	5.32
Quick Ratio (X)	1.23	1.41	1.41	1.30	5.32
Inventory Turnover Ratio (X)	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio (NP) (%)	0.00	9.43	0.00	37.87	15.68
Dividend Payout Ratio (CP) (%)	0.00	9.31	0.00	37.24	15.52
Earnings Retention Ratio (%)	0.00	90.57	0.00	62.13	84.32
Cash Earnings Retention Ratio (%)	0.00	90.69	0.00	62.76	84.48
COVERAGE RATIOS					
Interest Coverage Ratios (%)	1.55	1.65	1.69	1.78	2.05
Interest Coverage Ratios (Post Tax) (%)	1.55	1.65	1.69	1.78	2.05
VALUATION RATIOS					
Enterprise Value (Cr.)	8,862.38	6,514.05	7,182.04	4,644.95	4,976.35
EV/Net Operating Revenue (X)	8.97	9.44	11.45	6.55	8.23
EV/EBITDA (X)	11.50	11.69	14.85	8.77	10.68
MarketCap/Net Operating Revenue (X)	4.45	4.24	7.45	4.06	5.12
Retention Ratios (%)	0.00	90.56	0.00	62.12	84.31
Price/BV (X)	2.89	2.22	3.96	2.92	3.35
Price/Net Operating Revenue	4.45	4.24	7.45	4.06	5.12
Earnings Yield	0.05	0.05	0.03	0.06	0.05

Shareholding Pattern an on Mar'23



Summary

- ❖ With deliverance of sound performance in Q4 of FY'23, the Company's Net Sales increased by 49.43% i.e. Rs.280.93 crs in Mar'23 versus Rs.187.99 crs in Mar'22. However, the Net Profits grew up by 31.02% i.e. Rs.56.26 crs in Mar'23 as compared to Rs.42.94 crs in Mar'22.
- ❖ Viewing fair financials and its consistent performance, the Company is available at a good price of Rs.763.50 with its 52 week low at Rs.480.50 and 52 week high at Rs.937.95.
- ❖ Since the Promoters are holding majority stake around 73.73% as well as its robust valuations, anticipates that the Management is committed to growth of the Company.
- ❖ In Public Shareholding as on Mar'23, the FIIs stood with 1.59% stake. Whilst, the Mutual Fund Houses own 10.11% holdings in the Company.
- ❖ As a reaffirming fact, Mas Financial Services Ltd. is held by AXIS MF, BANDHAN MF, PGIM MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 13.38% & 49.22% respectively as on Mar'23.
- ❖ For the year ending Mar'23, Mas Financial Services Ltd. has declared an equity dividend of 36.50% i.e. Rs.3.65 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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Introduction:

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.researchlyne.com which is primarily focused on research of Multi-Cap stocks of India.

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List of Associates / Relatives:

1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

Note: Subject Company is a company on which buy/sell recommendation or target price is given or changed in the research report.

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2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.



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