

Rating:



Issue Summary:

Price Band (Rs)	Rs.456 – Rs.459
Face Value (Rs)	10
Market Lot	32 shares
Opens	6 th Oct, 2017
Closes	10 th Oct, 2017
Issue Size (Rs)	460 Cr
Listing	NSE & BSE

Issue Break Up:

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

Employee Reservation Portion up to Equity Shares aggregating up to Rs.7 crores

Book Running Lead Managers:

➤ Motilal Oswal Investment Advisors Ltd.
--

Registrar

➤ Link Intime India Pvt Ltd.

Company & Business Profile

Company is a Gujarat-headquartered NBFC with more than two decades of business operations and as of June 30, 2017, company operates across six states and the NCT of Delhi. Company's business and financing products are primarily focused on middle and low income customer segments. Company's Promoters have significant operational experience in the financial services sector in India, and shareholders include development finance institutions including FMO and DEG and private equity investors including Sarva Capital.

MAS Financial offer product and services under 5 categories:

1. Micro-enterprise loans
2. SME loans
3. Two-wheeler loans
4. Commercial Vehicle loans
5. Housing loans

Company also has commission based direct sales agents and revenue sharing arrangements with various dealers and distributors where part of loan default is guaranteed by such sourcing partners. As of June 30, 2017, company had 332 such sourcing intermediaries for our two-wheeler loan segment and 395 such sourcing intermediaries for their Commercial Vehicle loan segment. As of June 30, 2017, company has entered into arrangements with 55 sourcing intermediaries for housing loan segment, who typically are affordable housing project developers and property agents.

Objects of the Issue

- Fresh Issue of up to equity shares aggregating up to Rs.233 crores. The Company proposes to utilise the proceeds from the Fresh Issue towards augmenting its capital base to meet future capital requirements.
- Offer for Sale of up to equity Shares aggregating up to Rs.227 crores comprising of an offer for sale of up to equity Shares aggregating up to Rs. 113 crores by DEG (German Investment Corporation), an offer for sale of up to Equity Shares aggregating up to Rs 79 crores by FMO (Netherlands Development Finance company) and an offer for sale of up to equity shares aggregating up to Rs.35 crores by Sarva Capital.
- The objects of the offer are to achieve the benefits of listing the equity shares on NSE & BSE and for the sale of equity shares by the selling shareholders.

Investment Positives

- Track record of consistent growth with quality loan portfolio.
- Diversified product offerings presenting significant growth opportunities.
- Access to diversified sources of capital and cost-effective funding.
- Robust credit assessment and risk management framework.
- Experienced management team with reputed investors.

Financials (Rs in Crore)

Particulars (Rs. in Crore)	For the year ended				
	March 31,2017	March 31,2016	March 31,2015	March 31,2014	March 31,2013
Total Revenue	365	304	238	185	143
PBT	106	79	62	50	41
PAT	69	51	41	33	27
EPS(Rs)	16.14	11.82	9.12	7.33	5.63
EPS(Rs) Diluted	15.33	11.82	9.12	7.33	5.63

Company revenues grew at 26% CAGR in the last 5 years. Even its standalone revenues grew at 25% CAGR in last 5 years. It has posted consistent margins between 16.5% to 19.7% in the last 5 years. Its 3 years average EPS is Rs 13.53.

Peer Comparison

FY17	Revenue (Rs. Cr)	PAT (Rs. Cr)	NIM's	EPS	PE(x)	PBV(x)
MAS Financial Service Ltd.	365	69	7.02	16.14	28.4	11.4
Bajaj Finance Ltd.	9977	1836	10.2	33.58	53.75	11.27
Shriram City Union Finance Ltd.	4704	585	13.6	85.89	24.26	2.74

Concern

- Company, Promoters, Directors and our Subsidiary are involved in certain legal proceedings, any adverse developments related to which could materially and adversely affect company's business, reputation and cash flows.
- Company business operations involve transactions with relatively high risk borrowers. Any default from company's customers could adversely affect their business, results of operations and financial condition.

Valuation

The issue has been offered in a price band of Rs 456-459 per equity share. At the upper price band of Rs 456 the stock is available at P/BV of 11.4(x) and P/E of 28.4(x) based on FY17 EPS. Though issue is expensive in terms of valuations, based on qualitative pointers, robust past growth and future potential, above mentioned strengths and management quality we have **"3 Star"** rating for the issue.

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Research Analyst Registration No.

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**research@arihantcapital.com**Disclaimer:**

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.www.arihantcapital.com