



The Power of Distribution

19TH ANNUAL REPORT

2013-14

REGISTERED OFFICE

6, GROUND FLOOR, NARAYAN CHAMBERS,
B/H.PATANG HOTEL, ASHRAM ROAD,
AHMEDABAD – 380009.

DIRECTORS' REPORT

To,
The Members,
MAS FINANCIAL SERVICES LTD.
Ahmedabad

Your Directors are happy to present the **NINETEENTH ANNUAL REPORT** of your Company together with the Audited Accounts drawn for the year ended on 31st March 2014.

FINANCIAL RESULTS:

PARTICULARS	Year Ended on 31st March 2014 RUPEES	Year Ended on 31st March 2013 RUPEES
Revenue from Operations	1,766,540,470	1,365,036,518
Other Income	7,493,633	9,107,823
Total Income	1,774,034,103	1,374,144,341
Total Expenditure	1,298,633,626	991,132,796
Profit Before Tax	475,400,477	383,011,545
Provision for Taxation (Including Current tax, Deferred Tax & Income Tax of earlier Years)	164,821,697	123,958,701
Net Profit	310,578,780	259,052,844
Profit Brought Forward	56,260,264	64,264,328
Profit Available for Appropriation	366,839,044	323,317,172
APPROPRIATIONS:		
Premium on Redemption of Cumulative Redeemable Preference Shares	-	101,171,250
Transfer to Statutory Reserve	62,115,756	51,810,569
Interim Dividend	24,778,522	10,432,877
Proposed Dividend	59,328,477	65,430,060
Corporate Tax on Dividend	14,293,987	12,306,868
Transfer to General Reserve	31,057,878	25,905,284
Short provision for dividend distribution tax of earlier year	505,614	-
Surplus Balance carried to Balance Sheet	174,758,810	56,260,264



BUSINESS PERFORMANCE:

In the year 2013-14 the company continues to grow at an impressive rate of 36% in AUM and 20% in terms of PAT, evident from the financial presented above. The gross income realized by the company is ₹ 177.40 Crore (Previous year ₹ 137.41 Crore) comprising of income from operations and other income. Net Profit after tax is ₹ 31.06 Crore (Previous year ₹ 25.91 Crore). Asset under Management is ₹ 1383.27 Crore (Previous year ₹ 1017.78 Crore). This year's performance inspite of the challenging macro-economic factors set the stage for the further growth in AUM accompanied by increased geographical presence.

PROSPECTS AND DEVELOPMENTS:

The company continues to pursue the policy of catering to the lower and the middle income segment, which is reckoned to be the key driver of our economy. Various products ranging from MSME (Micro, Small and Medium Enterprises) Home Loans (through its subsidiary MRHMFL) caters to the various needs of the vast section of the society.

This is a very huge market to be served, which needs an efficient last mile delivery of credit thus creating enormous opportunity for all the financial institutions and NBFCs in special.

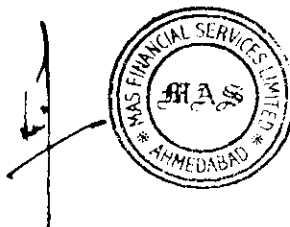
We firmly believe, that financial inclusion in a country like India is a function of efficient last mile delivery of credit, for which a very robust value chain has to be nurtured and developed. NBFCs in special play a pivotal role in this value chain and deserve its due understanding and recognition thus creating an enabling situation to perform to its full potential. It is worth mentioning here that, the regulators are keen to have a fresh look at the sector. I trust that, they will be able to create an enabling situation for this sector to develop.

Introduction of machinery loans to the SME this year has shown lot of promise. We are in the process of understanding the segment and are keen to add value to all such small and medium enterprises by extending the most efficient financial services.

In consonance to our policy of building up quality assets, we are confident of creating inroads in this market too. We are planning to expand geographically, starting from Maharashtra.

Partnering with regional NBFCs for distribution of various products and providing them the line of credit also remains one of the major business plans. We firmly believe that the players having proximity to the region are the most potential organization in the last mile delivery of credit. We not only fund them but also share with them the domain expertise which the company possesses through its vintage of more than two decades. We are encouraged by the response of such NBFCs and are keen to forge very useful mutually beneficial relationships going forward.

The company has consolidated its operations in the region of Rajasthan, Maharashtra besides Gujarat. The company has expanded its operations in Madhya Pradesh beyond Indore to Bhopal, Gwalior and Jabalpur. In Tamilnadu it operates through its Chennai branch and Karnataka through its Bengaluru (Bangalore) branch, taking the tally of the branches to 73 and the total centers covered to approx. 3000.



MRHMFL (Mas Rural Housing & Mortgage Finance Ltd. – subsidiary of MFSL) aims at serving the middle income and the lower income sector of the economy, especially in the semi urban and rural areas, which are reckoned to be the key drivers of the sector in the coming decades. Full-fledged efforts are on to execute efficiently, as per the detail planning. Being aware of the challenges involved in serving this class of the society, a very cautious approach is adopted in building up volumes. Nevertheless, company is quite confident of building substantial volumes in the near future. The company's rural initiative will also start yielding results shortly.

RESOURCES:

The company continues to enjoy the confidence of its current investors FMO and DEG and acknowledges their constructive support. We are delighted to welcome Lok Capital as one of our investors. We firmly believe that, their constructive support will go a long way in realizing company's vision.

The company is in process of identifying the potential investors. The internal accruals of the company and the business model pursued will successfully enable us to grow at a commendable pace of close to 30% per annum. Number of institutional investors has shown keen interest.

The company by virtue of its performance over the years enjoys very good relationships with many leading banks and financial institutions. The company could raise the required resources from various banks and financial institutions comfortably. We anticipate the same response from all our lending partners for the coming year too. The company anticipates credit lines from few more banks and financial institutions besides the existing ones.

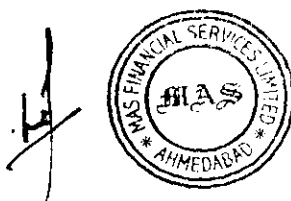
Your Company continues to command the respect and the confidence of Bankers as their extended channel in their task of providing efficient delivery of credit. The company acknowledges the constructive support of the Investors and consortium member banks.

HUMAN RESOURCE MANAGEMENT AT MAS

Human Resource Management plays a very important role in realizing the company's objective. The company is managed by the active involvement of the promoters along with strategic inputs from a well-diversified and competent board.

The articulation and implementation of the strategies is carried on by the core team along with Team MAS. Core team at MAS is a group of dedicated and competent team of personnel, associated with the company almost since its inception and have always extended unstinting support besides, having identified and aligned their career objective with the company.

I trust with all the above qualities accompanied by the determination to excel, this team forms a formidable second line of management at MAS.



Your company will always strive to strengthen this most important resource in its quest to have enabling human capital.

RISK MANAGEMENT

Financing activity is the business of management of risks, which in turn is the function of the appropriate credit models and the robust systems and operations. Your company continues to focus on the above two maxims, and is always eager to improve upon the same.

Your Company continues to give prime importance to the function of receivables management, as it considers this the ultimate reflection of the correctness of marketing strategy as well as appraisal techniques. The company achieved almost 98.50% recovery, with overdue of 1.50% only. It may be noted that the above-mentioned 1.50% debtors are under strictest surveillance of follow up. The Net NPA of the company is ₹ 12.22 Crore which is approximately 0.88% of Asset under Management.

CAPITAL

The Net Worth of the company as on 31st March 2014 is ₹ 165.19 Cr. inclusive of ₹ 16 Cr. Equity Share Capital.

DIVIDEND

The Board propose final dividend at the rate of 35% for Equity Shareholders for the year ended on 31st March, 2014.

STATUTORY COMPLIANCE:

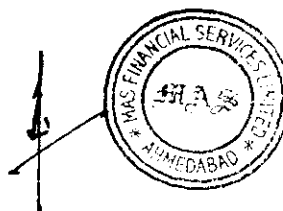
The Company has made necessary provisions towards non-performing assets, fully complying with the provisioning requirement of the Prudential Norms prescribed by Reserve Bank of India. The company has also complied with the directions issued by Reserve Bank of India regarding Capital Adequacy, Asset classification and provisioning norms.

INSURANCE:

The assets of your Company have been adequately insured.

LEGISLATIVE AND REGULATORY ISSUES

It has always been very challenging for the NBFC sector since long to get an enabling situation for growth. However, the sector has always emerged stronger, despite of various discriminations. This confirms the basic reality on the ground that, the last mile credit delivery provided by NBFCs is of paramount importance, to say the least. However, we trust and believe; that, all the stakeholders and regulators in particular will accord due importance to the sector and create an enabling situation for the NBFCs to grow, which in turn will promote inclusive growth.



DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that:

1. In the preparation of the annual accounts for the Financial Year ended 31st March, 2014 the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profit for the period from 1st April, 2013 to 31st March, 2014.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts for the financial year ended 31st March 2014 have been prepared on a "Going Concern Basis".

STATUTORY INFORMATION

Particulars of Employees

The information as required Under Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employee) Rules, 1975, is NIL.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo:

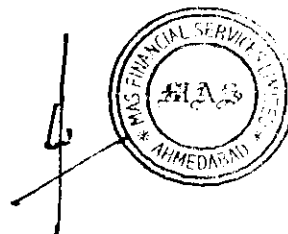
The Company has no activities relating to Conservation of energy or Technology Absorption. The company has no Foreign Exchange earnings and outflow.

AUDITORS:

M/s. Deloitte Haskins & Sells, auditors of the Company retire at the ensuing Annual General Meeting of the company and are eligible for reappointment. The members are requested to consider their reappointment for the financial year 2014-15.

DIRECTORS:

We are pleased to welcome Mr. Venkatesh Natrajan on the board as a nominee director of Lok Capital. We trust that his expertise and vast experience will add value in company's growth.



In accordance with Articles 134 and 135 of the Articles of Association of the Company and the provisions of the Companies Act, 1956, Mr. Mukesh Gandhi, Whole Time Director is liable to retire by rotation at the ensuing AGM and is eligible for reappointment.

Subject to the approval of the members in the general meeting, the Board of Directors re-appointed Mr. Kamlesh Gandhi as Managing Director and Mr. Mukesh Gandhi as Whole Time Director effective April 1, 2014 for a period of five years.

ACKNOWLEDGEMENT

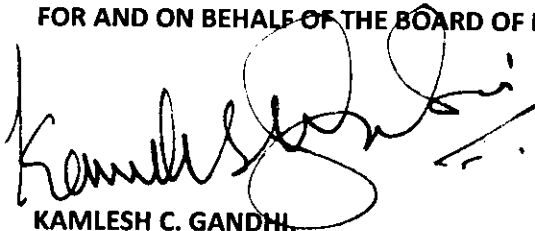
The Directors place on record their appreciation to all those people, who have so willingly placed their trust in the company & management and to more than one million customers across the length and breadth of the states of Gujarat, Rajasthan, Maharashtra, Madhya Pradesh, Tamilnadu and Karnataka, who have given the company opportunity to serve them.

The entire MAS Team deserves the appreciation for their sincere efforts and determination to excel. The core team of MAS plays a pivotal role in articulating and implementing the strategic decisions and thus contributing to the development of the company. I take this opportunity to express my heartfelt appreciation for their continuous support, hard work and dedication.

I trust this journey will continue to be a pleasant one with their support, aware of the fact that we have "Miles to go.... with the confidence that "Together We Can and We Will."

Best Wishes,

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



KAMLESH C. GANDHI

(CHAIRMAN & MANAGING DIRECTOR)



Place : Ahmedabad.

Date : 28th May, 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAS FINANCIAL SERVICES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **MAS FINANCIAL SERVICES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

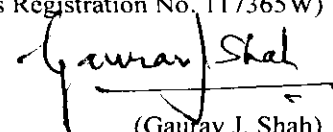
In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
 - (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 117365W)


(Gaurav J. Shah)
(Partner)
(Membership No. 35701)

AHMEDABAD, 28th May, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) There have been no disposals of fixed assets during the year.
- (ii) The Company being a Non-Banking Financial Company has no inventory. Accordingly, the provisions of clauses 4(ii) (a), (b) & (c) of the Order are not applicable to the Company.
- (iii) In respect of the loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company has granted loans to four parties covered in the register maintained under section 301 of the Companies Act, 1956. At the year-end, the outstanding balances of such loans aggregated to Rs. 2586.89 lacs (three parties) and the maximum amount involved during the year was Rs. 8409.71 lacs (four parties).
 - (b) The rate of interest and the other terms and conditions of such loans are not, in our opinion, *prima facie*, prejudicial to the interest of the Company.
 - (c) The receipts of principal amounts and interest have been regular/as per stipulations.
 - (d) There is no overdue amount in excess of Rs. 1 lakh remaining outstanding as at the year end.

The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction (excluding loans reported under paragraph (iii) above) is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.

