July 16, 2015

CARE ASSIGNS 'CARE A1+ (SO)' RATING TO THE COMMERCIAL PAPER ISSUE OF MAS FINANCIAL SERVICES LIMITED

Rating

Instrument	Amount (Rs. crore)	Rating[1]	Remarks
Commercial Paper Issue@	100.00	**CARE A1+ (SO)** **[A One Plus (Structured Obligation)]**	Assigned

@ backed by unconditional and irrevocable Back Stop Facility Agreement between IDBI Bank Ltd. (rated CARE AA+ for its Lower Tier II bonds) and MAS Financial Services Ltd. (MASF)

Rating Rationale

The rating assigned to the Commercial Paper Issue of MAS Financial Services Ltd. (MASF) factors in the strength of the transaction structure and the credit quality of IDBI Bank Ltd. (rated CARE AA+ for its Lower Tier II bonds), which has provided credit enhancement in the form of the backstop facility arrangement to ensure timely payment of the aforementioned Commercial Paper Issue on maturity.

IDBI Bank Ltd.'s rating continues to factor in the majority ownership and support by Government of India (GOI), comfortable capitalization level and large scale of operations.

IDBI Bank's rating also factors in its moderate asset quality, pressure on profitability and moderate CASA deposit proportion.

Continued ownership and support from GOI, asset quality and profitability are the key rating sensitivities for IDBI Bank's rating.

Background (MAS Financial Services Ltd.)

Incorporated in 1988 by Mr. Mukesh Gandhi and Mr. Kamlesh Gandhi, MAS Financial Services Ltd. (MASF) is a non-deposit accepting NBFC with assets of Rs.2,090 crore under its management. The company is primarily engaged in retail assets financing through lending to NBFC-MFIs and other NBFCs (50% of assets under management as on March 31, 2015), small ticket business loans (25%), two-wheeler finance (10%), equipment finance to SMEs (7%) and commercial vehicle finance (5%). The company had a network of 78 branches in Gujarat, Rajasthan, Maharashtra, Bengaluru, Bhopal, Chennai and Indore. MASF is also engaged in housing finance through its subsidiary, MAS Rural Housing and Mortgage Finance Ltd., which had an outstanding portfolio of Rs.94 crore as on March 31, 2015.

Background (IDBI Bank Ltd.)

Industrial Development Bank of India (IDBI) was established under the IDBI Act, 1964 as a Development Financial Institution (DFI). In September 2004, it was converted into a bank. As on September 30, 2014, it had a network of 1,488 branches (which includes one overseas branch at DIFC, Dubai) and 2,727 ATMs. IDBI Bank has five subsidiaries, viz., IDBI Asset Management Co. Ltd (100% stake), IDBI Capital Market Services Ltd (100%), IDBI Intech Ltd (100%), IDBI MF Trustee Company Ltd. (100%) and IDBI Trusteeship Services Ltd (54.7%). The bank also has a JV, IDBI Federal Life Insurance Company Limited with the bank holding 48% stake. As on March 31, 2015, IDBI Bank had a total asset base of Rs.356,031 crore.

Based on audited financials, IDBI Bank reported a PAT of Rs.873 crore on a total income of Rs.32,162 crore in FY15 (FY refers to the period from April 1 to March 31), compared with a PAT of Rs.1,121 crore on a total income of Rs.29,576 crore in FY14.

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

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

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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