September 16 2020

Magma Fincorp Limited: ICRA withdraws ratings for PTCs backed by pool of tractor loan receivables originated by Magma Fincorp Limited

Summary of Rated Instrument

Trust Name	Instrument*	Initial Amount (Rs. crore[1])	Amount o/s after last surveillance (Rs. crore)	Current Amount O/s (Rs. crore)	Rating action
MFL Securitisation Trust LXI	PTC Series A1	38.02	6.42	0.00	[ICRA]AA(SO) Withdrawn
	PTC Series A2	2.00	0.34	0.00	[ICRA]AA(SO) Withdrawn
	Second Loss Facility (SLF)	2.30	2.30	0.00	[ICRA]BBB-(SO) Withdrawn
	Liquidity Facility (LF)	0.70	0.70 (0.51 utilized)	0.00	[ICRA]AAA(SO) Withdrawn

**Instrument details are provided in Annexure I*

Rationale

ICRA has withdrawn the ratings for PTCs, Second Loss facility (SLF) and Liquidity Facility (LF) backed by one pool of tractor loan receivables originated Magma Fincorp Limited as tabulated above.

All the payouts to the investors in the above mentioned instruments has been made and no further payments are due to the investors.

Key rating drivers

Credit strengths

- N.A.

Credit challenges

- N.A.

Description of key rating drivers highlighted above

N.A.

Liquidity position

N.A

[1] *100 lakh = 1 crore = 10 million*

Rating sensitivities

N.A

Key rating assumptions

N.A.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

About the company

Magma Fincorp Limited (formerly MFL Leasing Limited and MFL Shrachi Finance Limited) was incorporated in 1988 and is registered with the Reserve Bank of India (RBI) as an asset-financing NBFC. The portfolio growth remained stagnant in H1FY2020 with the managed AUM at Rs. 16,463 crore as on September 30, 2019 compared to Rs. 16,526 crore as on September 30, 2018. The portfolio mix remained largely stable, with vehicle financing, SME and mortgage constituting 66%, 12% and 22%, respectively, of the portfolio. There has been an increased focus on the financing of CVs, used assets, SME and mortgage, the total share of which increased to 65% of the portfolio as on September 30, 2019 from 53% as on March 31, 2018. While MFL has a long track record in asset-based product financing (CVs, CE, cars, tractors), its SME business gained volume only from FY2014. The company entered mortgage financing in February 2013 and general insurance through a joint venture in October 2012.

In FY2019, MFL recorded a consolidated profit after tax of Rs. 304 crore on a total consolidated asset base of Rs. 16,789 crore compared with a consolidated profit after tax of Rs. 237 crore on a total consolidated asset base of Rs. 14,894 crore in FY2018. On a standalone basis, MFL reported a profit after tax of Rs. 275 crore on an asset base of Rs. 14,991 crore in FY2019 compared to a profit after tax of Rs. 202 crore on an asset base of Rs. 13,568 crore in FY2018.

In 9M FY2020, MFL recorded a consolidated profit after tax of Rs. 63 crore on a total consolidated asset base of Rs. 16,432 crore compared with a consolidated profit after tax of Rs. 219 crore on a total consolidated asset base of Rs. 15,546 crore in 9M FY2019. On a standalone basis, MFL reported a profit after tax of Rs. 25 crore on an asset base of Rs. 14,021 crore in 9M FY2020 compared to a profit after tax of Rs. 189 crore on an asset base of Rs. 13,908 crore in 9M FY2019. On a consolidated basis, the company's borrowing mix consisted of working capital lines (25%), securitisation (34%), non-convertible debentures (NCDs; 6%), term loans (28%) and perpetual & subordinated debt (7%) as on December 31, 2019. About two-third of the funding was generated through banks.

Key financial indicators (consolidated)

	FY2018 Ind-AS	FY2019 Ind-AS	9M FY2020 Ind-AS
Profit after tax	237	304	63
Net worth	1,972	2,744	2,775
AUM	15,801	17,029	16,574
On-book portfolio	14,644	15,645	14,776
Return on average assets	1.6%	1.8%	0.4%
Return on average equity	11.4%	12.9%	2.3%
Gearing (times)	6.1	4.8	4.7
% CRAR (MFL standalone)	17.3%	24.9%	26.9%
% Gross stage 3 (on-book)	8.6%	4.8%	6.7%
% Net stage 3 (on-book)	4.5%	3.1%	4.5%
% Net stage 3/ Net worth	31.7%	17.2%	23.3%

Source: Magma, ICRA research; Amount in Rs. crore

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years

No	Name of Instrument	Current Rating (FY 2021)				Chronology of Rating History for the past 3 years				
		Type	Initial Rated amount (Rs. Crores)	Amount outstanding (Rs. Crores)	Month-year & Rating	Month-year & Rating	Month-year & Rating FY2020	Month-year & Rating FY2019	Month- year & Rating FY2018	
					16-Sep-20	25-Jun-2020	23-May-2019	22-Oct-2018	05-Mar-2018	02-Jan-2018*
	MFL Securitisation Trust LXI	PTC Series A1	38.02	0.00	[ICRA]AA(SO) Withdrawn	[ICRA] AA(SO)	[ICRA] AA(SO)	[ICRA] AA(SO)	[ICRA] AA(SO)	Provisional [ICRA]AA(SO)
		PTC Series A2	2.00	0.00	[ICRA]AA(SO) Withdrawn	[ICRA] AA(SO)	[ICRA] AA(SO)	[ICRA] AA(SO)	[ICRA] AA(SO)	Provisional [ICRA] AA(SO)
		Second Loss Facility (SLF)	2.30	0.00	[ICRA]BBB-(SO) Withdrawn	[ICRA] BBB-(SO)	[ICRA] BBB-(SO)	[ICRA] BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)
		Liquidity Facility (LF)	0.70	0.00	[ICRA]AAA(SO) Withdrawn	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)	Provisional [ICRA] AAA(SO)

** Initial Rating assigned*

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I: Details of Instruments

Sl.	Trust name	Instrument name	Date of issuance	Coupon rate (p.a.)	Scheduled maturity date	Current amount o/s (Rs. crore)[2]	Current rating
1.	MFL Securitisation Trust LXI	PTC Series A1	December 2017	6.45%	August 2022	0.00	[ICRA]AA(SO) Withdrawn
		PTC Series A2		Residual		0.00	[ICRA]AA(SO) Withdrawn
		Second Loss Facility (SLF)		-		0.00	[ICRA]BBB-(SO) Withdrawn
		Liquidity Facility (LF)		-		0.00	[ICRA]AAA(SO) Withdrawn

[2] *100 lakh = 1 crore = 10 million*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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