

March 09, 2021

Magma Fincorp Limited: ICRA withdraws ratings for PTCs, SLF and LF issued under one commercial vehicle and tractor loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Previous Rated Amount (Rs. crore)	Amount O/s during previous surv exercise (Rs. crore)	Current outstanding Amount (Rs. crore)	Rating Action
MFL Securitisation Trust LXIV	PTC Series A1	56.59	8.53	0.00	[ICRA]AA+(SO); withdrawn
	PTC Series A2	3.14	0.47	0.00	[ICRA]AA+(SO); withdrawn
	Second Loss Facility (SLF)	3.14	3.14	0.00	[ICRA]BBB(SO); withdrawn
	Liquidity Facility (LF)	1.05	1.05 (0.38 utilized)	0.00	[ICRA]AAA(SO); withdrawn

*Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn the ratings for PTCs, Second Loss Facility (SLF) and Liquidity Facility (LF) issued under one commercial vehicle and tractor loan securitisation transaction originated by Magma Fincorp Limited (MFL), as tabulated above.

All the payouts to the investors in the above-mentioned instruments have been made and no further payment are due to the investors.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the rated instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click here](#)

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 non-banking financial company (NBFC). MFL primarily provides finance for commercial vehicles (CVs), construction equipment (CE), passenger cars, used assets, tractors, SME and mortgage assets. 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 FY2020, MFL recorded a consolidated profit after tax of Rs. 27 crore on a total consolidated asset base of Rs. 15,852 crore compared with a consolidated profit after tax of Rs. 304 crore on a total consolidated asset base of Rs. 17,346 crore in FY2019. In 9M FY2021, Magma reported a consolidated profit after tax of Rs. 89 crore on a total consolidated asset base of Rs. 15,117 crore. Magma reported assets under management of Rs. 15,006 crore as on December 31, 2020. Vehicle loans continued to

dominate the portfolio mix at 62% followed by mortgage (28%) and SME (10%). The gross stage 3 asset ratio stood at 6.9% as on December 31, 2020 (vs. 6.4% as on March 31, 2020) and the net stage 3 asset ratio at 4.5% as on December 31, 2020 (vs. 4.2% as on March 31, 2020).

Key financial indicators (audited; consolidated)

Magma Fincorp Limited	FY2019	FY2020	9M FY2021
Total income	2,495	2562	1,179
Profit after tax	304	27	89
Net worth	2,744	2,748	2,858
Total assets under management	17,028	16,134	15,006
Total assets	17,346	15,852	15,117
Return on average assets	1.8%	0.2%	0.8%
Return on average equity	12.9%	1.0%	4.2%
Gearing (times)	4.8	4.4	3.8
% CRAR (standalone)	24.9%	25.9%	28.0%
% Gross stage 3 assets (on-book)	4.8%	6.4%	6.9%
% Net stage 3 assets (on-book)	3.1%	4.2%	4.5%
% Net stage 3 assets/ Net worth	17.2%	21.1%	20.5%
% Gross NPA	4.8%	6.4%	3.7%
% Net NPA	3.1%	4.2%	2.4%

Source: Company, ICRA research; All ratios as per ICRA calculation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years						
	Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2019		Date & Rating in FY2018	
				Mar-09-2021	Nov-26-2020	Nov-22-2019	May-23-2019	Oct-22-2018	Apr-16-2018	Mar-30-2018	
1 MFL Securitisation Trust LXIV	PTC Series A1	56.59	0.00	[ICRA]AA+(SO) withdrawn	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	
	PTC Series A2	3.14	0.00	[ICRA]AA+(SO) withdrawn	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	
	Second Loss Facility	3.14	0.00	[ICRA]BBB(SO) withdrawn	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	
	Liquidity Facility	1.05	0.00	[ICRA]AAA(SO) withdrawn	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	

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 [click here](#)

Annexure-1: Instrument details

Issue Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Scheduled Maturity Date	Amount Rated (Rs. Crore)	Current Rating
MFL Securitisation Trust LXIV	PTC Series A1	March 2018	6.60%	March 2023	0.00	[ICRA]AA+(SO) Withdrawn
	PTC Series A2		Residual		0.00	[ICRA]AA+(SO) Withdrawn
	Second Loss Facility		N.A.		0.00	[ICRA]BBB(SO) Withdrawn
	Liquidity Facility		N.A.		0.00	[ICRA]AAA(SO) Withdrawn

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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