



Magma Housing Finance (A Public Company with Unlimited Liability)

Instrument	Amount (in Rs crore)	Rating Action
Non Convertible Debentures	50.0	[ICRA]AA- (Stable); Assigned
Term Loan – Bank	50.0	[ICRA]AA- (Stable); Assigned

ICRA has assigned [ICRA]AA- (pronounced ICRA double A minus) rating to the Rs. 50.0 crore[†] bank term loan and Rs. 50.0 crore Non Convertible Debentures programme of Magma Housing Finance (MHF; A Public Company with Unlimited Liability)[†]. The outlook on the long-term ratings is Stable.

The ratings of MHF factors in the Magma group's long track record in asset financing business, Magma's well diversified branch network, diversified loan book (geographically as well as across asset classes) and experienced management team. While arriving at MHFs rating, ICRA has taken a consolidated view on credit profile of Magma Fincorp Limited (MFL), MHF and MITL[‡] (collectively referred to as Magma group) owing to common management, infrastructure sharing between the companies and the strategic importance of MHF to MFL given that MFL's housing loan business is an important extension to the existing bouquet of financial products offered by MFL. As on December 31, 2014 Magma group had loan book of Rs 19,503 crore spread across Utility vehicles/cars (UV/Cars), Commercial Vehicles (CV), Construction Equipments (CE), Used assets, Tractors, SME loans, Mortgage and gold loans. However, while the group has long track record in asset financing business, it has limited track record in mortgage financing (MHF's portfolio size of Rs 1,571 crore as on December 31, 2014), as the company commenced fresh disbursements under the new management from June 2013. The rating also factors in the strong financial flexibility Magma group enjoys owing to its relationship with a large number of banks, and access to capital market sources for fund raising. A sizeable part of Magma's loan book qualifies for priority sector funding from banks and helps Magma to maintain competitive cost of funds. The rating strengths are partly offset by deterioration in Magma's asset quality profile (MFL's 180+ dpd increased from 2.7% as on March 2014 to 3.9% as on December 31, 2014), its moderate capitalisation (Tier I capital of 11.0% as on December 31, 2014) and earnings profile (PAT/AMA[§] of 0.8% in FY14 and 0.9% in 9MFY15). Overall, the ability of the group to arrest deterioration in asset quality profile and maintain adequate capitalisation levels would remain key rating sensitivities; change in the rating of the parent could lead to a rating change for MHF.

About Magma Housing Finance

Magma Housing Finance (MHF), an unlimited liability company, is registered with National Housing Bank (NHB) as a non-deposit taking Housing Finance Company. The company was initially promoted as GE Money Housing Finance (GEMHF) by GE Capital Corporation. Subsequently, on February 11, 2013, the company was acquired by MFL through Magma Advisory Subsidiary Limited, a subsidiary of MFL. The name of GEMHF was changed to its present name in March 2013. MHF is engaged mainly in providing housing loans, loan against property and construction finance loans. The company commenced disbursements under the new management from June 2013. As on December 31, 2014, MHF accounted for ~60% of Magma group's mortgage loan book, balance was in MFL. Magma group offers mortgage business from around 100 locations out of 238 branches of MFL.

During FY14, MHF reported PAT of Rs 2.64 crore on a total asset base of Rs 1,163 crore as on March 31, 2014 as against PAT of Rs 12.64 crore on total asset base of Rs 858 crore as on March 31, 2013. During 9M, FY15, the company reported PAT of Rs. 7.69 crore (provisional). MHF's loan book was Rs. 1,571 crores as on December 31, 2014.

* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

‡ Magma ITL Finance Limited

§ Profit after tax (PAT)/ Average Managed Assets (AMA)



About Magma Fincorp Limited

Magma Fincorp Limited (Formerly known as Magma Leasing Limited and Magma Shrachi Finance Limited) was incorporated in 1989 and is registered with RBI as an Asset Financing NBFC. In early 2007, the Company was merged with Shrachi Infrastructure Limited, an NBFC operating in the retail finance space. As on December 31, 2014 Magma group had loan book of Rs 19,503 crore composed of UV/cars (26.1%), CV (14.6%), CE (10.2%), Used assets (11.9%), Tractors (17.7%) SME loans (5.9%), mortgage (13.5%) and marginal share of gold loan book. While MFL has a long track record in core product financing (CV, CE and Car), other high yielding assets like tractor and SME financing were started in FY 2010. The company entered in mortgage business in February 2013 and in General Insurance, through a joint venture, in October 2012. As at December 31, 2014, the company had a network of 238 branches, spread across 23 states/UT. The Company has a substantial rural and semi urban presence with around 3/4th branches in these areas.

During FY14, Magma recorded a consolidated profit after tax of Rs.159.6 crore on a total consolidated managed asset base of Rs. 19,703 crore compared to profit of Rs.144.9 crore during FY13 on a total managed asset base of Rs. 18,378 crore. During 9MFY15, Magma reported consolidated PAT of Rs 133.14 crore as against Rs 133.75 crore in 9MFY14. Magma's tier I capital and CRAR were 11.0% and 16.4% as on December 31, 2014.

March 2015

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