

## Magma Fincorp Limited

### MFL Securitisation Trust XLI

ICRA has assigned ratings of Provisional [ICRA]AAA(SO) to three series of PTCs backed by receivables from a Rs. 114.53 crore<sup>1</sup> (principal outstanding) pool of car loans originated by Magma Fincorp Limited (MFL). Ratings of Provisional [ICRA]BBB-(SO) and Provisional [ICRA]AAA(SO) have also been assigned to Second Loss Facility (SLF) and Liquidity Facility (LF) respectively under the transaction, as mentioned in the table below<sup>†</sup>.

**Table 1: Trust Name: MFL Securitisation Trust XLI**

Description	Principal (Rs. Crore)	Scheduled Maturity	Rating
PTC Series A1	99.98	August 2019	Provisional [ICRA]AAA(SO)
PTC Series A2	8.83	November 2020	Provisional [ICRA]AAA(SO)
PTC Series A3	5.73	November 2020	Provisional [ICRA]AAA(SO)
Second Loss Facility (SLF)	7.44		Provisional [ICRA]BBB-(SO)
Liquidity Facility (LF)	1.72		Provisional [ICRA]AAA(SO)

The ratings are based on the strength of cash flows from the selected pool of contracts, credit enhancement in the form of a credit collateral of 11.5% of the initial pool principal amount, subordination of the excess interest spread (EIS), liquidity support in the form of LF of 1.50% of the initial pool principal amount, and the integrity of the legal structure. The ratings are subject to fulfilment of all conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

According to the transaction structure, the loan pool will be transferred “at par” to a Special Purpose Vehicle (SPV/ Trust) and the Trust will issue three series of PTCs backed by the same. Monthly excess cash flow—on account of the spread differential between the Pool yield and the PTC yield—would be available as credit enhancement. Additional support for meeting investor payouts is envisaged through two distinct sources: LF and Credit Collateral. The credit collateral has been further split into First Loss Facility (FLF) and SLF.

The pool entirely consists of new car loans. The pool is characterized by moderate seasoning (average seasoning of around 16 months) and no overdue contracts as on the pool cut-off date.

### About the Originator / Servicer:

Magma Fincorp Limited (MFL), 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 Jun-16, MFL had a managed book of Rs. 17,796 crore composed of passenger cars /MUVs (25.2% of portfolio), commercial vehicle (8.3%), construction equipment (7.7%), tractor (19.2%), mortgage (18.5%), used vehicles (11.3%), and SME (9.9%). 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. In addition to the above mentioned products, the company entered into new business segments like gold loan (started in June 12), General Insurance (Oct 12) and housing finance business (Nov-12) either directly or through its subsidiaries.

During FY 2016, MFL (consolidated) reported a profit of Rs.213.5 crore on a total loan asset base of Rs.18,183 crore compared to profit of Rs. 187.3 crore during FY 2015 on a total loan asset base of Rs. 19,567 crore. During Q1 FY2017, Magma (consolidated) reported PAT of Rs 47.6 crore against PAT of Rs 46.5 crore during Q1 FY2016.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup>For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

In the past, ICRA has rated one car loan pool (rated in Jun 16), one vehicle loan pool (with CVs, Cars and Tractors as the underlying asset class; rated in Sep 13), one SME loan pool (rated in Mar 14) and three Tractor loan pools (rated in Mar 15, Jun 15 and Jun 16) originated by MFL. The performance of vehicle loan pool has been moderate with loss-cum-180+ dpd level of 3.3% as on May 16 after around 88% amortization. Given the significant quantum of EIS available in the transaction, no credit collateral has been utilized as on May 16.

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