

September 24, 2010

CARE ASSIGNS PROVISIONAL CREDIT OPINION EQUIVALENT TO ‘CARE AAA (SO)’ RATING TO THE ASSIGNEE PAYOUTS UNDER THE DIRECT ASSIGNMENT OF LOAN RECEIVABLES ORIGINATED BY MAGMA FINCORP LTD. – Aug ’10 I

Obligation	Principal Outstanding (Rs. Cr)	Structure	Yield term	Tenure* (months)	Provisional Credit Opinion	Enhancement (Rs. Cr)	
						Credit Collateral	EIS ^{\$}
Assignee Payouts	63.95	Par	Fixed	54	Equivalent to CARE AAA (SO) rating	9.90	6.08

Enhancement	Facilities	Provisional Credit Opinion	Facility Size (Rs. Cr)	Tenure* (Months)
Credit Collateral	Second Loss Facility (SL)	Equivalent to CARE BB (SO) rating	6.70	54
	First Loss Facility (FL)	Unrated	3.20	54

•The tenure may change due to prepayments / foreclosures in the pool.

•Excess Interest Spread (EIS) is calculated based on indicative yield to Assignee. EIS arising in a month shall be available for meeting the shortfalls in corresponding monthly payout and replenishment of Cash Collateral. The remaining EIS, if any, in that month will be held in trust by the Servicer for and on behalf of the Assignee. Such amounts shall be available for future Assignee payouts and will be utilized first for any shortfall. The total of monthly EIS, assuming no prepayments / foreclosures / defaults, is Rs. 6.08 Cr.

CARE has assigned a provisional credit opinion equivalent to ‘CARE AAA (SO)’ [pronounced as CARE Triple ‘A’ (Structured Obligation)] rating to the Assignee Payouts in the proposed direct assignment of Commercial Vehicle (CV), Construction Equipment (CE) and Car loan receivables originated by Magma Fincorp Ltd. (MFL). Instruments with ‘CARE AAA (SO)’ rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk. The Second Loss Facility (SL), a part of total Credit cum liquidity enhancement provided, has been assigned a provisional credit opinion equivalent to ‘CARE BBB (SO)’ [pronounced as CARE Triple ‘B’ (Structured Obligation)] rating. Instruments with ‘CARE BBB (SO)’ rating are considered to offer moderate safety for timely servicing of debt obligations. Such instruments carry moderate credit risk.

The credit opinions are based on the credit quality of the underlying loans; the transaction structure and defined payment mechanism; support in the form of credit cum liquidity enhancement facility; the sound legal structure and the long track record & good performance of MFL.

MFL, the Originator has assigned the identified pool of loan receivables to the Assignee. The transaction is structured at par. MFL will act as the Servicer to the transaction. The Credit cum liquidity enhancement includes subordinated opening overdues, subordinated excess interest spread and credit collateral in the form of fixed deposit or guarantee.

The assigned pool consists of 648 loan contracts given against CV, CE & Car with aggregate principal outstanding of Rs. 63.95 Cr. All the loans are new vehicle loans. The pool has moderate weighted average net seasoning of 5.6 months and moderate to high weighted average Loan to Value ratio of 85.71%. The pool is well diversified in terms of geographical spread and obligor distribution. The top 3 states contribute 40.53% and top ten obligors contribute 4.84% of pool principal. About 97.49% of the pool is current on payment and balance 2.51% being overdue upto one month.

CARE has analyzed the historical performance of MFL's retail loan portfolio. Based on this, CARE has computed the base case shortfalls on the current transaction. CARE has applied stresses on key factors like amount of default, timing of default, recovery rate, time to recovery, the prepayment rate and the resulting average pool rate compression. CARE has found that the credit cum liquidity enhancement provided is commensurate with the assigned credit opinions.

MFL is engaged in financing of cars, utility vehicles, commercial vehicles, and construction equipment. Recently it has started financing SME sector and tractors. It has a wide network of more than 153 branches across 21 states with a client base of over 0.2 million. MFL focuses mainly on rural and semi-urban areas targeting small customers and first time buyers or users. During the financial year 2009-10, MFL's disbursements stood at Rs. 4,558.74 Cr and the assets under management as on 31st Mar '10 was Rs. 6,799.9 Cr. MFL is, currently, rated as PR1+ (PR one plus) for short-term obligation and CARE AA (CARE Double A) for long term obligations.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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