
August 23, 2010

**CARE ASSIGNS 'CARE A+' RATING TO PROPOSED PERPETUAL DEBT OF
MAGMA FINCORP LTD.**

Rating

Instrument	Amount (Rs. crore)	Rating¹	Remarks
Perpetual Debt (Series II)	40.0	'CARE A+' (Single A plus)	Assigned

Rating Rationale

The rating continues to draw comfort from the long track record and wide branch network of the company, diversified asset portfolio, comfortable asset quality, improving & satisfactory collection efficiency and comfortable asset-liability maturity profile. Increase in the business level, recent equity infusion through QIP route and by way of issue of warrants to promoters, improving financial position, its proven ability to mobilise funds from banks & financial institutions at competitive rates and improving outlook of MFL's business segments also support the ratings. The rating also factors in the high gearing ratios, competition in the financial services business and exposure to regulatory risks. Improving Capital Adequacy Ratio and the present level of profitability and maintaining asset quality would remain the key rating sensitivities.

Company Profile

MFL, incorporated in 1978, is a Kolkata-based NBFC, classified as a 'Non-Deposit taking Systemically Important Asset Financing Company' by RBI. The company is engaged in HP financing and leasing of passenger cars, commercial vehicles, construction equipment, tractor financing and SME loans.

Disbursements increased by about 25% in FY10 to Rs.4,483.1 crore from Rs.3,590.0 crore in FY09. During FY10, MFL earned a PAT (after provision for deferred taxation) of Rs.66.5 crore on total operating income (net of lease depreciation) of Rs.703.0 crore. The profitability related parameters and interest coverage (before provisions & write-offs) improved. Capital adequacy ratio was comfortable at 14.93% as on Mar.31, 2010. The asset-liability maturity profile reflected a comfortable liquidity position as on Mar.31, 2010. MFL's collection efficiency improved to 92.3% in FY10 from 91.5% in FY09.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

MFL issued equity warrants to promoters aggregating Rs.50 crore in April 2010, of which it has since received Rs.12.5 crore and raised equity of Rs.122.4 crore in May, 2010 through QIP route.

As per the unaudited results, the company earned a PAT (after deferred tax provision) of Rs.16.4 crore, on a total operating income of Rs.172.4 crore, in the quarter ended Jun.30, 2010.

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