

August 16, 2010

**CARE ASSIGNS 'CARE AA-' RATING TO THE PROPOSED UNSECURED SUBORDINATED TIER II BONDS AND REAFFIRMS OUTSTANDING INSTRUMENTS/FACILITIES RATINGS OF MAGMA FINCORP LTD.**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks	
Unsecured Subordinated Tier II bonds (Series III)	100.0	<b>CARE AA- (Double A minus)</b>	Assigned	
Unsecured Subordinated Tier II bonds (Series IV)	100.0		Assigned	
Short-term debt (including Commercial Paper)*	1000.0	<b>'PR1+' (PR One plus)</b>	Reaffirmed	
Short-term debt (including Commercial Paper)	500.0		Reaffirmed	
Secured Redeemable Bond/Note (Series I)	8.3	-	Withdrawn	
Secured Redeemable Bond/Note (Series II)	30.0	-	Withdrawn	
Secured Redeemable Bond/Note (Series III)	20.0	<b>CARE AA (Double A)</b>	Reaffirmed	
Secured Redeemable Bond/Note (Series IV)	50.0		Reaffirmed	
Secured Redeemable Bond/Note (Series V)	50.0		Revalidated	
Secured Redeemable Bond/Note (Series VI Tranche I)	10.0		Reaffirmed	
Secured Redeemable Bond/Note (Series VI Tranche II)	90.0		Reaffirmed	
Secured Redeemable Bond/Note (Series VI Tranche III)	50.0		Revalidated	
Secured Redeemable Bond/Note (Series VII)	100.0		Revalidated	
Secured Redeemable Bond/Note (Series VIII)	150.0		Revalidated	
Unsecured Subordinated Tier II bonds (Series I)	150.0		<b>CARE AA- (Double A minus)</b>	Reaffirmed
Unsecured Subordinated Tier II bonds (Series II)	100.0			Reaffirmed
Cumulative Redeemable Preference Shares (Series I)	30.0	Reaffirmed		
Redeemable Preference Shares (Series II Tranche I)	25.0	Reaffirmed		
Redeemable Preference Shares (Series II Tranche II)	5.0	Revalidated		
Perpetual Debt (Series I Tranche I)	30.0	<b>CARE A+ (Single A plus)</b>	Reaffirmed	
Perpetual Debt (Series I Tranche II)	10.0		Revalidated	
Long/Short term Bank facilities	3565.2 (enhanced from 3131.01)	<b>CARE AA/PR1+ (Double A/PR one plus)</b>	Retained	

\* carved out of working capital limits

**Rating Rationale**

The ratings continue 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 &

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

financial institutions at competitive rates and improving outlook of MFL's business segments also support the ratings. The ratings also factor 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.

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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