

FEBRUARY 02, 2015

CARE ASSIGNS “CARE AA-” RATING TO THE PROPOSED SECURED NCD ISSUE OF MAGMA HOUSING FINANCE

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Secured Non-convertible Debenture issue (Series III)	100	‘CARE AA-’ (Double A Minus)	Assigned

Rating Rationale

The rating assigned to Magma Housing Finance (MHF) continues to draw significant strength from the long track record and support of its current promoter - Magma Fincorp Ltd. (MFL, rated CARE AA/CARE A1+) and operational synergies due to usage of existing infrastructure of MFL. The ratings also draw comfort from the diversified asset portfolio of MHF, adequate capital adequacy ratio (CAR) and gradual scaling up of operations under the current management. The rating also factors in the moderate resource profile, portfolio concentration risk, moderate but improving asset quality and moderate maturity profile of MHF. Continued support from the promoters, consistent growth in scale of operations, managing asset liability maturity profile, improving asset quality and profitability parameters while maintaining the CAR would remain the key rating sensitivities.

Background

MHF, an unlimited liability company, was initially promoted as GE Money Housing Finance (GEMHF) by GE Capital Corporation which is a 100% subsidiary of General Electric Company, USA. Subsequently, on February 11, 2013, the company was acquired by MFL. The name of GEMHF was changed to its present name in March, 2013. MHF is engaged mainly in providing housing loans and home equity loans to individuals. The company is registered with National Housing Bank (NHB) as a non-deposit taking Housing Finance Company.

Besides acquiring GEMHF, MFL had also acquired the Loans against Property (LAP) portfolio of GE Money Financial Services Pvt Ltd (GEMFSP) of which Rs.313.4 crore was transferred to GEMHF (now MHF).

Under the erstwhile promoters (GE group), GEMHF had stopped making disbursements from FY09 onwards due to the group strategy to exit HFC business. The company commenced disbursements under the new management from June, 2013. MHF is based out of New Delhi with its operation from the 147 branches of the existing network of MFL as on September 30, 2014 spread across the country.

In FY14, MHF earned PAT of Rs.2.64 crore on total income of Rs.121.63 crore. Capital Adequacy Ratio was 18.17% as on September 30, 2014. During H1FY15, MHF earned a PAT of Rs.3.75 crore on total income of Rs.83.10 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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