

## **Magma Fincorp Q2 FY21 PAT up 29% YoY at Rs 38 Cr; Makes Covid Provision of Rs 238 Cr**

**Mumbai, 7 November 2020:** Mumbai-based asset finance company, Magma Fincorp Limited today announced results for Q2 FY21. The company's profit after tax (PAT) rose 29% YoY to Rs 38 Crore against Rs 30 Crore in the same quarter last year. Profits were driven by reduction in cost of funds and tight control in operating expenses. The Company has made additional provision of Rs 90 Crore in Q2 FY21 for COVID related stress on the portfolio. The total additional provision now stands at Rs 238 Crore being 1.5% of overall Assets Under Management (AUM). The AUM was flat at Rs 15,571 crore, on the back of the pandemic induced lockdown.

The company has seen improvement in collections after the end of the moratorium in August, and recorded collection efficiency of 85% in September and 90% in October 2020. The Company expects 70 bps reduction in its operating expenses during the year, of which 40 bps is sustainable due to structural changes undertaken, whereas 30 bps may come back with a return in normalcy, which is expected by Q4FY21.

The company continued to maintain a strong liquidity position with around Rs 2,200 cr of surplus liquidity and has further sanctions in hand.

In pursuit to realize the true intrinsic value of its three businesses, the company has undertaken various strategic initiatives to unlock value for its shareholders. A status update is as follows:

### **'Sharpen focus in MFL'**

In line with its strategic decision to focus on high RoA products (like used assets, tractor, SME), the Company has stopped sourcing low RoA products like new cars, CV and CE. The current non-focus AUM run off is envisaged to release equity capital of over Rs 475 Cr by Mar-22, which will be deployed to grow the focus products. The resultant change in mix will improve the NIMs, RoA and RoE.

### **'Value unlocking in MHFL'**

Magma Housing Finance (MHF), the wholly owned subsidiary of MFL continues to strengthen its presence in specialized affordable housing finance. MHF has initiated actions for raising capital for growth. MFL intends to keep prospective investors' preferences in mind while finalizing the reorganization structure for MHFL.

### **'Value unlocking in Magma HDI'**

Given the huge opportunity potential in general insurance and promising prospects of Magma HDI, the Company has received strong investor interest for participation in a capital raise process of Magma HDI. Currently, the Company is engaged with few interested parties and hopes to have firm commitment in the foreseeable future.

### **Segmental Highlights**

**Vehicle Finance Business:** The vehicle finance business portfolio is being reshaped with the entire new disbursements comprising of focus products, viz., Used Vehicles, Affordable housing finance and SME loans. AUM reduced by 5% vs. March, due to running-off of the non-focused portfolio.



**Magma Housing Finance (MHF):** The 100% affordable housing finance subsidiary reported a flat YoY PAT of Rs. 14 Crore in Q2 FY21, after an additional COVID provision of Rs. 7 Crore in Q2 FY21. AUM grew by 8% to Rs 3,554 Crore vs. March-20 and 23% in Q2 FY21 YoY.

**SME Finance Business:** The SME business digitally accessed and disbursed 3000 loans to SMEs amounting to approx. Rs 100 Crore with an end to end paperless and seamless process against the backdrop of the 100% government guarantee. Almost 60% of eligible MSMEs who needed revival capital have been beneficiaries of ECLGS under the 'Go Digital' SME initiative.

**Magma HDI General Insurance:** In Q2 FY21 the Company delivered PAT of Rs 10.3 Crore vs Rs 8.2 crore in Q2 FY20. Traction in Health business has driven growth of the half year. The company grew by 3.7% in the 2Q with a strong growth of 148.9% in the Health & Accident segment and a growth of 45.1% in the commercial segment. De-growth in the motor segment also tapered from 28.2% in Q1 FY21 to 6.6% in Q2 FY21.

Commenting on Magma Fincorp's performance, **Mr Sanjay Chamria, Vice Chairman and Managing Director**, Magma Fincorp Limited said, "Considering this unprecedented environment and additional covid provisioning to strengthen the balance sheet, the performance of the company has been quite satisfactory. We feel that worst is behind us and remain cautiously optimistic for the 2HFY21. AUM growth may remain flat this year due to our accelerated shift to underwrite only High ROA products which will release significant capital to improve NIM trajectory which will be further aided by significant drop in our cost of funds."

#### **About Magma Fincorp Limited**

Magma Fincorp Limited ("Magma") a Mumbai-based non-deposit taking non-banking finance company (NBFC), is registered with the Reserve Bank of India (RBI). The Company started operations nearly three decades back and is listed on the Bombay Stock Exchange Limited and the National Stock Exchange in India.

Magma a financial conglomerate offers a bouquet of financial products including commercial finance, agri finance, SME finance, mortgage finance and general insurance. Magma is focused on the rural and semi-urban sector with a widespread coverage and presence across 21 States 298 Branches. Magma's customer base has crossed 4 million and manages a loan book of Rs 15,571 cr.

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