



## *Reaching New Heights in Retail Finance*

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- Introduction to Magma
- Business Overview
- Q2 FY11 Performance Update
- Market Opportunity and Business Strategy

# Investing in the smallest dream

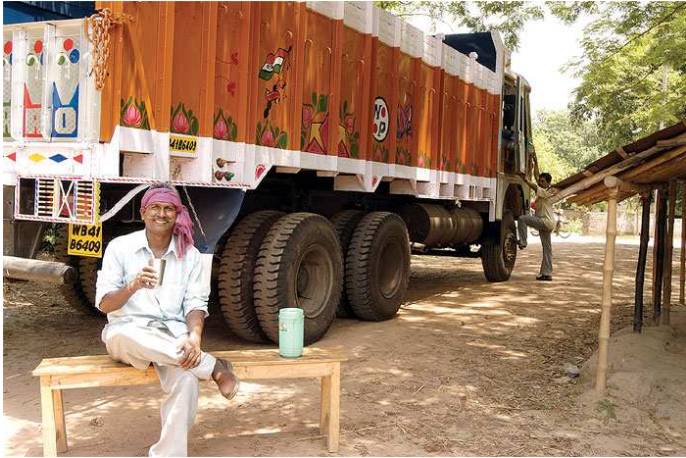
Magma caters to diverse financial needs of small entrepreneurs in rural\* and semi urban\* markets of India ...where large banks and institutions fail to reach and serve.



Magma's growth is a reflection of India's new emerging entrepreneurs, spurred by economic growth across states and sectors

\* Based on company's market surveys and estimates

# Our target markets and customers



**Magma understands financial needs of rural and semi urban India  
... leverages this knowledge to create and build new markets.**

**<<< Financing First Time Truck Owners**

**We finance small entrepreneurs to own construction equipments,  
or commercial vehicles**

**... In the process, creating new entrepreneurs.**



**Turning machine operators to owners >>>**



**Magma focusses on farmers owning less than 6 acres of  
agricultural land**

**... and funds tractors for agri as well as commercial use**

**<<< Magma funds small land-owning farmers**

**Strengthening rural entrepreneurship and Magma's business potential**

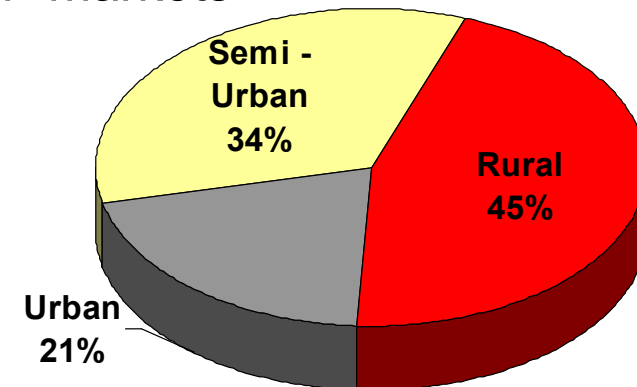
# Our pan India presence, largely rural and semi urban...

- 170# Branches across 21 States/ Union Territories

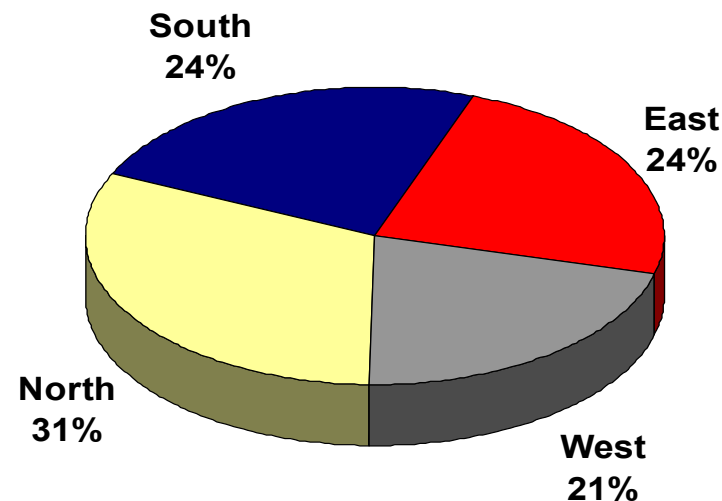
- Covers over 2000 business Clusters
- Operates in 125 Km radius



- Approx 80% branches in rural\*/ semi urban\* markets



- Well spread across various zones



**Excellent reach in the semi-urban/ rural markets**

# As of Sep 30, 2010 ; \* Based on company's market surveys and estimates

# Our financing products ...



All classes of trucks - light, medium and heavy



Backhoe loaders, excavators, cranes, dumpers etc



... fleet of machines for bigger projects



Passenger Cars and Utility Vehicles

Tailored for our target markets and customers

Used Commercial Vehicles used in smaller areas



Tractors



Loans to SMEs for working capital/ expansion



Infrastructure support for Asset Insurance and Credit Covers



# Our people, our greatest assets

- We value human capital ... access to ~ 4800 trained manpower directly and indirectly.
- No functions outsourced

## People Practices

### Leadership Development

- Career progression plans
- MDP\* for leaders/ high performers

### Performance Management

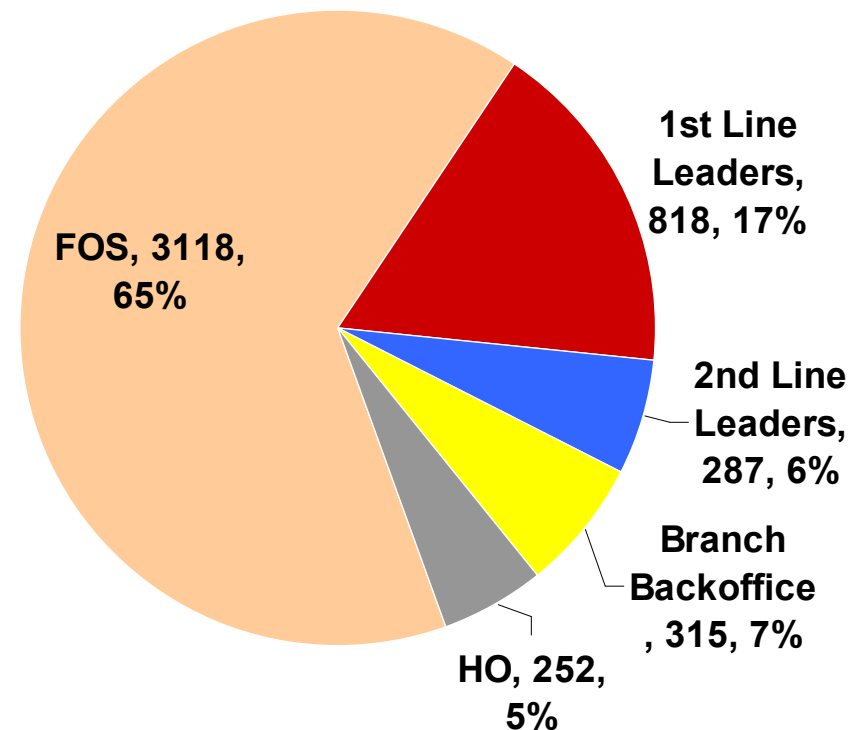
- Specific & Measurable KRAs for FOS#/ Leaders
- Monthly variable payout as per KRA achievement

### Training

- Intensive induction for new joinees
- Regular functional and soft skills training for existing employees
- ~ 1300 training man-days p.m. (HY1 FY11)

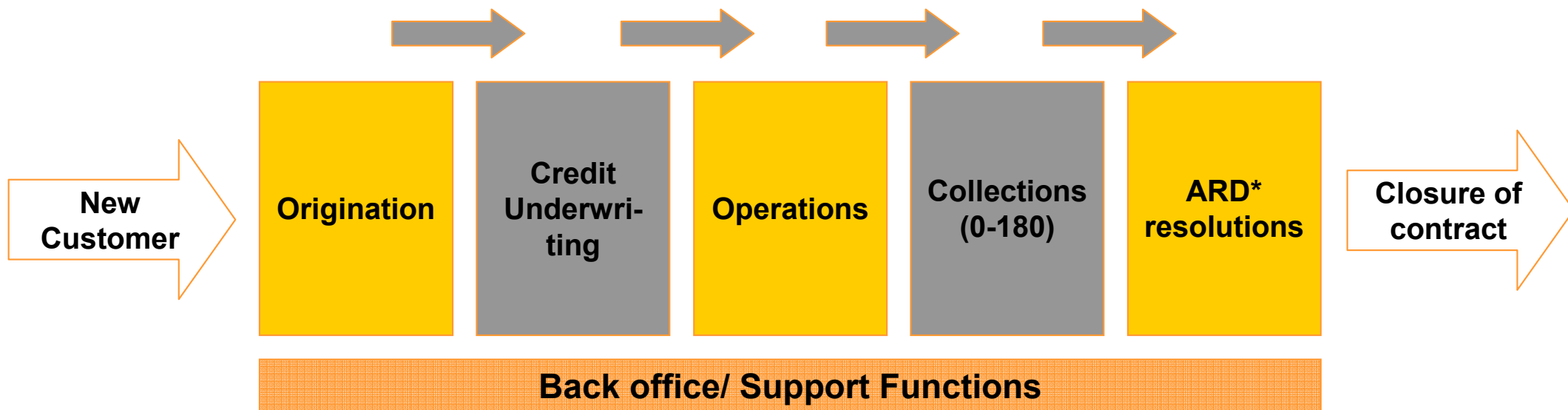
\* Management Development Programme    # FOS - Fleet on street, i.e. manpower on field

## Employees as on Sep 30, 2010



**MAGMA**  
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# Our structures and processes...



## Business/ Functional Vertical

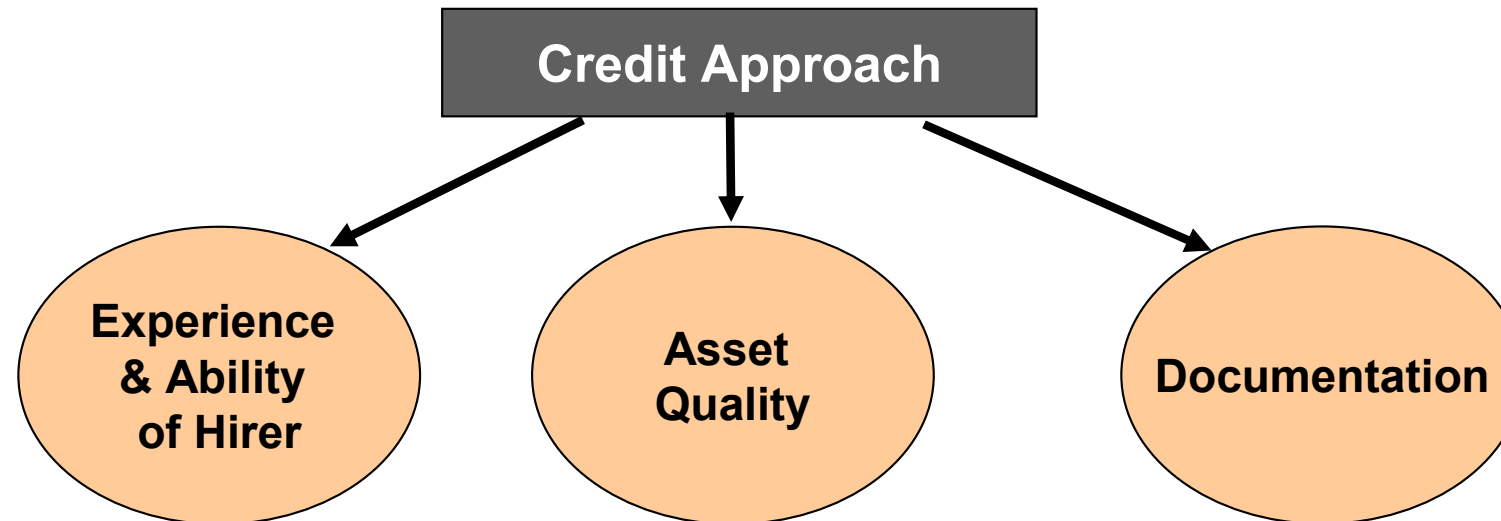
- Origination** : Lead Management and Business Development
- Credit Underwriting** : Credit Screens, RCU#, Risk Management
- Operations** : Documents Management, Internal Controls
- Collections** : Bucket-wise processes
- ARD Resolution** : Legal/ Hard recovery skills

Well defined KRAs in different functional verticals → leading to alignment of functional goals to Organisation Goal of Sustained Profitable Growth

\* Asset Reconstruction Division (ARD); # Risk Containment Unit (RCU) , a sub function in Credit function



# Our underwriting approach



- Years of relevant business
- Asset Usage & Ownership
- Mandatory meeting by Sales Officer
- Field Investigation by FI Team
- Trade Reference Checks

- Assets categorized into different levels based on market share and price realization on re-sale
- Retail grade of customers offered standard assets only
- LTV offerings based on customer profile

- Standard Legal Documentation
- Cases vetted by Ops team at Pre & Post sanction stage
- RCU checks for minimizing forged documents

**All activities are performed by our own team**

# Our management and shareholders

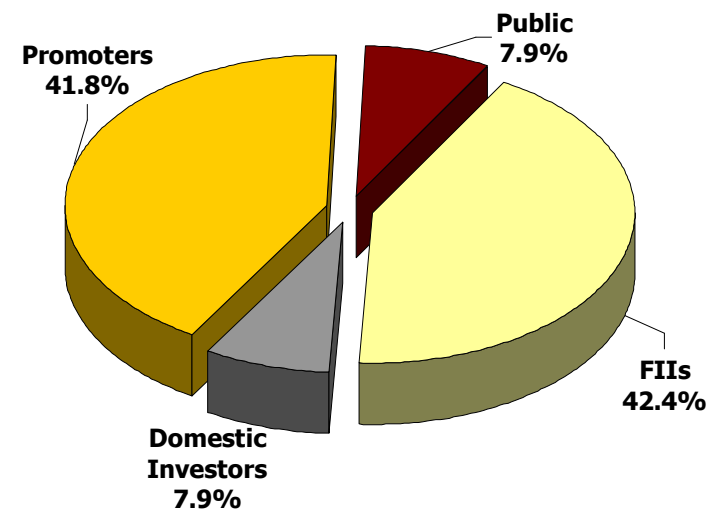
## Management and Corporate Governance ...

<p><b>Board of Directors</b></p>	<ul style="list-style-type: none"> <li>International and Indian Independent directors</li> <li>Active participation in committees</li> <li>Wide knowledge including Branding, Rural Marketing, Enterprise Risk Framework and Insurance</li> </ul>
<p><b>Leadership</b></p>	<ul style="list-style-type: none"> <li>MD, JMD, CFO, COO, Chief - Receivables Management, CEO designate – Insurance JV, CPO and CIO</li> </ul>
<p><b>Management</b></p>	<ul style="list-style-type: none"> <li>Management Committee</li> <li>Audit Committee</li> <li>Nomination and Remuneration Committee</li> <li>Risk Management Committee</li> <li>Asset Liability Committee</li> </ul>

## Promoters...

<p>Mayank Poddar, Chairman</p>	<ul style="list-style-type: none"> <li>Oversees Strategy and Policy making</li> </ul>
<p>Sanjay Chamria, Vice Chairman &amp; Managing Director</p>	<ul style="list-style-type: none"> <li>CEO formulating strategy, execution and day-to-day management</li> </ul>
<p>Shravan Kumar Todi, Vice Chairman Ravi Todi, Joint Managing Director</p>	<ul style="list-style-type: none"> <li>Became co-promoters with merger of Shrachi Infrastructure Finance into Magma</li> </ul>

## Shareholding (Sep 30, 2010)



# Magma ...at a glance

❖ No. of years in financing business	Over 2 decades
❖ No. of customers serviced	5,00,000 approx.
❖ No. of branches	170
❖ Disbursements FY10	Rs. 4559 Cr (~ USD 1.03 bn)
❖ AUM March 2010	Rs. 9481 Cr (~ USD 2.14 bn)
❖ Total Income FY10	Rs. 723 Cr (~ USD 164 mn)
❖ PAT FY10	Rs. 71 Cr (~ USD 16 mn)
❖ NIM FY10 Business	5.1%
❖ CAR March 2010	14.9%
❖ RoA FY10	1.8%
❖ RoE FY10	19.4%

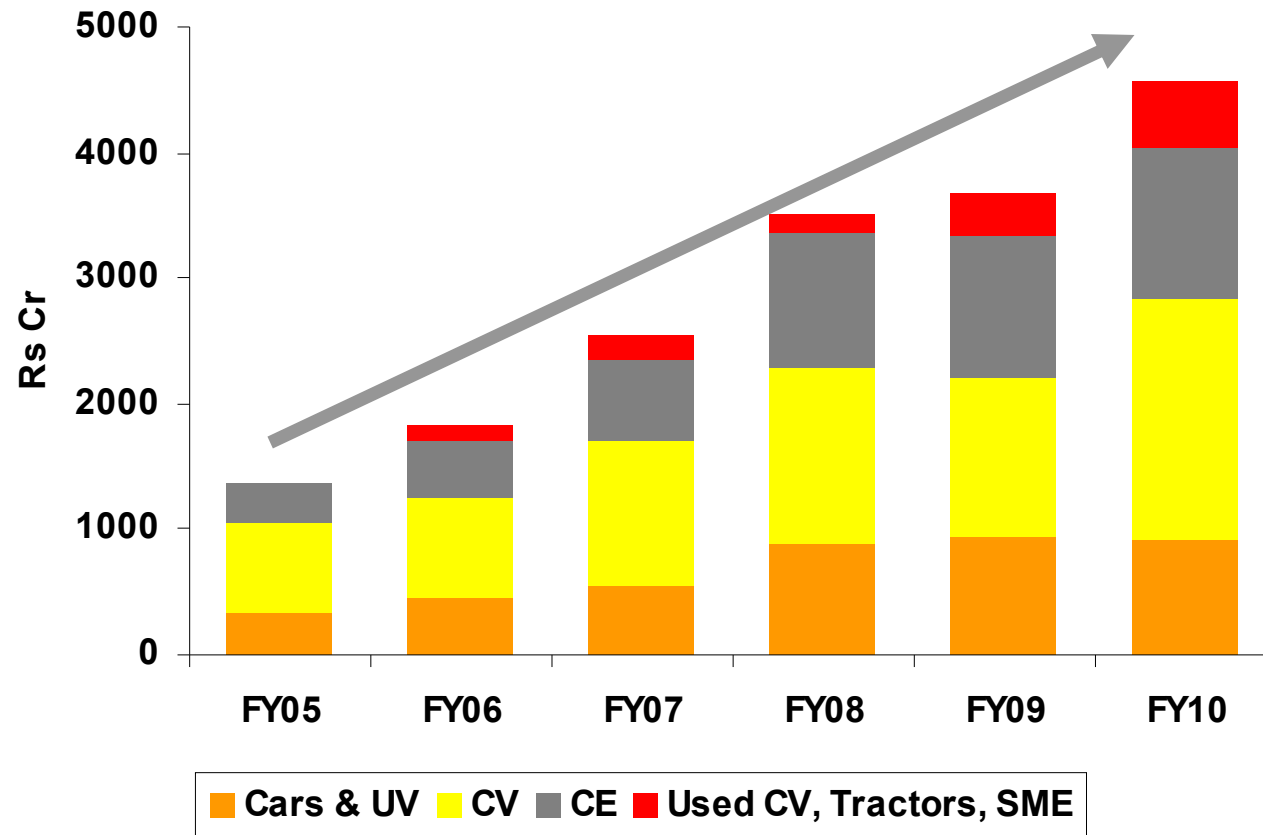
\* 1 USD = 44.72 INR as on 05<sup>th</sup> Oct 2010

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# Business on a high growth trajectory

**CAGR 27% (FY05-FY10)**



## Key Product Disbursement CAGR

Products	FY05-FY10
Construction Equipment	30%
Comercial vehicles	22%
Cars & Utility Vehicles	23%

## New Product Introductions

Products	FY05-FY10
Used CV (Suvidha)	FY06
Tractors	FY08
SME Loans	FY09

# Product Overview\*

Product	ATS (Rs Lacs)	LTV %	Tenure Months	Net IRR \$ %
CAR	3.1	68%	44	12.8%
CV	15.6	90%#	43	11.5%
CE	18.8	79%	36	11.8%
Strategic CE	86.6	88%	39	9.6%
Used CV	4.5	72%	32	18.3%
SME Loans	20.6	NA	32	16.0%
Tractors	3.0	63%	47	19.6%
<b>TOTAL</b>	<b>6.8</b>	<b>79%</b>	<b>41</b>	<b>12.9%</b>

## Notes

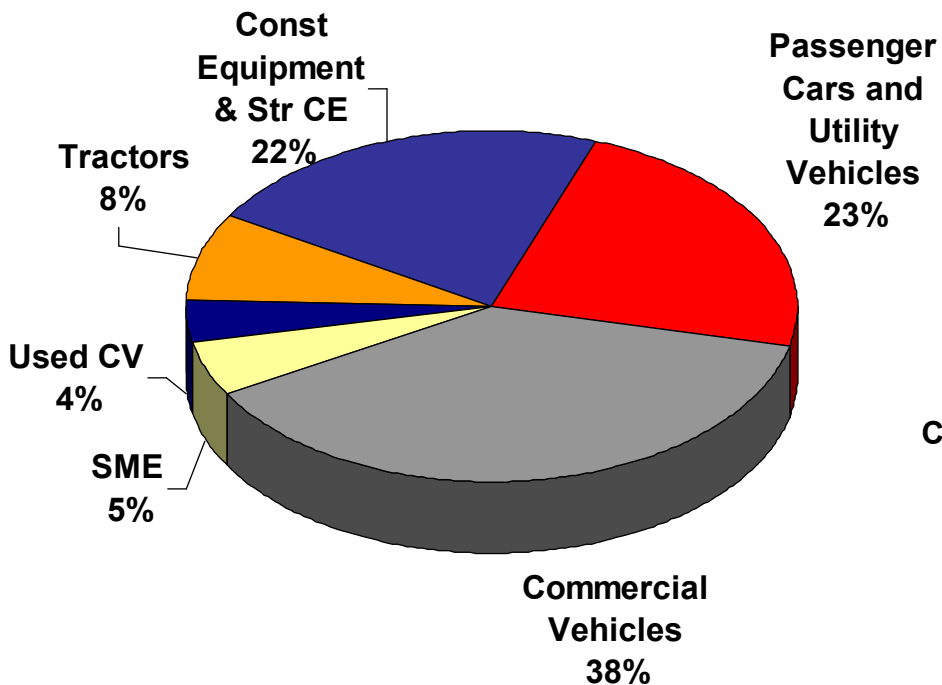
\* The above figures are based on HY1 FY11. LTV stands for Loan to Value ratio; ATS stands for Average Ticket Size of the loan.

# LTV for CV has been calculated without considering cost of truck body, which is not funded. Inclusive of body in the cost of asset, LTV would be approx. 75%

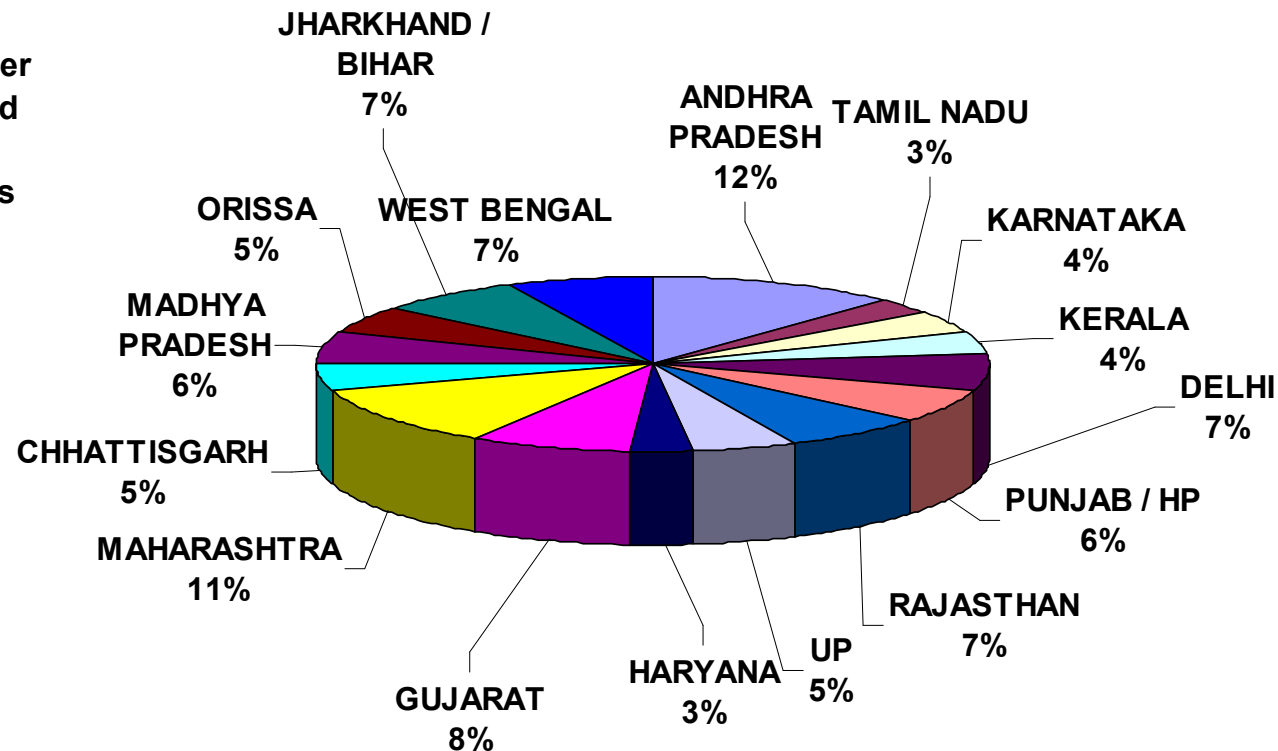
\$ Net IRR is lending rate on reducing balance basis, net of payouts to Direct Selling Agents and pay-ins from manufacturers/ dealers. Net IRR indicated above is for full HY1 FY11 and current rates may vary.

# De-risked business strategy

HY1 FY11 Disbursement - Product Wise



HY1 FY11 Disbursement - Geographical Mix

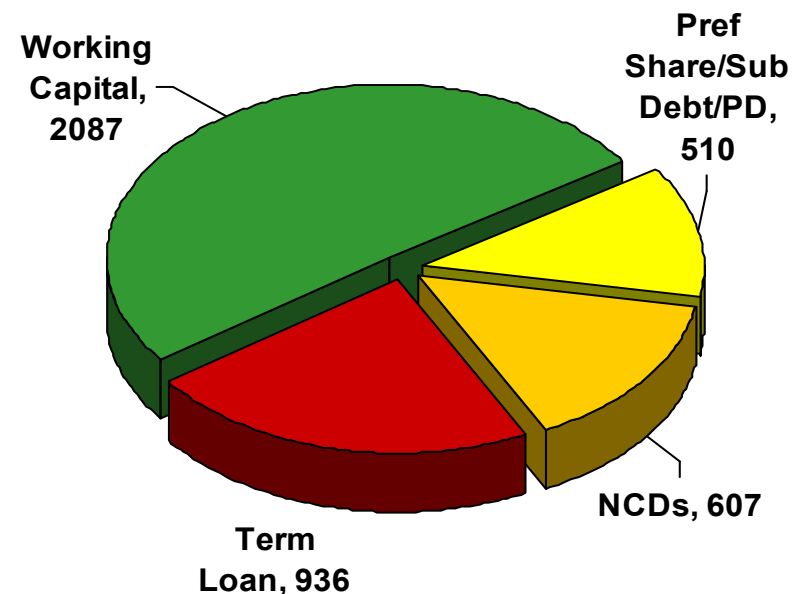


Wide canvass across geographies & products reduces impact of any external shocks

# Strong and consistent fund raising capability

- Continued availability of adequate funding lines at competitive rates
  - Magma's assets, a significant portion being PSL\*, enables bank funding at lower cost
  - Consistent investment grade rating of Magma's debt instruments
  - Basel II rating of Magma enables lower risk weight of 20%
- Long banking relationships ensured continued lending during economic downturn
- A consortium of over 20 banks and institutions, including top 9/10 PSU banks

**Borrowings as of 30<sup>th</sup> Sep 2010 : Rs 4140 Cr**



\* PSL stands for " Priority Sector Lending", as defined by Reserve Bank of India from time to time

## Debt Ratings

- Working Capital Facilities : Basel II ratings PR1+ for short term & AA for long term facilities by CARE
- NCDs/ Bonds : PR1+ for Short Term & AA for long Term NCDs by CARE
- Securitisation of Receivables : AAA (so) by CRISIL & CARE
- Tier 2 Instrument : AA- rated by CARE, subscribed to by Banks and Mutual Funds
- Tier 1 Perpetual Debt : AA- rated by Brickwork Ratings & A+ rated by CARE, subscribed by Banks
- Tier II Preference Shares : AA- rated by CARE

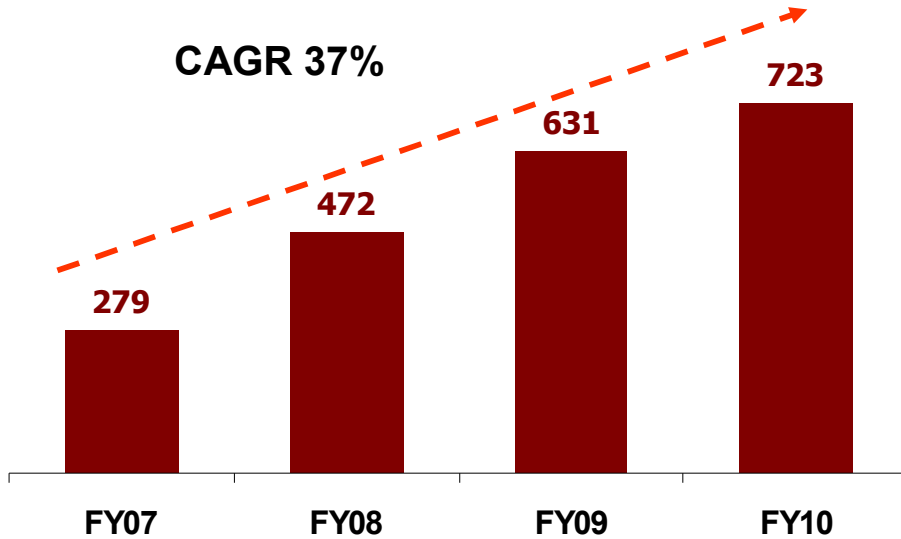


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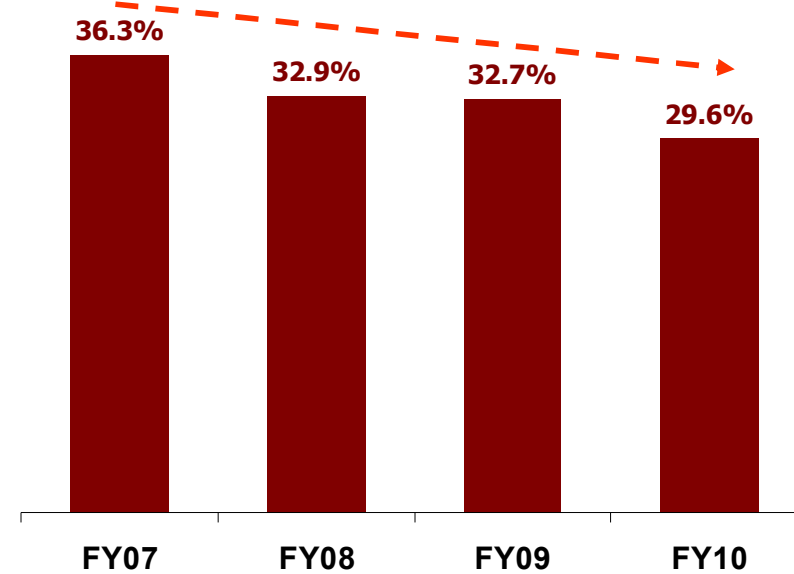


# ... History of growth and profitability

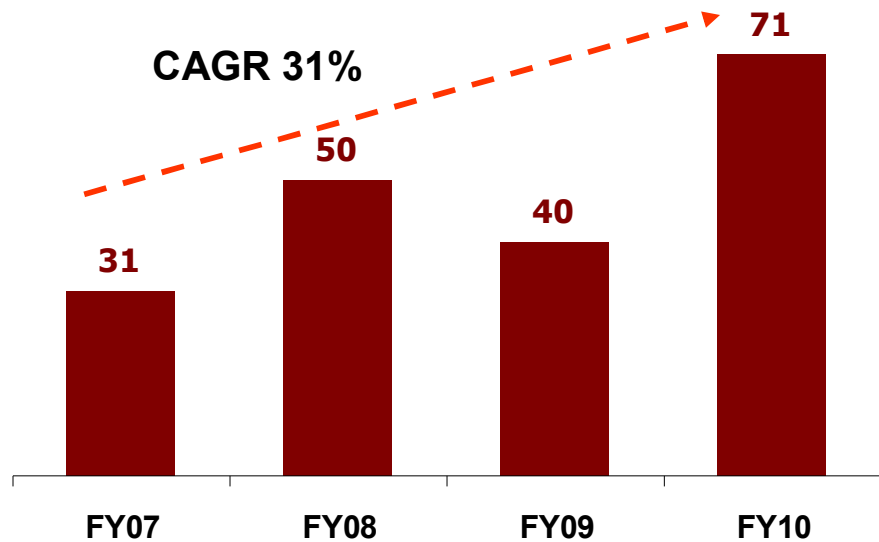
Total Income (Rs Cr)



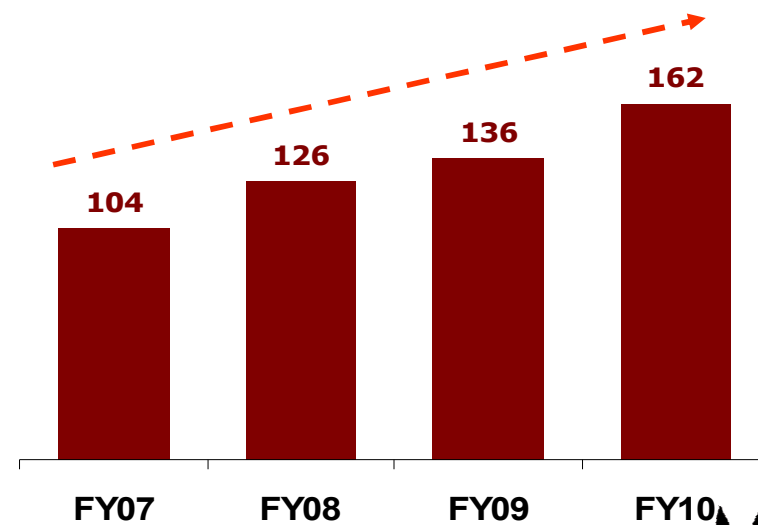
Operating Efficiency (Costs to Income Ratio)



Profit After Tax (Rs Cr)



Book Value (Rs.)



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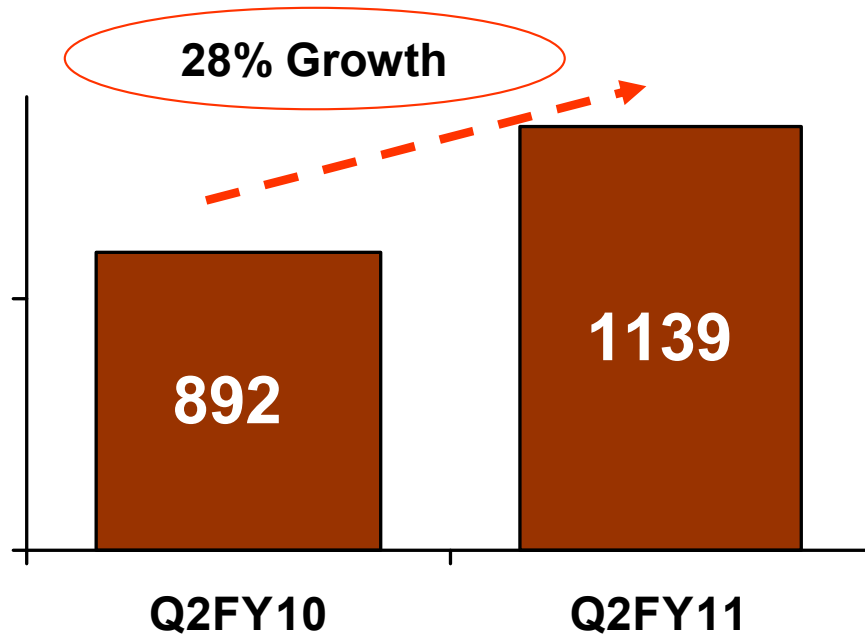
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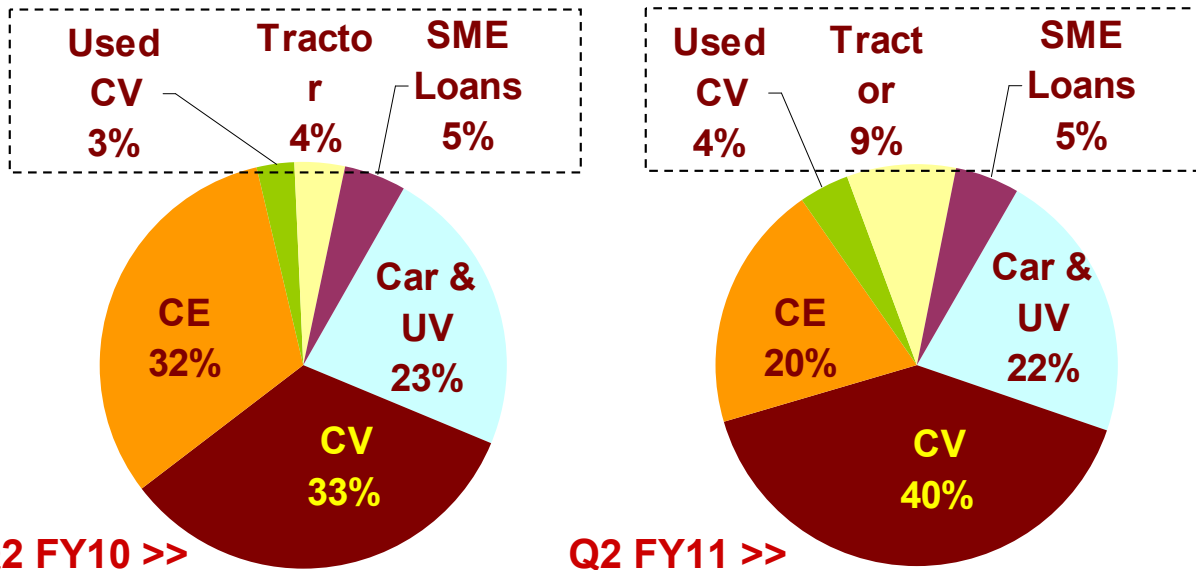
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# Q2 FY11 Key Achievements... Disbursements



- 28% Growth in disbursements in Q2 of FY11 Vs Q2 of last year
- HY1 FY11 disbursements at Rs 2186 Cr, growth of 34% over HY1 FY10

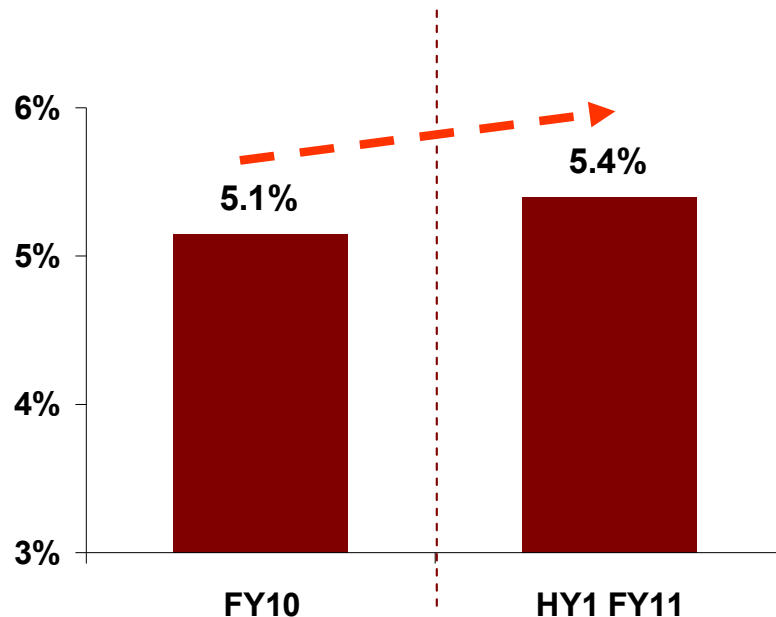


- Share of higher yield products\*
  - At 18 % in Q2 FY11 Vs 12 % in Q2 FY10
  - At 17 % for HY1 FY11 Vs 12 % in HY1 FY10

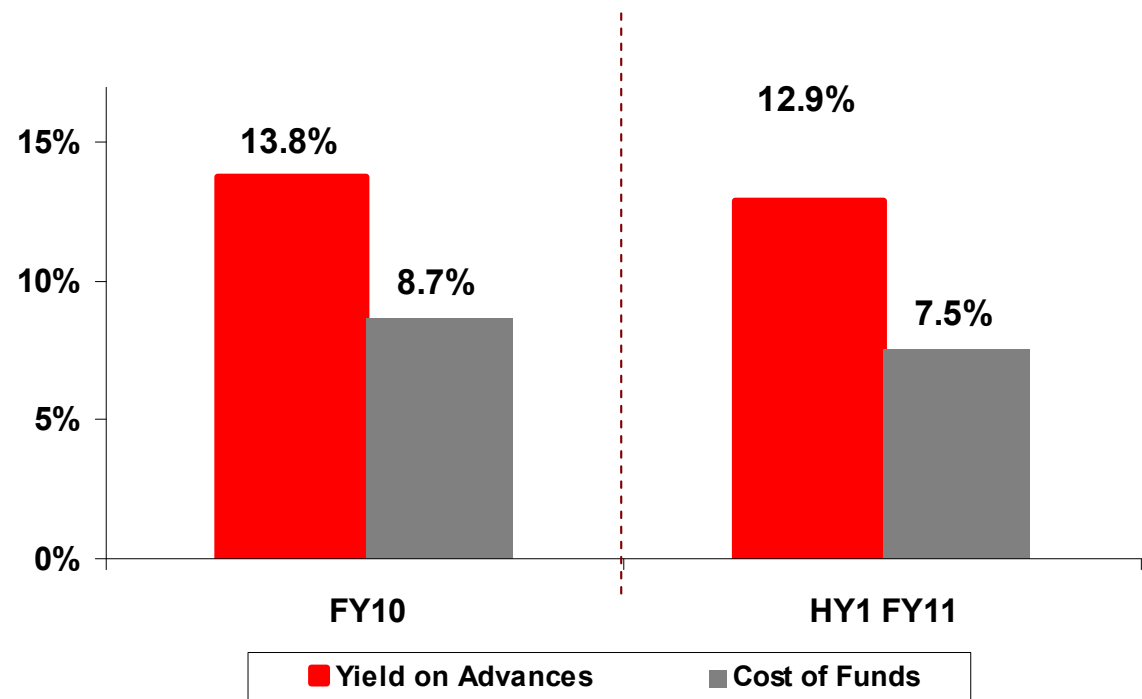
\* Used CV, Tractors and SME Loans

# Q2 FY11 Key Achievements... Enhanced NIM

## Net Interest Margins\*



## Yield on Advances & Cost of funds

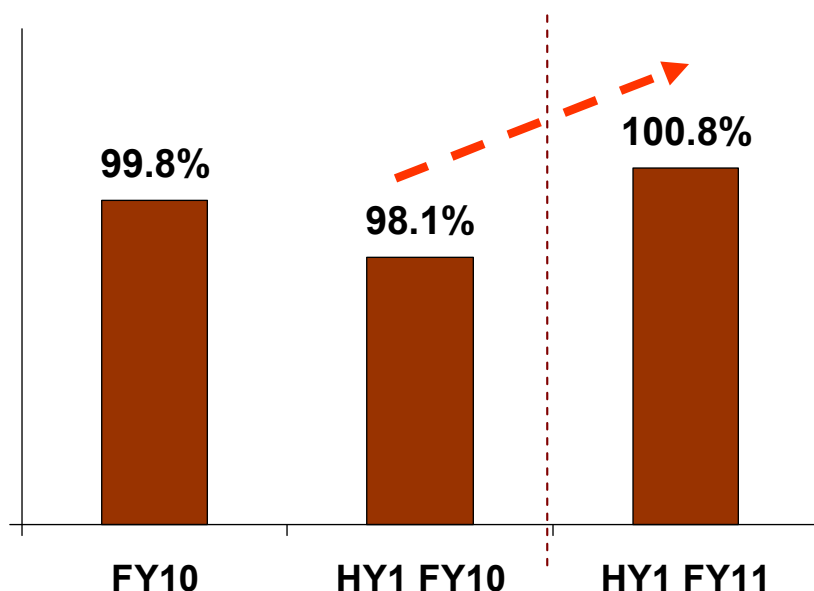


- Net Interest Margin (NIM) enhanced to 5.4 % in HY1 FY11 vs 5.1 % in FY10
- NIM expansion due to greater share of higher yield products and interest cost management

\* Net Interest Margin is defined as difference between yield on advances and cost of funds

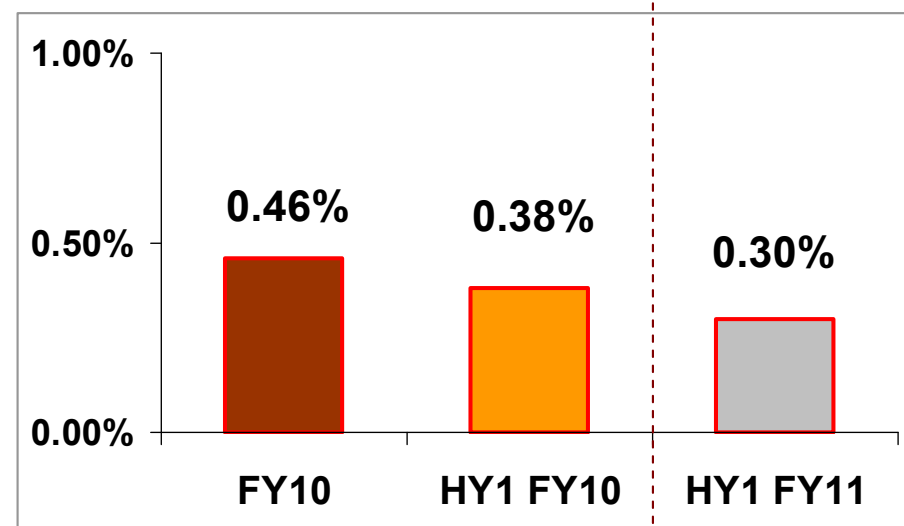
# Q2 FY11 Key Achievements ... Sustained collection performance and asset quality

## Collection Efficiency\* - %



- Enhanced Collection Efficiency in HY1 of FY11
- Collection Efficiency at 99.9% in Q2 FY11 Vs 97.4% in Q2 FY10

## Write-offs to Total Assets - %



Quarterly Write-offs% are on annualised basis

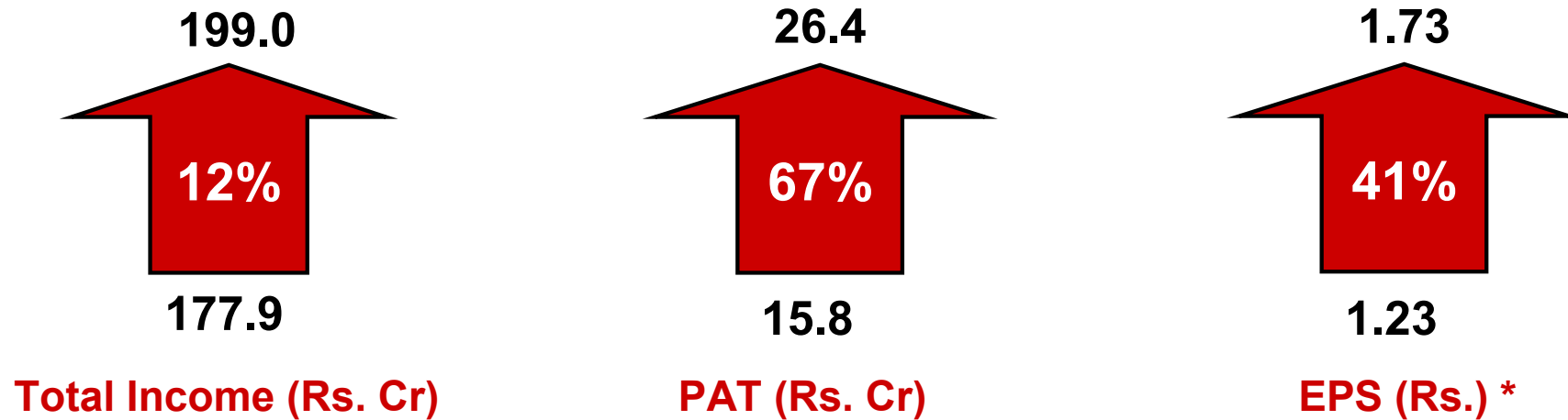
- Accordingly, write-offs contained well below historical levels.

Lower than historical credit charge to PL is a reflection of Magma's credit quality and sustained collection performance

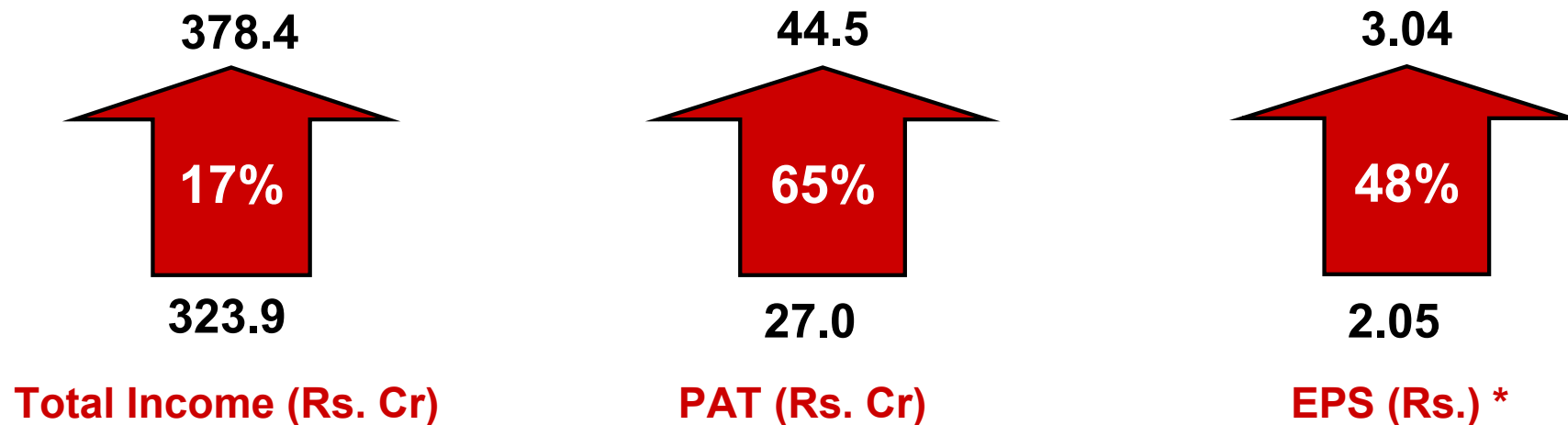
\* Collection Efficiency is defined as installment collections made during the period divided by installments billed during the period as percentage

# ... Growth momentum in revenue and profits continue

## Performance Highlights of Q2 FY11 Vs Q2 FY10



## Performance Highlights of HY1 FY11 Vs HY1 FY10



\* EPS has been adjusted for the stock split of 1 share of Rs. 10 each into 5 shares of Rs. 2 each (Aug 2010)

## Key Ratios

Particulars	FY10	Q2 FY10	Q2 FY11	HY1 FY10	HY1 FY11
Return on Assets (%)	1.8	1.6	2.2	1.4	1.8
Return on Equity - post QIP (%)	19.4	17.3	19.2	14.8	18.5
EPS (Rs.) *	5.8	1.2	1.7	2.1	3.0
Book Value (Rs) *	32	29	39	29	39
CAR # (%)	14.9				

\* EPS & Book value per share has been adjusted for the stock split of 1 share of Rs. 10 each into 5 shares of Rs. 2 each (Aug 2010)

#CAR at March 2010 consists of 8.6% Tier 1 and 6.3% Tier 2 capital; post-QIP issue in May 2010, CAR is estimated at 17.8% (Tier 1 ratio at 11.5%).

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# Magma targets ~ 114k crores market opportunity

Figs in Rs Cr	CV	CE & SCE	Cars & UV	Used CV	Tractors	SME Loans
<b>Industry FY10 disbursement</b>	58,000	12,800	54,000	~ 36,000	12,220	~ 6000
<b>Co. direct addressable opportunity</b>	65-70%	50-60%	~70%	~ 50%	55%	80-100%
<b>Company's FY 10 Disbursement</b>	1929 Cr	1200 Cr	916 Cr	112 Cr	196 Cr	206 Cr

*Note: Total industry size has been estimated based on sales figures of various Industry Associations such as SIAM, TMA, feedback of manufacturers and management estimates of finance penetration and average loan size. Direct addressable opportunity based on management estimates*

# Business Strategy

## Product portfolio

- Business growth across all products
- Increasing share of higher yield products: Used CV, Tractors & SME loans
- General Insurance foray to expand product offerings

## Market positioning

- Focus on first time buyers and small entrepreneurs
- Focus on semi urban and rural markets

## Financials

- Drive RoE/RoA through
  - Higher NIM and higher business volumes
  - Greater contribution from higher yield products to overall business
  - Improvement in operating efficiency

***Thank You***



### **Forward Looking Statements**

Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.