



**Press Release**  
**Magenta Finance Services Private Limited**  
**November 15, 2023**  
**Rating Reaffirmed**

| Product                            | Quantum (Rs. Cr) | Long Term Rating                | Short Term Rating |
|------------------------------------|------------------|---------------------------------|-------------------|
| Bank Loan Ratings                  | 10.00            | ACUITE BB   Stable   Reaffirmed | -                 |
| Total Outstanding Quantum (Rs. Cr) | 10.00            | -                               | -                 |

**Rating Rationale**

Acuite has reaffirmed the long-term rating of **'ACUITE BB' (read as ACUITE double B)** on the Rs. 10.00 crore bank facilities of Magenta Finance Services Private Limited (MFSPL). The outlook is **'Stable'**.

**Rating Rationale**

The rating factors in experienced management, healthy capitalization level and moderate asset quality; albeit improving of Magenta Finance Services Private Limited (MFSPL). Magenta's Capital Adequacy Ratio (CAR) was adequate though it reduced to 32.31 percent as on March 31, 2023, from 45.17 percent as on March 31, 2022, on account of increase in risk weighted assets (33.28 percent as on Jun' 23). The rating also factors moderate; albeit improving asset quality. The company's on time portfolio stood at a healthy 98.08 percent as on March 31, 2023 [March 31, 22: 95.72%] with a GNPA of 1.44 percent as on March 31, 2023 [March 31, 22: 3.90%]. The rating is however constrained by modest scale of operations coupled with modest financial performance, geographic concentration and risks inherent to microfinance sector. Going forward, the ability of the company to scale up its operations, raise capital, movement of delinquencies across different time buckets and resultant impact on profitability would remain key monitorable.

**About the company**

Incorporated in 2010, Magenta Finance Services Private Limited is a Delhi based privately held NBFC - MFI. The company received its NBFC – MFI license from the Reserve Bank of India in 2017. The company is promoted by Nellcome Limited, which is based out of Isle of Man, and Gulab Unity Trust and operates as an MFI engaged in extending credit through Self-help groups and Joint Liability groups model since May 2018. The company has presence in three states Haryana, UP and Punjab and has four branches as on Jun,2023

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Magenta Finance Services Private Limited to arrive at the rating.

**Key Rating Drivers**

**Strength**

## **Established management in micro-finance segment**

Magenta Finance Services is engaged in extending microfinance in rural, semi-urban and

urban areas for income generating activities under Joint Liability Group (JLG). It operates in 2 districts of Haryana, 1 district of Punjab and 1 district in UP with its network of 4 branches, one in each of the four districts. The company's loan portfolio stood at Rs. 24.99 Cr. as on March 31, 2023 as compared to Rs. 16.34 Cr. as on March 31, 2022 and Rs. 14.14 Cr. as on March 31, 2021. Magenta Finance Service's promoters have over two decades of experience in micro finance lending. Magenta Finance Services Private Limited is promoted by Nellcome Ltd. and Gulab Unity Trust. Magenta benefits in the form of financial support and board representation from its promoters. Mr. Rajkumar Singh, the director, representing Gulab Unity Trust, has close to two decades of experience in the micro finance industry. Magenta also have Mr. Kim Peter Hansen, representing Nellcome Ltd., who has more than two decades of experience in trading and trade finance. They also have Mr. Asokkumar Rathnam who has served as AGM in SBI and DGM in Axis Bank and has more than four decades of experience. Mr. Jal Karan Singh Kharb, one of the directors, was Ex. Executive Director Allahabad Bank and also associated with Dena bank and regional rural bank. They also have Mr. Tribikram Nayak, who has more than two decades of experience in training, teaching and social welfare activities as a member of board of directors. The prudent policies adopted by the management has enabled the company to improve the asset quality with an on-time portfolio at 98.08 percent as on March 31, 2023. Acuité believes that established presence of the promoters in the microfinance segment will be central to support the business risk profile of the company in the near to medium term.

### **Moderate asset quality; albeit improving**

MFSP's on time portfolio improved from 95 percent as on FY22 to 98 percent as on FY23, its GNPA (90+dpd) and NNPA stood at 1.44 percent and 0.16 percent respectively as on March 31, 2023 from 3.90 percent and 0.84 as on March 31, 2022 the improvement in asset quality was attribute of improved collections and write off done by the company in FY23.

### **Weakness**

#### **Modest scale of operations and the Financial Risk profile**

Magenta has been in the micro-finance lending segment since 2018. The company has been able to build a portfolio of Rs. 25.06 Cr. as on Jun 30, 2023. The company's AUM stood at Rs 24.99 Cr. as on March 31, 2023, as compared to Rs 16.43 Cr. as on March 31, 2022. Magenta reported a moderated ROAA of 1.77 percent during FY2023 as compared to 3.45 percent in FY2022. Similarly, PAT stood at a modest level moderating to Rs. 0.40 Cr. in FY2023 from Rs. 0.57 Cr. in FY2022; the moderation in financial profile was due to the elevation in operating expense and credit cost. Going forward the ability of the company to access timely capital infusion and its ability to mobilize low cost debt, will be a key factor in the scalability of a business.

### **Risk inherent to the microfinance segment**

The activities of microfinance companies like Magenta are exposed to the concentration risks. The company has presence in 3 states with a concentration in Haryana (~36 percent), UP (~32 percent) and Punjab (~32 percent) of total portfolio as on Jun 30, 2023 (Provisional). This exposes the company to high geographical concentration risk. Besides geography, the company will be exposed to competition and any changes in the regulatory framework, thereby impacting the credit profile of Magenta Finance Services Private Limited.

### **Rating Sensitivity**

- Impact of natural calamities on ongoing operations
- Movement in collection efficiency and asset quality
- Movement in profitability metrics
- Ability to raise funds
- Scalability in operations

### **All Covenants**

Magenta Finance Services Private Limited is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among

others.

### **Liquidity Position Adequate**

Magenta Finance Services Private Limited's overall liquidity profile remains moderate in near to medium term. Magenta's borrowings stood at ~Rs. 20.56 crore, of which Rs.7.05 crore is from the parent company, with a gearing of ~2.59 times as on Jun' 23 (Provisional) . It has maintained cash and bank balance of ~Rs. 3.46 crore as on Jun 30, 2023 (Provisional). As per ALM statement dated Jun 30, 2023 (Provisional), the company's assets and liabilities are well matched with no cumulative deficit in any of the time buckets upto 5 years.

### **Outlook: Stable**

Acuité believes that Magenta Finance Services Private Limited will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment. The outlook may be revised to 'Positive' in case of higher than expected growth in the loan portfolio while maintaining asset quality and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality, thereby impacting profitability metrics.

### **Other Factors affecting Rating**

None

### **Key Financials - Standalone / Originator**

| Particulars                             | Unit       | FY23<br>(Actual) | FY22<br>(Actual) |
|-----------------------------------------|------------|------------------|------------------|
| Total Assets                            | Rs.<br>Cr. | 29.20            | 16.84            |
| Total Income*                           | Rs.<br>Cr. | 3.00             | 2.29             |
| PAT                                     | Rs.<br>Cr. | 0.40             | 0.57             |
| Net Worth                               | Rs.<br>Cr. | 7.75             | 7.35             |
| Return on Average Assets (RoAA)         | (%)        | 1.77             | 3.45             |
| Return on Average Net Worth (RoNW)      | (%)        | 5.41             | 8.00             |
| Total Debt/Tangible Net worth (Gearing) | Times      | 2.64             | 1.20             |
| Gross NPA                               | (%)        | 1.44             | 3.90             |
| Net NPA                                 | (%)        | 0.16             | 0.84             |

\*Total income equals to Net Interest Income

### **Status of non-cooperation with previous CRA (if applicable):**

Not Applicable

### **Any other information**

None

### **Applicable Criteria**

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

### **Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuité has categorized such

instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on [www.acuite.in](http://www.acuite.in).

## Rating History

| Date        | Name of Instruments/Facilities | Term      | Amount (Rs. Cr) | Rating/Outlook                |
|-------------|--------------------------------|-----------|-----------------|-------------------------------|
| 17 Aug 2022 | Proposed Long Term Loan        | Long Term | 6.50            | ACUITE BB   Stable (Assigned) |
|             | Term Loan                      | Long Term | 0.50            | ACUITE BB   Stable (Assigned) |
|             | Term Loan                      | Long Term | 1.00            | ACUITE BB   Stable (Assigned) |
|             | Term Loan                      | Long Term | 2.00            | ACUITE BB   Stable (Assigned) |

## Annexure - Details of instruments rated

| Lender's Name                           | ISIN           | Facilities              | Date Of Issuance | Coupon Rate    | Maturity Date  | Complexity Level | Quantum (Rs. Cr.) | Rating                                |
|-----------------------------------------|----------------|-------------------------|------------------|----------------|----------------|------------------|-------------------|---------------------------------------|
| Not Applicable                          | Not Applicable | Proposed Long Term Loan | Not Applicable   | Not Applicable | Not Applicable | Simple           | 6.50              | ACUITE BB<br>  Stable  <br>Reaffirmed |
| EcLEAR Leasing & Finance Private        | Not Applicable | Term Loan               | Not available    | Not available  | Not available  | Simple           | 2.00              | ACUITE BB<br>  Stable  <br>Reaffirmed |
| SHARE BAZAR FINANCIAL SERVICES LTD      | Not Applicable | Term Loan               | Not available    | Not available  | Not available  | Simple           | 0.50              | ACUITE BB<br>  Stable  <br>Reaffirmed |
| Usha Financial Services Private Limited | Not Applicable | Term Loan               | Not available    | Not available  | Not available  | Simple           | 1.00              | ACUITE BB<br>  Stable  <br>Reaffirmed |

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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