



Press Release
MAGENTA FINANCE SERVICES PRIVATE LIMITED
February 12, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB Negative Reaffirmed Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BB**’ (read as **ACUITE double Bo**)n the Rs. 10.00 crore bank facilities of Magenta Finance Services Private Limited (MFSPL). The outlook is revised from ‘**Stable**’ to ‘**Negative**’.

Rating Rationale

The revision in outlook is on account of the pressure on asset quality, lower disbursement levels and moderation in the earning profile. The rating remains constrained by modest scale of operations coupled with modest financial performance, geographic concentration and risks inherent to microfinance sector. The GNPA and NNPA stood at 5.77 percent and 2.20 percent respectively (provisional) as on September 30, 2024 against 1.14 percent and 0.85 percent respectively as on March 31, 2024. The AUM observed a decline to Rs. 31.56 Cr. (provisional) as on September 30, 2024, from Rs 37.00 Cr. as on March 31, 2024. However, the rating continues to factor in experienced management and board representation of its investor. Acuite also takes cognisance of the liquidity profile which is expected to remain moderate in the near to medium term.

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 eight branches as on March 31, 2024.

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 Private Limited is engaged in extending microfinance in rural, semi-urban and urban areas for income generating activities under Joint Liability Group(JLG). It operates in 4 districts of Haryana ,1 district of Punjab and 2 district in UP with its network of 8 branches. The company's loan portfolio stood at Rs. 37.00 Cr. as on March 31, 2024 as compared to Rs. 24.99 Cr. as on March 31, 2023 . 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 where more than a decade is 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 have Mr. Asokkumar Rathnam who has served as AGM in SBI and DGM in Axis Bank and has more than four decades of experience. They 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. They also have Mr. Biswa Bandhu, who has retired from NABARD and has significant experience and achievements as an Independent Director.

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.

Weakness

Modest scale of operations and the Financial Risk profile

Magenta Finance Services Private Limited has been in the micro-finance lending segment since 2018. The company has been able to build a portfolio of Rs. 37.00 Cr. as on March 31, 2024. The company's AUM stood at Rs 37.00 Cr. as on March 31, 2024 as compared to Rs 24.99 Cr. as on March 31, 2023. However, the AUM observed a decline to Rs. 31.56 Cr. (provisional) as on September 30, 2024. Magenta reported a moderated ROAA of 0.51 percent during FY2024 as compared to 1.72 percent in FY2023. Similarly, PAT stood at a modest level moderating to Rs. 0.18 Cr. in FY2024 from Rs. 0.40 Cr. in FY2023. MFSPL's GNPA (90+dpd) and NNPA stood at 1.14 percent and 0.85 percent respectively as on March 31, 2024 from 1.44 percent and 1.30 percent as on March 31, 2023. However, the GNPA and NNPA stood at 5.77 percent and 2.20 percent (provisional) respectively as on September 30, 2024. The on-time portfolio stood at 96.04 percent as on March 31, 2024 which has slightly deteriorated from 98.09 percent as on March 31, 2023; the on-time portfolio stood at 89.83 percent (provisional) as on September 30, 2024.

Going forward the ability of the company to access timely capital infusion and its ability to mobilise 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 (~45 percent), UP (~39 percent) and Punjab (~16 percent) of total on-book portfolio as on March 31, 2024. 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

Liquidity Position

Adequate

Magenta Finance Services Private Limited's overall liquidity profile remains moderate in near to medium term. It has maintained cash and cash equivalents of ~Rs. 3.94 crore as on March 31, 2024.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	42.58	29.20
Total Income*	Rs. Cr.	4.04	3.00
PAT	Rs. Cr.	0.18	0.40
Net Worth	Rs. Cr.	7.74	7.75
Return on Average Assets (RoAA)	(%)	0.51	1.72
Return on Average Net Worth (RoNW)	(%)	2.36	5.24

Total Debt/Tangible Net worth (Gearing)	Times	4.34	2.64
Gross NPA	(%)	1.14	1.44
Net NPA	(%)	0.85	1.30

**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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Nov 2023	Term Loan	Long Term	1.00	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	6.50	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BB Stable (Reaffirmed)
17 Aug 2022	Term Loan	Long Term	1.00	ACUITE BB Stable (Assigned)
	Proposed Long Term Loan	Long Term	6.50	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.50	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB Negative Reaffirmed Stable to Negative
EcLEAR Leasing & Finance Private	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 May 2025	2.50	Simple	ACUITE BB Negative Reaffirmed Stable to Negative
SHARE BAZAR FINANCIAL SERVICES LTD	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 May 2025	1.00	Simple	ACUITE BB Negative Reaffirmed Stable to Negative
Usha Financial Services Private Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	23 Sep 2026	1.50	Simple	ACUITE BB Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

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