

Magma Fincorp

Turning the corner

OUTPERFORMER

Rs70

Mkt Cap: Rs9.2bn; US\$206m

Magma Fincorp (Magma), with two decades of lending experience in CVs, cars and construction equipment in tier II/III towns, has built a profitable business model. While a pan-India network reduces geographic concentration risk, entry into high-yield segments of tractors, SMEs and used CVs has expanded the addressable market. Also, Magma's focus on under-serviced buyers in under-banked regions ensures elevated yields. Magma has developed sound collection efficiencies to protect its asset quality – evident in low credit cost of 0.3% (on AuM) as of FY11. Hereon, we expect Magma to scale up rapidly by leveraging the existing network and adding branches. Disbursements are expected to show a robust 38% CAGR which, with lower securitization, would lead to 52% CAGR in advances over FY11-13E. This, and expanding margins led by rising share of high-yield products and likely capital infusion in FY12, would spur 39% CAGR in NII. At 1.2x FY12E BV, the stock trades at a deep discount (25-55% to peers). Given Magma's high growth and profitability potential, we initiate coverage with Outperformer and an 18-month price target of Rs120 (1.8x FY13E BV). Any changes in regulations and increased competition pose key risks.

A resilient business model: Pan-India footprint, a diverse product portfolio and efficient business processes are the key strengths of Magma's business model. With its focus on rural and semi-urban first-time customers (80% of branches in these areas), and limited competition from banks, Magma is aligned to grow in line with a buoyant rural economy. The efficacy of business model is reflected in high collection efficiency and low credit costs.

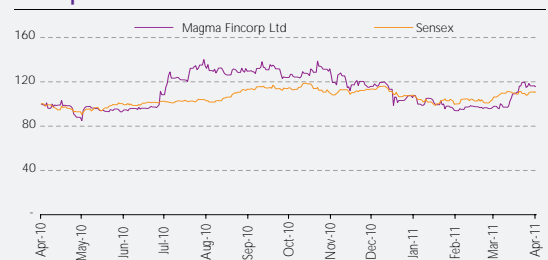
Business to gain scale; focus on high-yield loans: Magma is looking to grow its loan book by leveraging the existing network as also adding new branches. A strong 38% CAGR in disbursements and a decline in securitization to 35% of AuM by FY13E, we believe, would drive 52% CAGR in advances over FY11-13. While yields are indeed prone to competitive pressure, a prudent tempering of mix towards riskier but high-yield business lines would keep spreads intact (4.7% over FY11-13E). However, traction in these business lines could lead to an increase in provisioning expenses to 0.6% of AuM by FY13 up from 0.3% in FY11.

Traction in earnings; stock attractively priced: Strong NII momentum and improved operating leverage are expected to drive 41% earnings CAGR for Magma over FY11-13, with steady RoA of 2.4% by FY13E. Despite a likely equity dilution of Rs4bn in FY12 (factored into our estimates), we see Magma generating a sustainable RoE of 20%+. At attractive valuations of 1.2x FY12E P/BV, the stock offers significant upside potential.

Key valuation metrics

As on 31 March	FY09	FY10	FY11	FY12E	FY13E
Net profit (Rs m)	398	714	1,221	1,697	2,433
yoy growth (%)	(20.8)	79.3	71.1	39.0	43.4
Shares in issue (m)	108.9	108.9	130.0	197.1	197.1
EPS (Rs)	3.7	6.6	9.4	8.6	12.3
EPS growth (%)	(20.8)	79.3	43.3	(8.4)	43.4
PE (x)	19.7	11.0	7.7	8.4	5.8
Book value (Rs/share)	27.2	32.4	45.0	56.6	67.5
P / BV (x)	2.6	2.2	1.6	1.2	1.0
ROAE (%)	11.8	20.2	24.8	19.2	19.4

Price performance



Bloomberg: MGMA IN **6m avg daily vol. (m): 0.5**
1-yr High/ Low (Rs): 88/50 **Free Float (%): 58%**

Pathik Gandotra

pathik.gandotra@idfc.com
91-22-6622 2525

Chinmaya Garg

chinmaya.garg@idfc.com
91-22-6622 2563

Kavita Kejriwal

kavita.kejriwal@idfc.com
91-22-6622 2558

For Private Circulation only.

Important disclosures appear at the back of this report*

Content

Investment Argument	3
Key risks	9
Magma: Key Competencies	10
Strong presence in under-penetrated markets	10
Pan-India network; low concentration risk	12
Strong focus on asset quality.....	13
Diverse sources of funding.....	15
High Growth on the Anvil	17
Prudent expansion strategy to drive growth.....	17
Core business lines to provide scale.....	18
Expansion of high-yield loans.....	19
Financial Analysis.....	21

INVESTMENT ARGUMENT

- A diverse product portfolio, pan-India presence and focus on under-serviced first-time buyers in tier II/ III cities give Magma a competitive edge
- Efficient origination, rigorous collection and continuous grassroots interaction helped protect asset quality, even amid the economic downturn
- Increasing proportion of high-yield loans (tractors, used CVs and SME loans) and scale-up in core business lines (CVs, cars and CEs) to accelerate growth and support overall yields
- Growing disbursements and expanding margins to translate into 39% CAGR in NII; 41% earnings CAGR; despite increasing asset base, RoA expected to be steady at 2.4% over FY11-13E
- At 1.2x FY12E and 1.0x FY13E P/BV, valuations do not fully capture the growth potential; stock available at a 25-55% valuation discount to peers

An inherently strong business model...

Magma is a pan-India retail financier offering a wide gamut of products to a niche customer base comprising under-serviced first-time buyers and small entrepreneurs in rural and semi-urban regions. The national footprint, unlike many of its peers which are region-specific, allows Magma to reduce the risk of geographic concentration. Also, the company focuses on customers seeking loans for business or income generation activity – this has proved to be a sound business practice as the underlying income-generating potential of such loans provides increased comfort on repayment capability of borrowers. Stringent credit appraisal mechanisms, collection efficiency and continuous grassroots interaction with customers have helped Magma maintain a robust asset quality.

Robust business model evident from a diverse portfolio, national footprint, niche focus and efficient business processes

Exhibit 1: Magma – a sustainable and scalable business model



Source: IDFC Securities Research and company reports

...as is evident in robust asset quality

Excellent collection efficiency, stringent credit appraisal standards and continuous grassroots interaction with customers form the core of Magma's business strategy. This has helped keep delinquencies in check even in relatively riskier market segments. The strength of Magma's asset quality is evident from the fact that provision expenses increased only marginally during the downturn to 0.7% of AUM in FY08 from a low 0.5% in FY07.

Critical collection and credit appraisal capability has helped Magma maintain healthy asset quality

All internal checks and credit appraisal procedures are conducted in-house, with adequate support from the field investigation team. Magma hires local personnel, a policy that enables it to contain employee costs and attain a deep understanding of customer psyche. Local personnel build an extensive customer knowledge, which facilitates accurate due diligence and credit assessment. Magma also follows a stringent provisioning policy wherein all loans past 180 days are treated as NPAs and written off from the books. Commendably, the company has reported 'nil' NPAs over the last few years.

Magma well-placed in a competitive market

Supported by a robust business model and extensive experience in asset financing, Magma has carved a competitive place for itself within the NBFC space. Although Magma is smaller in size than some of the peers, its expertise in maintaining asset quality, wider product offerings and pan-India presence should help it expand profitably.

Ability to maintain asset quality, pan-India presence and product spectrum to make up for small size

Exhibit 2: Competitive Landscape

	SHTF	MMFS	SCUF	MAGMA	Comments
Product lines					<ul style="list-style-type: none"> SHTF is a leader in CV financing MMFS has diverse portfolio but leader in tractor financing SCUF and Magma are both diverse financiers
Geography					<ul style="list-style-type: none"> SHTF and SCUF have strong focus on south India MMFS and Magma are both widely dispersed
Market scale					<ul style="list-style-type: none"> SHTF has the largest AuM of Rs338bn, MMFS follows second with AuM of Rs131bn SCUF and Magma have a AuM of Rs70-80bn
Asset quality					<ul style="list-style-type: none"> SHTF, SCUF, Magma have maintained strong asset quality over years MMFS has historically faced some asset pressure
Securitization proportion	-30%	-13%	-10%	-50%	<ul style="list-style-type: none"> Securitization as a proportion of AuM, latest available data

Criterion met Criterion not met

Source: IDFC Securities Research and company reports

Stage set for 2.3x expansion in loan book

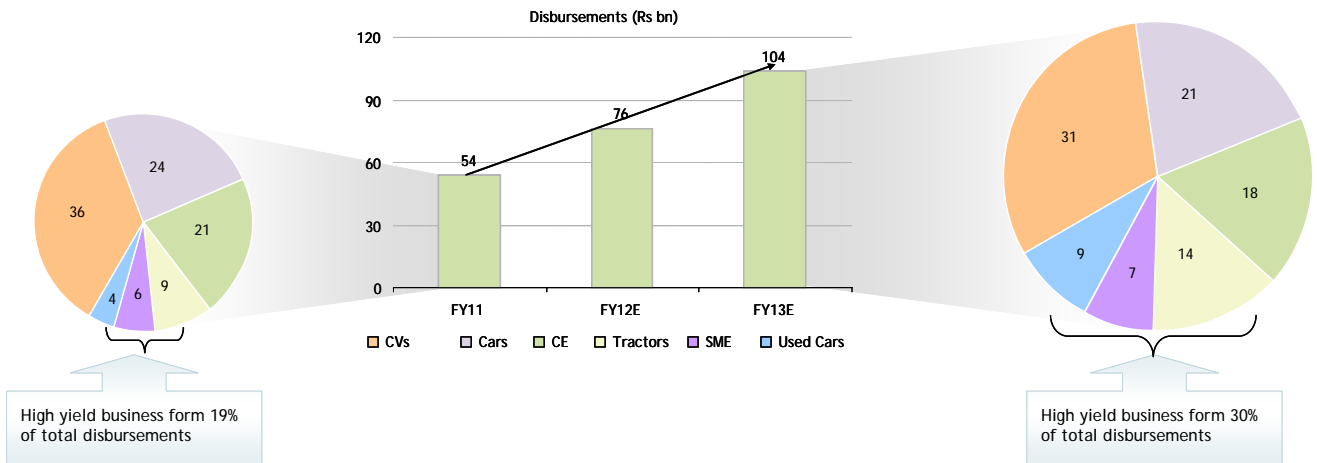
Historically known as a conservative financier, Magma has been working to shed its image, which is evident in investments committed to enter into new product categories. It now has a robust business model in place to embark on a high growth trajectory. Magma plans to expand its branch network while also leverage the existing infrastructure by providing more products across branches to capitalize on a buoyant rural economy. We expect disbursements to jump 40% yoy in FY12 and 36% yoy in FY13. We expect the loan book to expand by 2.3x over FY11-13.

Also, the business mix is expected to gradually lean towards high-yield segments, including used CVs, tractors and SME loans, which should help Magma maintain yields in the wake of increased competition. The management plans to increase the share of high-yield loans in a calibrated manner (~30% of disbursements by FY13E) by monitoring asset performance before undertaking further expansion, which we believe will help it maintain asset quality.

Branch expansion and increased product availability to lead to 38% CAGR in disbursements over FY11-13

High-yield portfolio to be grown in a calibrated manner to maintain asset quality

Exhibit 3: Disbursements mix geared towards high-yield business

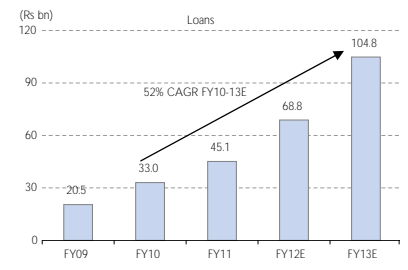


Source: IDFC Securities Research and company reports

Balance-sheet expansion aided by lower securitization

Magma securitized 50-70% of its disbursements over FY07-11 so as to limit the size of the balance sheet and reduce funding costs by taking advantage of the PSL status of its loans. Going forward, the management aims to reduce dependence on securitization to meet its funding needs. We expect the proportion of securitization on AuM (equal to on-book assets + securitized book) to decline to 40% in FY12 and 35% in FY13. This, along with expected growth in disbursements, would help the company rapidly expand its balance sheet. We expect 52% CAGR in advances to Rs105bn and 31% CAGR in AuM (on balance sheet assets plus securitized portfolio) over FY11-13.

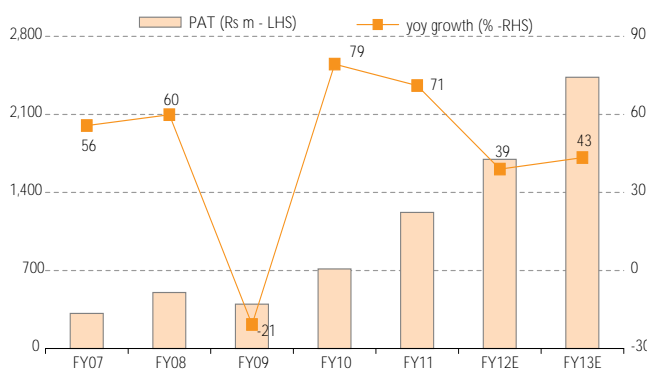
52% CAGR in loans over FY11-13E



We see an upswing in earnings

We expect a strong 41% CAGR in Magma's net profit over FY11-13 led by significant traction in NII and increasing operating efficiency. While credit costs are likely to rise due to the potential higher proportion of high-yield disbursements, we expect revenue growth to absorb higher expenses for the same.

Exhibit 4: Robust net profit



Du Pont analysis

On average assets (%)	FY10	FY11	FY12E	FY13E
NII	8.1	8.4	8.7	8.3
Other income	1.9	1.5	1.2	0.9
Total revenues	9.9	9.9	9.9	9.2
Operating expenses	6.2	5.8	5.5	4.7
Provisions	1.0	0.7	0.9	1.0
PBT	2.8	3.5	3.5	3.5
PAT	1.8	2.3	2.4	2.4

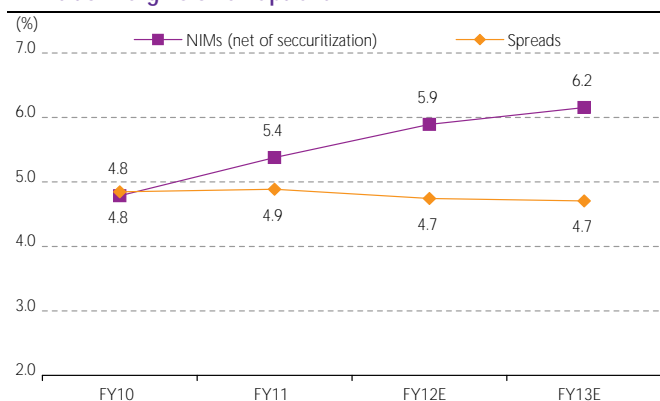
Source: Company reports and IDFC Securities Research

Healthy margins and loan growth momentum to drive 39% CAGR in NII over FY11-13E

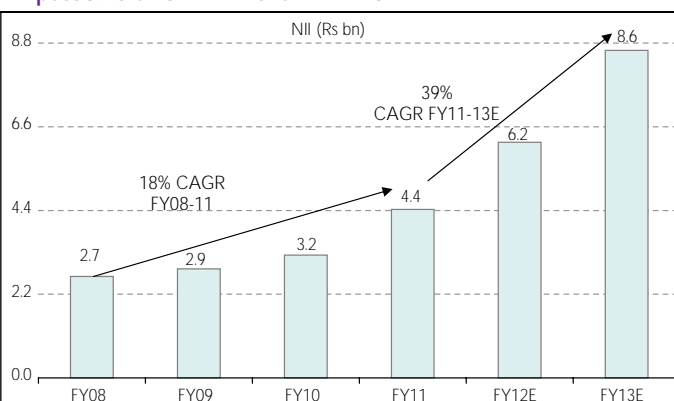
Stable yields as also spreads

While rising competitive intensity could exert some pressure on yields, we believe a potential increase in the proportion of high-yield disbursements would help Magma maintain overall yields at 13-14%. This, in addition to stable funding costs, would enable Magma to sustain spreads at 4.7% over FY12-13E. However, a likely capital infusion in FY12 would drive margin expansion from 5.4% in FY11 to 6.2% in FY13E. Healthy margins and traction in loan growth are expected to drive 39% CAGR in NII over FY11-13.

Exhibit 5: Margins on an uptrend



Expect 39% CAGR in NII over FY11-13



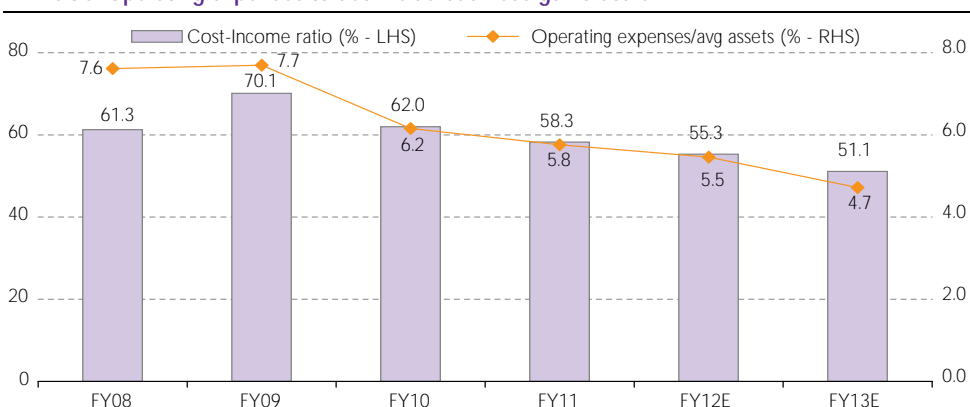
Source: IDFC Securities Research and company reports

Operating leverage to drive down cost-to-income ratio

Cost-to-income ratio to decline to 51% by FY13...

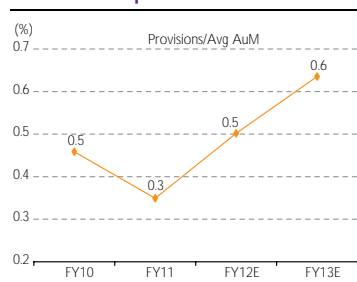
Magma's cost-to-income ratio had shot up by 700bp to 70% over FY06-09 due to its entry into new product segments, high operating expenses and acquisition of Shrachi Infrastructure. We expect the ratio to drop to 55% in FY12 and 51% in FY13 as the business gains scale and operating leverage kicks in. Also, we expect the ratio of operating expenses to average assets to decline to 4.7% by FY13 from 5.8% in FY11.

Exhibit 6: Operating expenses to decline as business gains scale



Source: IDFC Securities Research and company reports

Provision expenses to increase



...but credit costs to increase

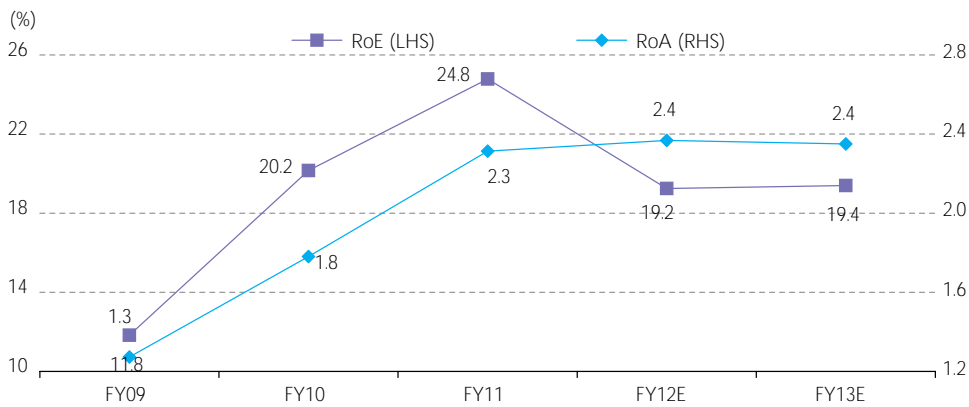
Magma has been able to keep its provision expenses low (write-offs at 0.3% of AuM as of FY11). However, the expected traction in high-yield disbursements could increase these expenses. We expect the ratio of provisions to average AuM to inch up from 0.3% in FY11 to 0.5% in FY12 and 0.6% in FY13. Nevertheless, the strong 38% CAGR in disbursements over FY11-13E should help Magma mitigate the impact of rising costs on its bottom line.

Return ratios to remain healthy

We believe Magma would require capital infusion in FY12 as it looks to reduce dependence on securitization, maintain leverage at a comfortable 8x and expand growth. Our estimates factor in an equity injection of Rs4bn in FY12 at 1.2x FY12E P/BV. Even if it sees a potential equity dilution of 44%, Magma would generate a healthy average RoE of 19% over FY12-13. We expect RoA to remain steady at 2.4% over FY11-13.

Magma to deliver healthy average RoE of 19% despite factoring in an equity dilution

Exhibit 7: RoE and RoA trends

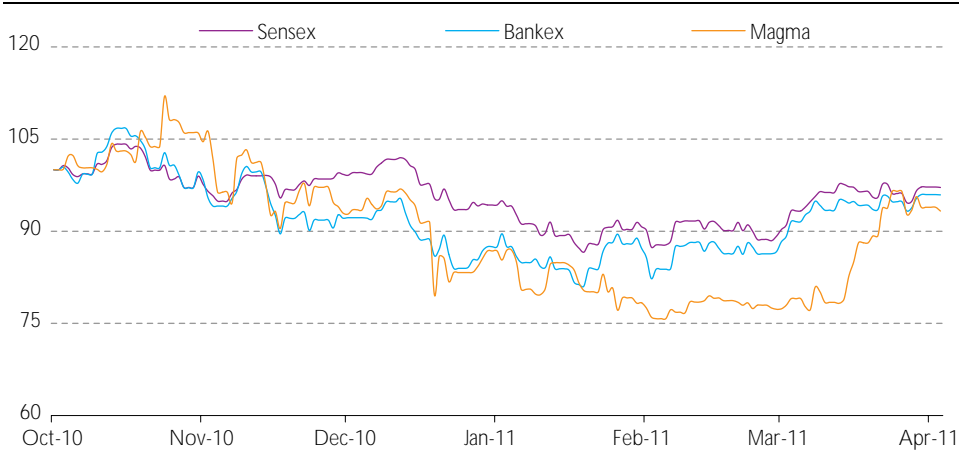


Source: Company reports and IDFC Securities Research

Compelling valuations; Outperformer

Impacted by high short-term funding costs and stretched liquidity conditions, Magma, being a predominantly wholesale-funded company, underperformed the Sensex and the banking index by ~5% over the last six months. However, easing of systemic wholesale borrowing rates and buoyant earnings growth are expected to drive stock performance hereon.

Exhibit 8: Stock has underperformed the broader market



Source: Bloomberg

Stock available at a deep discount to peers; buy with a price target of Rs120

The stock is available at attractive valuations of 1.2x FY12E book value – a 25-55% discount to peers like Shriram City Union Finance and M&M Finance. We see significant upside potential as the company attains size, profitability improves and the balance sheet strengthens. We initiate coverage on Magma with an Outperformer rating and an 18-month price target of Rs120 (70% upside to CMP).

Exhibit 9: Magma – trading at a steep discount to peers

	Price (Rs)	Mkt Cap	RoE (%)			PE (x)			P/ BV (x)		
	23 Mar 2011	(US\$ m)	FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
M M&M Finance	767	79	20.5	22.2	21.8	22.7	16.7	12.9	4.1	3.0	2.4
Shri Ram Transport	758	184	28.4	28.3	29.4	20.0	14.9	11.3	4.8	3.7	2.9
Shriram City Union Finance	595	29	22.9	22.4	24.2	15.1	12.0	9.1	3.0	2.4	1.9
Bajaj Auto Finance	713	26	8.0	19.1	23.2	29.2	11.0	7.8	2.3	2.0	1.7
Magma	70	9	20.2	24.8	19.2	7.5	8.2	5.7	2.2	1.6	1.2

Source: IDFC Securities Research and Bloomberg

Key risks

Execution risks

Magma is expanding its loan book by focusing on high-yield but riskier segments like used CVs, tractors and small businesses. While it has demonstrated a healthy track record over the past two years, delinquencies in this business remain a key monitorable.

Delinquencies in high-yielding loan segments remain a key monitorable

Intensifying competition

Predatory competition in Magma's strongholds of new CVs, construction equipment and cars poses a threat to its ability to sustain healthy margins.

Increased competition in core business operations could impact yields

Sharp rise in interest rates

Being a wholesale-funded entity, Magma is exposed to the risk of any sharp rise in wholesale borrowing costs that could be triggered by a runaway rise in general interest rates in the economy due to tightening liquidity. This could hamper the company's growth plans/ prospects.

Sustained high interest rates could impact margins

Regulatory risks

Any changes in regulation like capping of interest rates on Magma's product categories in rural and semi-rural regions or stricter securitization norms would impact overall margins and growth.

Cap on interest rates and stringent securitization norms are key policy risks

MAGMA: KEY COMPETENCIES

- Operations span a range of segments, including CVs, construction equipment, cars & UVs, used CVs, tractor finance and SMEs
- Lending strategy focused on under-serviced first-time buyers and small entrepreneurs in rural/ semi-urban regions, helping Magma generate high yields
- Resilient asset quality due to grassroots interactions with customers, stringent credit appraisal process and strong collection mechanism
- Pan-India presence mitigates regional concentration risks; access to various sources of funding at competitive rates as ~75% of loans qualify as PSLs
- Notwithstanding small size, ability to maintain asset quality, wide product basket and pan-India presence would drive growth

Strong presence in under-penetrated markets

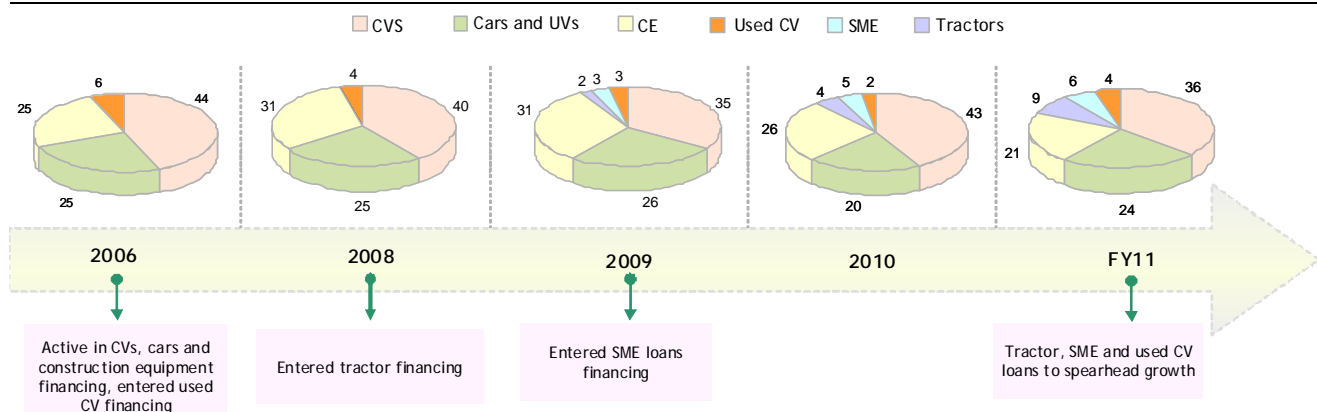
Incorporated in 1988, Magma is a diversified retail finance player with presence across commercial vehicles, construction equipment, cars and utility vehicles, used commercial vehicles, tractors and SMEs. Starting out predominantly in eastern India, the company gained presence in the north with the acquisition of Consortium Finance and gained a pan-India footprint with the acquisition of Shracchi Infrastructure Finance (SIFL) in 2007. It is now present in 21 cities and has a network of 172 branches. With ~80% of its branches in rural and semi-urban markets, and a deep understanding of the target market, the company has attained a coveted position in the space.

Presence across multiple product segments

Magma has a well diversified product portfolio, which cushions it from risks associated with any single product segment. While its core business lines are CVs, construction equipment and cars, Magma entered high-yield segments like used CVs (2006), tractors (2008) and small businesses (2009) to accelerate growth and boost margins. It predominantly lends for business activity and products that generate income, which provides increased comfort on repayment capacity. Importantly, ~95% of the loan book is collateralized by underlying assets and is, hence, secured.

Around 95% of the loan book is collateralized by underlying assets

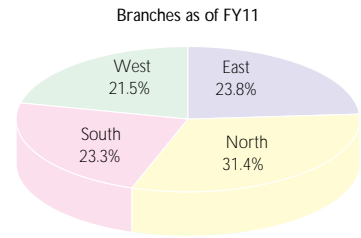
Exhibit 10: Product portfolio diversification over the past few years



Source: Company reports, IDFC Securities Research

Focussed on rural and semi-urban markets...

Magma focuses on rural and semi-urban markets, with ~80% of its branches located in these regions. Borrowers in tier II and III markets are largely under-served by banks and other formal financial institutions due to lack of proper income proof and predominance of cash-based transactions. NBFCs, with their wider distribution networks, flexible operating styles (cash-based transactions), less stringent documentation requirements and shorter turnaround times, have an edge over banks. This advantage, combined with close ties with leading manufacturers, has enabled Magma to emerge as a preferred financier at several locations.



...along with expertise in financing first-time buyers and small entrepreneurs...

Magma operates in the niche segment of providing finance to the under-served first-time buyers (mostly truck operators), small enterprises and farmers. Decades of experience in the lending space and a thorough understanding of the target market have given it a strong grasp of the consumer psyche. The first-mover advantage in these customer segments has also enabled Magma leverage its existing relationships for future financing needs.

Magma's first-mover advantage has helped it build long-term relationships

Exhibit 11: Magma – target business segment

Commercial Vehicles	Cars and UVs	Construction Equipment	Tractors	Used CVs	SME loans
Target Group					
<ul style="list-style-type: none"> Focus on first time buyers and small customers who own < 5 vehicles Medium and heavy CVs account - 90% of business 	<ul style="list-style-type: none"> Entry level and mid size cars 	<ul style="list-style-type: none"> Retail - First time buyers and small customers Strategic - Large contractors with average loan size >Rs10m 	<ul style="list-style-type: none"> Secured products Deployed for both agricultural and commercial use Focus on buyers with small holding of land 	<ul style="list-style-type: none"> Commercial utilization Over a small radius in rural and semi urban regions 	<ul style="list-style-type: none"> Unsecured EMI based loans Finance business needs and working capital requirements
Characteristics					
<ul style="list-style-type: none"> Yields - ~11.6% Avg ticket size - Rs1.65m Tenure - ~44mths 	<ul style="list-style-type: none"> Yields - ~13% Avg ticket size - Rs0.3m Tenure - ~44mths 	<ul style="list-style-type: none"> Yields - ~12% in retail and 10% in for strategic segment Avg ticket size - ~1.9m for retail and Rs10.3m for strategic segment Tenure - Strategic segment - ~42mths, retail - 36mths 	<ul style="list-style-type: none"> Yields - ~19.6% Avg ticket size - Rs~0.3m Tenure - ~46mths 	<ul style="list-style-type: none"> Yields - ~18.2% Avg ticket size - Rs0.5m Tenure - ~32 mths 	<ul style="list-style-type: none"> Yields - ~16.2% Avg ticket size - ~2.4m Tenure - ~33mths

Source: Company reports

...allow Magma to generate attractive yields

Its strategy to etch a strong presence in largely virgin markets (first-time buyers) allows Magma to command higher yields of 11-20% across its various product categories.

Presence in under- serviced segments allows Magma to generate attractive yields

Exhibit 12: Yields by product category

(%)	Yields	LTVs
New commercial vehicles	11-12	~75
Cars and Utility vehicles	12-13	~67
Construction Equipment	Retail - ~12	Retail - ~79
	Strategic - ~10	Strategic - ~89
Tractors	~20	~62
Used CVs	~18	~72
SME loans	~16	Unsecured

Source: Company reports

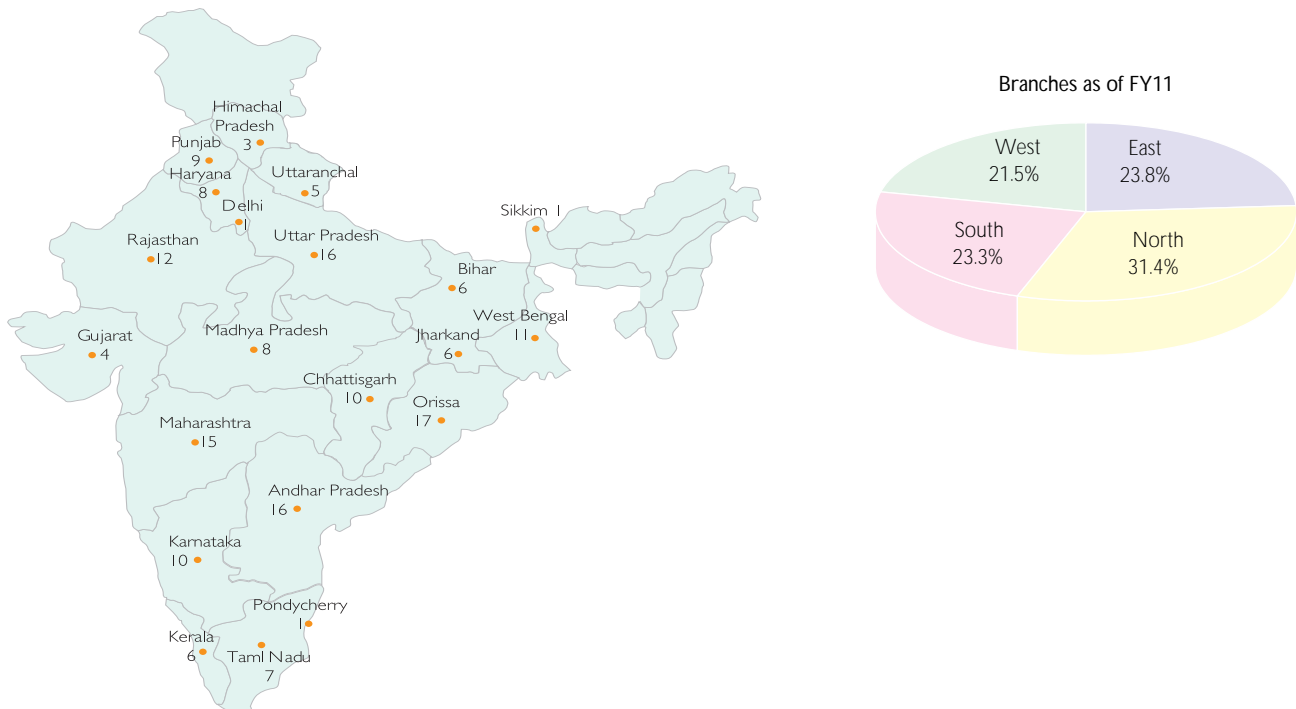
Pan-India network; low concentration risk

North India accounts for 31% of branches, while the other regions have 21-23% each

Starting out in eastern India, Magma gained a foothold in the north with the acquisition of Consortium Finance (2001) and then a pan-India presence with the acquisition of Shrachi Infrastructure Finance (SIFL) in 2007. As of FY11, it had 172 branches across 21 states. Unlike most NBFCs which are dominant in specific regions, Magma's network is well spread, considerably reducing geographical risk. Currently, northern India accounts for ~31% of its branches, while the southern, eastern and western regions account for 21-23% each.

Though the branches are usually located within municipal limits of a town or city, each has an operating radius of 125km, with field officers penetrating the nearby regions deeper on foot. This gives Magma an advantage over banks, whose operations are restricted to city and municipal limits. Also, opening of a branch does not entail huge costs as Magma initially sets up small branches and gradually increases their size in tandem with business growth.

Exhibit 13: Magma – state-wise branch distribution



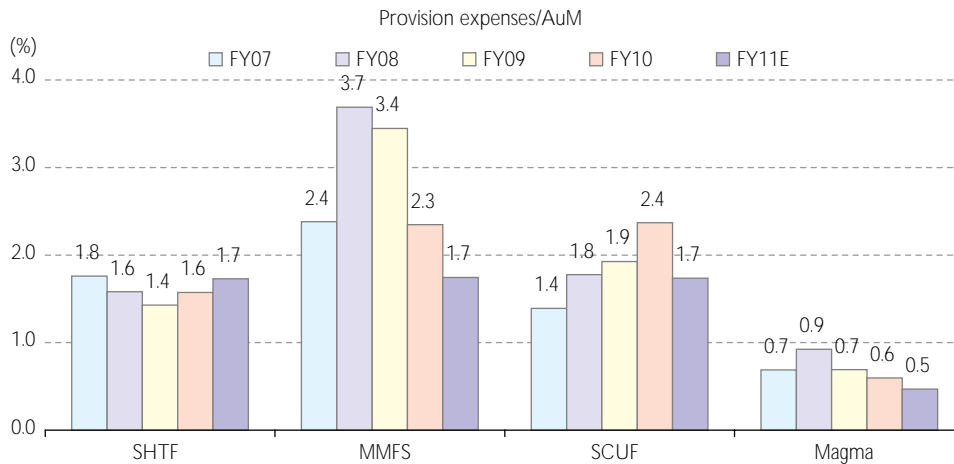
Source: Company reports

Strong focus on asset quality

Despite catering to first-time borrowers and small entrepreneurs with limited credit history, Magma has maintained a robust asset quality with its time-tested credit assessment process and strong collection mechanisms. An evidence of this is that while provision expenses did increase during the slowdown in 2008, they were still below peer levels.

Commendable asset quality even in a difficult market and during difficult periods

Exhibit 14: Magma - provision (write-off) expenses lower than peers



Source: IDFC Securities Research and company reports

A stringent provisioning policy

Magma follows stringent provisioning norms wherein all loans due over 180 days are treated as NPAs and written off from the books. This method is more conservative than the relevant RBI guidelines and has helped the company achieve zero net NPAs in the past five years.

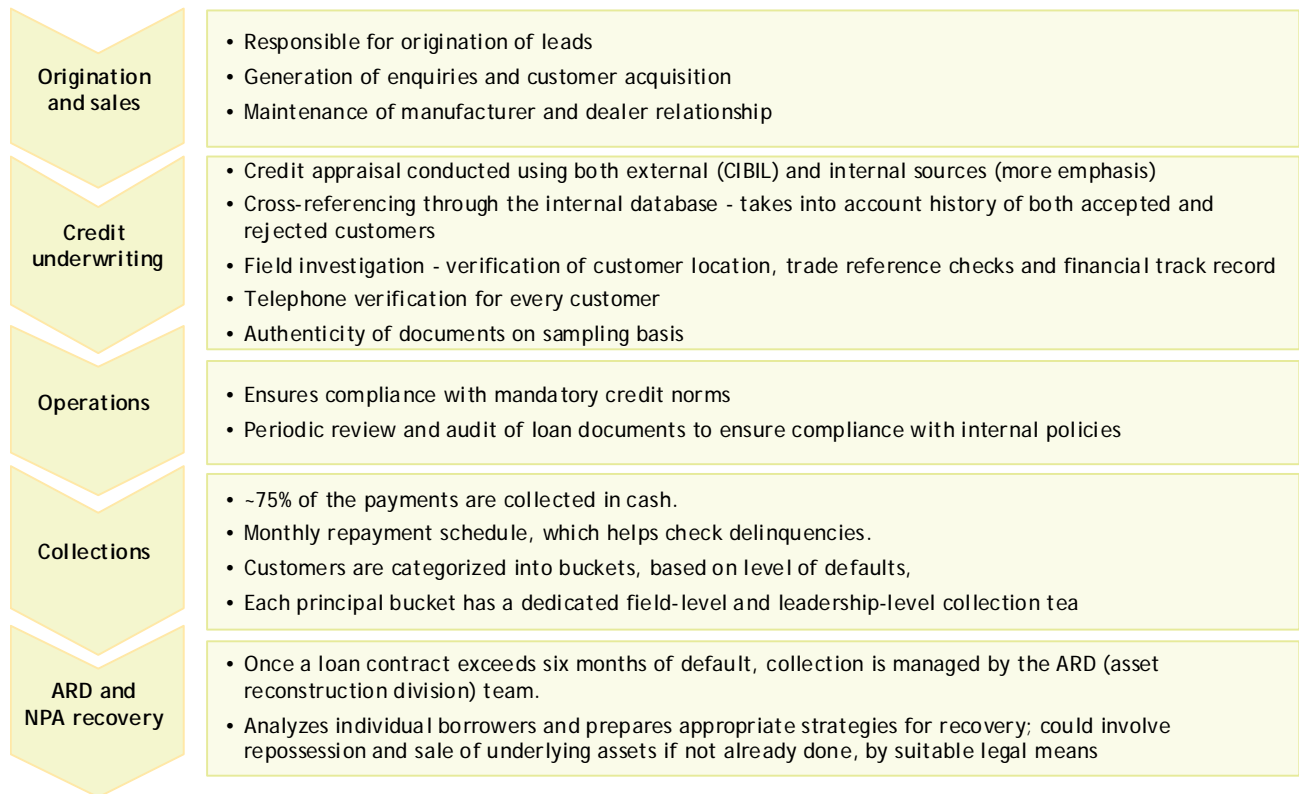
Loans 180 days past due are written off from the books

Well-defined business origination and monitoring processes...

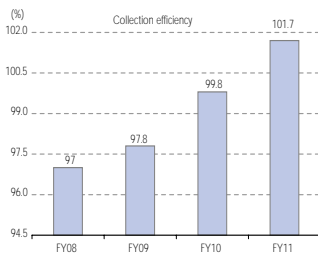
Given the risky segments that it operates in, Magma has built well-defined structures and processes for managing loan contracts from origination to closure of contracts. The company has separate business generation and credit appraisal divisions, a strategy that has allowed it to place several check-points to contain delinquencies. Further, compensation of the credit appraisal unit and field officers are inversely related to the delinquencies of the portfolio. That acts as a strong motivational factor to keep delinquencies low.

Separate business generation and credit appraisal divisions

Exhibit 15: Origination and monitoring process



Source: IDFC Securities Research and company reports



High collection efficiency

On the back of a well-defined collection procedure and bucket-wise monitoring of repayments, Magma has been able to achieve high collection efficiency (installment collections as a percentage of installments billed) over the years. Collection efficiency has increased from a healthy 97% in FY08 to a high of over 100%+ in FY11.

Efficient and well-defined collection processes to minimize defaults

Collection process

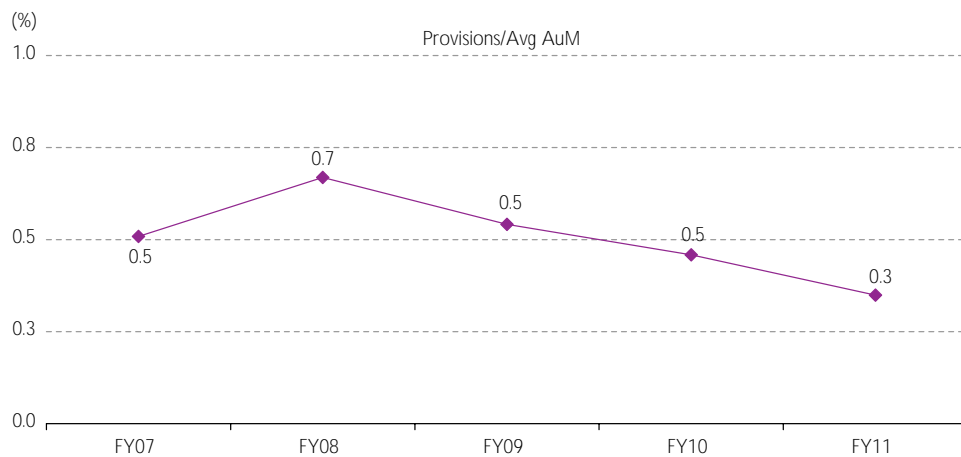
Magma has a well-defined collection procedure. Collection of installment payments from customers is managed by two functional buckets. While the 0-180 dpd (days past due) bucket includes loan contracts that are either current or have been in default for less than six consecutive installments, the ARD (asset reconstruction division) manages all delinquent contracts that have been in default for more than six months. Within the 0-180 dpd bucket, Magma has several sub-buckets that help it closely monitor collection efficiency across various categories of customers: i) 0-30 dpd – reminders by tele-callers, ii) 30-60 dpd – reminder by tele callers, followed by visit by field officers, and iii) 60-180 dpd – visit by the field officer to the guarantor of the loan and repossession of the assets if required.

...evident in resilience shown during periods of turmoil

Provision expenses (write-offs in the case of Magma) witnessed an upsurge in FY06-07 after the acquisition of Shrachi Infrastructure due to alignment of the latter’s accounting policy with Magma’s more stringent methods. Subsequently, rising delinquencies and higher funding costs resulted in low credit growth in FY09 (only 5% yoy rise in disbursements). However, the management used this time to improve credit appraisal and collection efficiencies. As a result, the ratio of write-offs to AuM declined from 0.7% in FY08 to 0.3% in FY11.

The management focused on collection and credit appraisal efficiencies during the downturn

Exhibit 16: Magma – provision (write-offs) expenses



Write-offs witnessed an upsurge in FY06-07 after the Shrachi Infrastructure acquisition

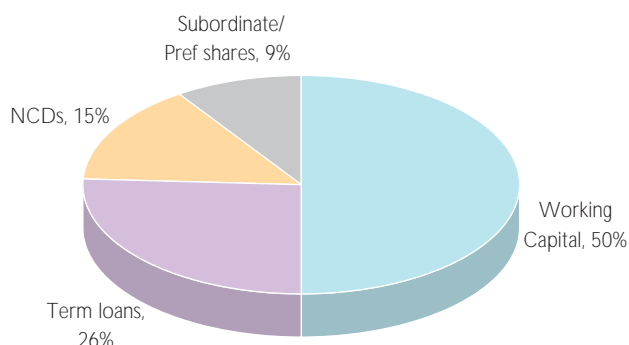
Source: IDFC Securities Research

Diverse sources of funding

Magma funds its business through diverse sources – long-term funds like NCDs and term loans, working capital lines and securitization. Currently, ~50% of the company’s borrowings (on book) come from working capital credit lines from banks, which get repriced every year. The company has also raised term loans, debentures and subordinate debt, which have longer tenures (3-5 years).

Working capital credit comprises ~50% of borrowings

Exhibit 17: Diversified sources of funding



Source: Company reports

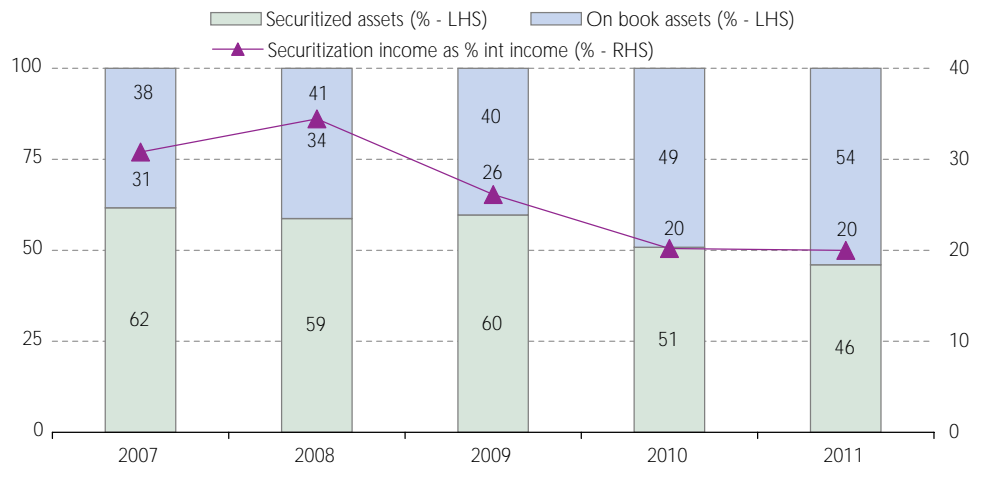
Securitization comprises
~50% of total funding

Securitization a key source of funding; 75% of loans qualify as PSLs

To control balance sheet size and take advantage of priority sector loan (PSL) status for advances, Magma has historically securitized ~60% (FY07-09) of its AuM. About 75% of the loans generated qualify as PSLs, which have huge demand among banks. The company usually securitizes loans after seasoning it for three months. Costs and income arising from sale of securitized assets are accounted upfront by the company. As of FY11, 20% of interest income was generated by securitized assets.

Exhibit 18: Securitization proportion and income

As of FY11, 20% of interest
income was generated by
securitized assets



Source: Company reports

HIGH GROWTH ON THE ANVIL

- Expanding branch network, increasing leverage across existing branches and robust demand to drive 52% CAGR in loan book to Rs105bn by FY13E
- Growth geared towards high-yield loans (76% CAGR FY11-13E) to protect margins in the wake of higher competition
- Calibrated approach to expand high-yield loans due to inherent risks; segment to increase to 30% of overall disbursements by FY13
- Core business growth 28% CAGR over FY11-13E to provide requisite scale to the business

Prudent expansion strategy to drive growth

Disbursements to gain traction

Fresh from the acquisition of Shrachi in 2007, Magma utilized the economic downturn the following year to consciously moderate loan growth (2009-10) to control delinquencies while simultaneously strengthening monitoring and collection functions. Historically known as a conservative lender, Magma, aided by its pan-India scale, entered high-yield segments like used CVs, tractors and small business loans in an effort to boost margins. With the base set, the management is now looking to expedite disbursement growth mainly helped by the following:

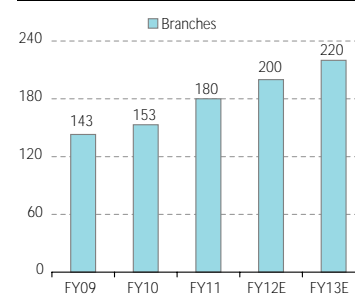
1. **Network expansion:** The management aims to increase its network coverage from 172 branches (as of FY11) to 200 by FY12 and 220 by FY13.
2. **Increase in network utilization:** Magma is also aiming to increasingly leverage its existing network by expanding product offerings across branches. CVs loans are currently offered only at ~110 branches, while cars and UVs are available at ~125 branches.
3. **Robust demand:** Buoyant rural economic growth will continue to ensure robust growth of the asset financing industry.

Prudent expansion strategy

Magma is looking to re-orient its disbursement mix, which, apart from accelerating growth, would help it to boost margins and increase profitability. The management aims to increase the proportion of high-yield loans – used CVs, tractors and SMEs – in the book. We believe the strategy of increasing the proportion of high-yield disbursements is prudent for the following reasons

- While we expect the retail finance industry to expand by a robust 20-25% (CAGR) over FY11-13, competition could increase. Magma's increasing exposure to high-yield segments would help it maintain yields even amid more intense competition.
- The management aims to increase the share of high-yield loans in a calibrated manner (~30% on disbursements by FY13E) and 'monitor asset quality' before expanding it further.
- Healthy growth in the dominant core business of CV, cars and UVs and construction equipment would allow Magma to boost scale.

Branch expansion plans



Focus on disbursements towards segments like used CVs, tractors and SMEs...

...will help sustain yields amid intensifying competition

Core business lines to provide scale

Commercial Vehicles Industry

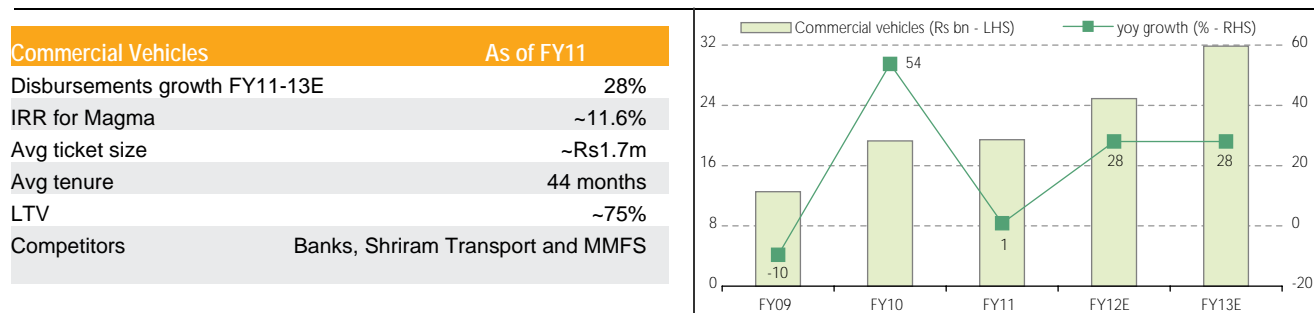
- **Market size:** Growth of ~21% CAGR FY11-13E, Disbursements of ~Rs650bn by FY13E
- **Growth driver:** Healthy growth in CV sales and high finance penetration to drive growth
- Small and first time buyers targeted by niche players

Magma reported a healthy 20% CAGR in disbursement in its core business lines of CVs, cars and tractor loans over FY07-11. With buoyant demand, driven by the growing economy, we see Magma poised for strong growth.

Commercial vehicles

While overall CV sales are expected to moderate to a healthy 15% in FY12-13E from a high ~25% in FY10-11E, high LTVs and finance penetration are expected to drive ~21% CAGR in CV industry disbursements over FY11-13E. Magma's principal target group in CV finance market consists of first-time buyers and small customers owning less than five trucks. The heavy and medium CV segment accounted for 88% of CV disbursements in FY10. Going forward, we expect Magma's CV disbursements to increase by 28% CAGR to Rs32bn in over FY11-13E.

Exhibit 19: Disbursement trends – commercial vehicles



Source: Company reports, IDFC Securities Research

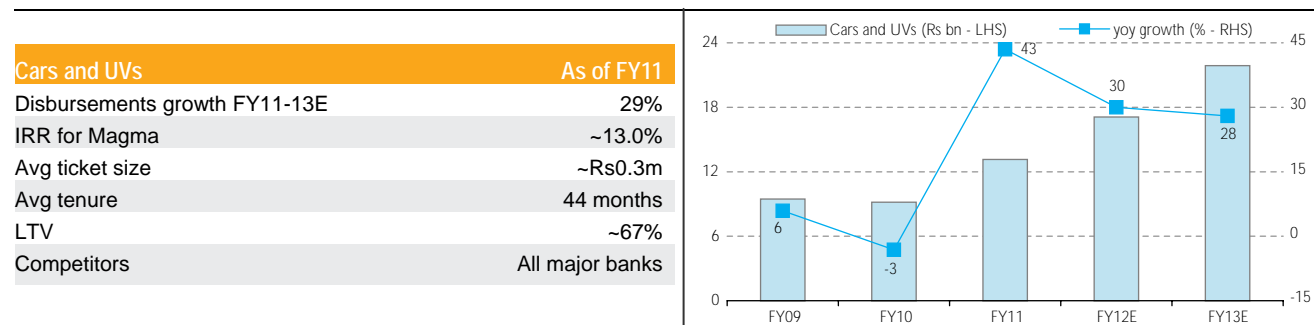
Cars and utility vehicles

- **Market size:** Growth of ~21% CAGR FY11-13E, Disbursements of ~Rs820bn by FY13E
- **Growth driver:** Robust vehicle sales (18-19% CAGR FY10-13E) and increasing LTVs
- Higher yields in entry-level car segment

Cars and utility vehicles

Despite an expected decline in car and UV sales to 16% and 14% respectively from ~25% yoy growth in FY11E, the financing market is expected to grow by a strong 21% CAGR over FY11-13. Growth would be driven by higher LTVs and finance penetration. For Magma, cars & UV disbursements accounted for 24% of the total in FY11. It predominantly targets mid- and entry-level car owners. We expect Magma's disbursements in this segment to rise above industry levels by 29% CAGR over FY11-13.

Exhibit 20: Disbursement trends – car and UVs



Source: Company reports, IDFC Securities Research

Construction equipment

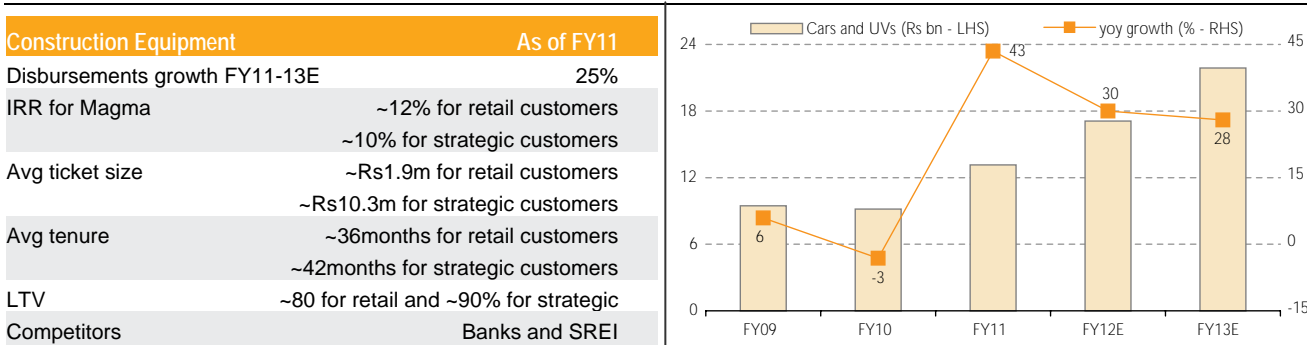
Construction equipment financing witnessed a slowdown in FY11 on the back of a decline in infrastructure spend. However, with an expected pick-up in infrastructure spend, we see CE financing disbursements increasing by a robust ~25% over FY12.

Magma focuses on both retail (first-time buyers) and strategic customers (large customers with an average loan size of >Rs10m). On the back of sluggish industry growth, Magma's FY11 CE disbursements declined by 5% yoy. However, driven an expected pick-up in infrastructure spending, we expect Magma's CE disbursements to increase by in line with industry trends at 25% CAGR over FY11-13E.

Construction Equipment

- **Market size:** Annual growth of ~25%, Disbursements of ~Rs400bn FY12E
- **Growth driver:** Pick-up in infrastructure spend and healthy economic growth to drive growth
- Secured segment and thus lower loss rates

Exhibit 21: Disbursement trends – construction equipment



Source: Company reports, IDFC Securities Research

Expansion of high-yield loans

The high-yield loan segments (tractors, used CVs and small businesses) formed 19% of Magma's disbursements in FY11. Recognizing the higher risk in this segment, the management aims to expand this business in a calibrated manner by closely monitoring asset quality before adding scale.

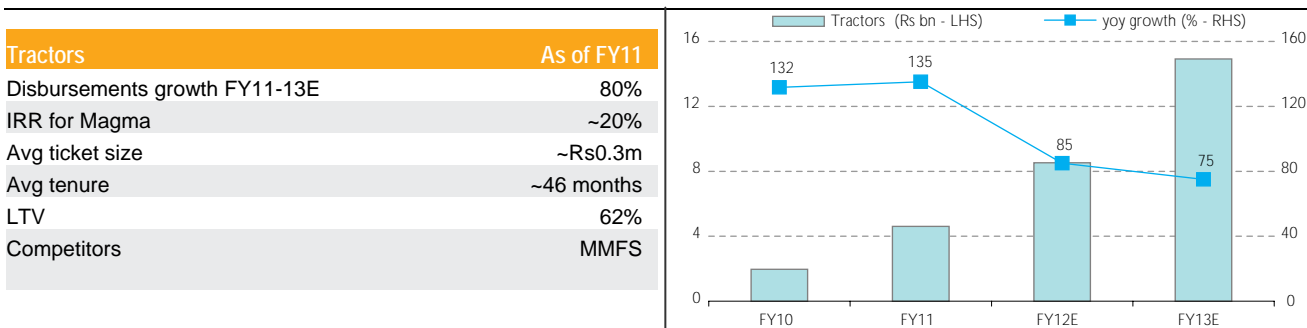
Tractors - 80% CAGR over FY11-13E

Magma entered this segment in 2008 and focuses on first-time buyers with small land holdings. To bolster the business, it has tied up with many tractor manufacturers and suppliers, which provides access to dealerships and a ready customer base. With the groundwork done, Magma now aims to significantly ramp up operations in this segment. On a low base (9% of total disbursements in FY11), we expect disbursements to increase by a scorching pace of 80% CAGR over FY11-13E.

Tractors

- **Market size:** Growth of ~20% CAGR FY11-13E, Disbursements of ~Rs290bn by FY13E
- **Growth driver:** Healthy growth in tractor sales (15% CAGR FY10-13E) and high LTVs

Exhibit 22: Tractors



Source: Company reports, IDFC Securities Research

SME loans

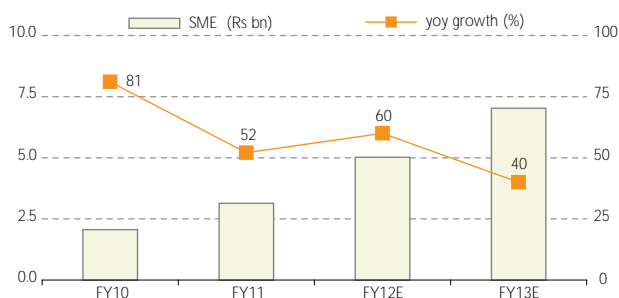
- Healthy economic growth to drive growth
- Mostly unsecured loans, loans disbursed after balance sheet and project appraisal
- Small ticket size loans constitute the riskier segment, mid and large customers relatively safer

SME loans – strong growth ahead

Magma entered this segment in 2009. It provides unsecured loans to finance business and working capital requirements of small businessmen and entrepreneurs. Loan applications are screened on the basis of financial and credit risk records. The portfolio attracts high yields of 16-17%. We expect disbursements to increase by strong 50% CAGR over FY11-13E from a low base.

Exhibit 23: SME loans

SME loans	As of FY11
Disbursements growth FY11-13E	50%
IRR for Magma	~16%
Avg ticket size	~Rs2.4m
Avg tenure	33months
LTV	Unsecured loans
Competitors	Banks, Reliance Capital



Source: Company reports, IDFC Securities Research

Used commercial vehicles

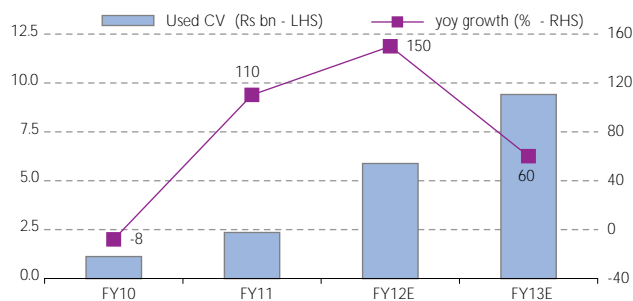
- Continued robust CV sales to drive growth
- Susceptible to market conditions, income generation capability of truck owner
- Sector characterized by high yields ~20%

Used CVs – healthy growth

Continued momentum in CV sales in the past few years is expected to drive healthy growth of the used CV financing market. Magma entered this segment in 2006 and plans to significantly ramp up business in this space. We expect disbursements for used CVs to register a 100% CAGR (on a low base) over FY11-13.

Exhibit 24: Used CVs

Used CVs	As of FY11
Disbursements growth FY11-13E	100%
IRR for Magma	~18%
Avg ticket size	~Rs0.5
Avg tenure	32months
LTV	~70%
Competitors	Shriram Transport



Source: Company reports, IDFC Securities Research

FINANCIAL ANALYSIS

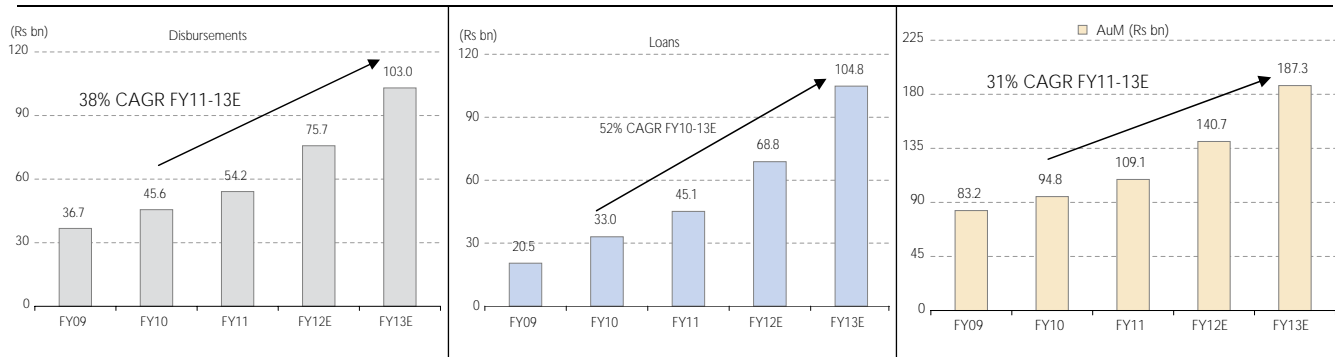
- Loan book to reach ~Rs105bn (52% CAGR) by FY13E driven by 38% CAGR in disbursements and decline in securitization
- Improving business mix with increasing share of high yielding loans and capital infusion to drive NIM expansion; to drive 39% CAGR in NII to Rs8.6bn by FY13E
- Rising operating leverage to drive down cost-to-income ratio to 51% by FY13 from 58% in FY11; tight leash on credit costs
- Earnings to increase by 41% CAGR over FY11-13E driven by traction in NII and improving operating leverage
- Despite equity dilution RoE to remain at a healthy 19% over FY12-13E, steady RoA at 2.4% on back of 45% CAGR rise in asset base over FY11-13E

Disbursements to accelerate by 38% over FY11-13E

Magma plans to aggressively expand disbursements driven by increased network usage and robust demand in under-penetrated markets. Overall, we expect Magma to register 38% CAGR in disbursements over FY11-13, leading to 52% CAGR in loan book. AuM is expected to grow by 31% to Rs187.3bn over the same period.

Loan book to expand 2.3x over FY11-13E

Exhibit 25: Northward rally in the loan book



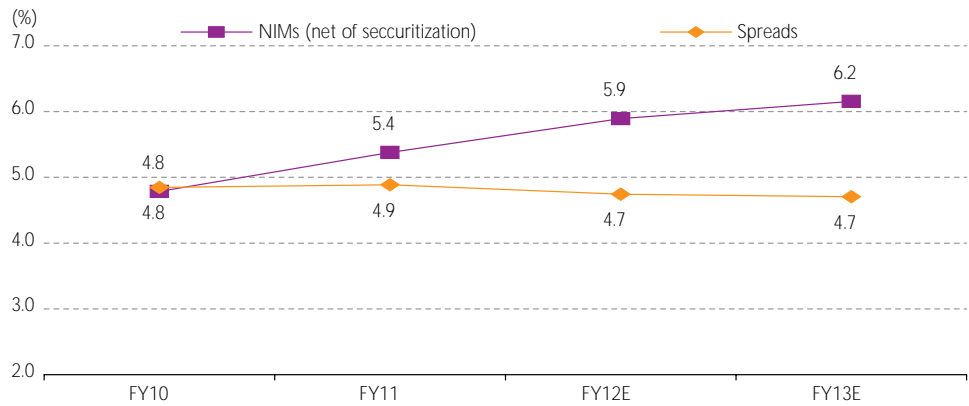
Source: Company reports, IDFC Securities Research

NIMs - upward bound

Though increased competition would lead to a decline in product yields over FY12-13, an increased proportion of high-yield disbursements should keep Magma's total yields stable at 13-14%. Stable yields and funding costs would help the company maintain spreads. However, a likely capital infusion in FY12 would drive in NIM expansion to 6.2% in FY13E.

Likely capital infusion to drive up NIM to 6.2% in FY13E

Exhibit 26: NIMs on an upward trajectory



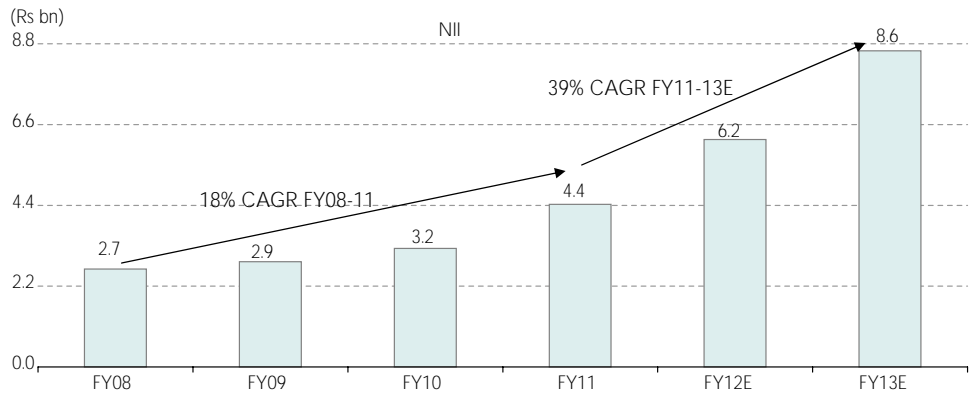
Source: Company reports and IDFC Securities Research

Net interest income to grow rapidly

We expect Magma to register 39% CAGR in net interest income (excluding securitization income) over FY11-13, driven by a buoyant loan book and healthy margins.

Loan book growth and higher margins lead to 39% CAGR in NII over FY11-13E

Exhibit 27: Expect strong traction in NII



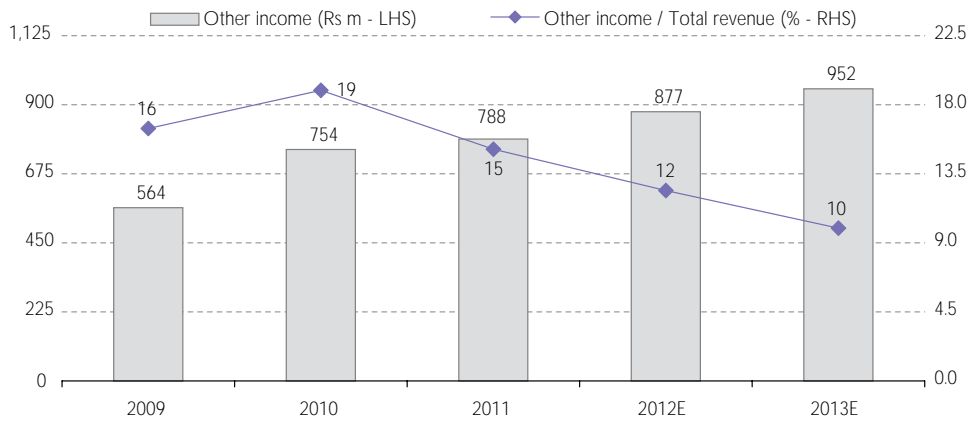
Source: Company reports and IDFC Securities Research

Share of other income to decline

Owing to faster growth in NII, we expect the proportion of other income (fee and investment income) to total revenues to decline from 15% in FY11 to 10% by FY13.

Faster growth in NII to result in decline in proportion of other income

Exhibit 28: Other income



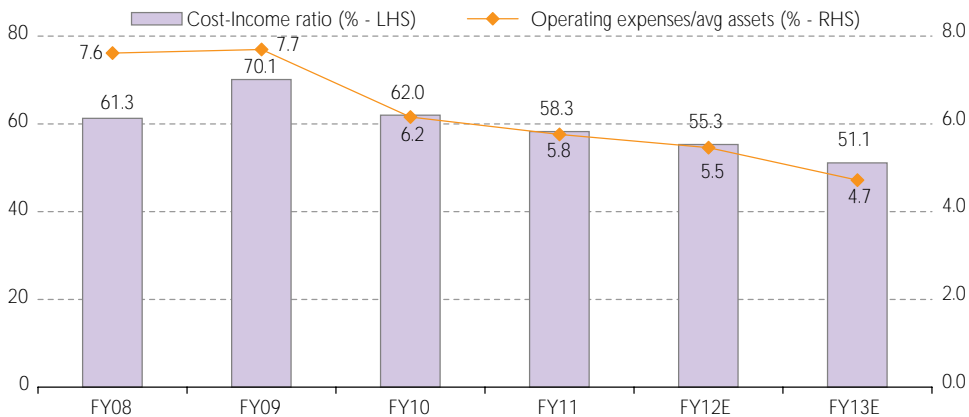
Source: Company reports and IDFC Securities Research

Cost-to-income ratio to decline to 51% by FY13

With business gaining scale and operating leverage kicking in, we expect the cost-to-income ratio to decline materially to 55% and 51% in FY12 and FY13 respectively from a high 70% in FY09. Subsequently, the ratio of opex to average assets would also decline to 4.7% by FY13E.

Ratio of opex to average assets to decline to 4.7% by FY13E

Exhibit 29: Operating leverage coming into play



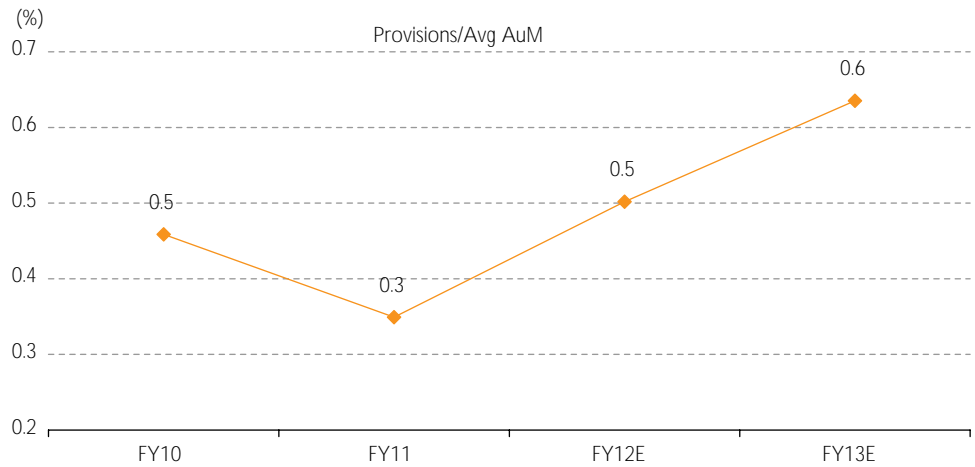
Source: Company reports and IDFC Securities Research

Credit costs to increase

Magma has kept its provisioning expenses low (0.3% of AuM as of FY11) with its stringent credit appraisal process and high collection efficiency. According to prevailing regulatory guidelines, NBFCs are required to recognize assets 180 dpd as NPAs. But Magma follows a more conservative provisioning policy and writes off assets from its book as soon as they are recognized as NPAs. This has allowed the company to report zero NPAs over the past few years. Though Magma has maintained robust asset quality over FY10-11, we expect provision expenses to increase over FY12-13 given an expected increase in riskier high-yield loans. Overall, we expect the ratio of provision expenses to AuM to increase to 0.5% in FY12 and 0.6% in FY13 from 0.3% in FY11.

Provision expenses to increase due to higher exposure to high-yield loans

Exhibit 30: Provision expense trends



Source: Company reports and IDFC Securities Research

Securitization proportion to decline to 35% by FY13

Dependence on securitization to decline

Magma aims to reduce its dependence on securitization for funding and expand the balance sheet. In line with management guidance, we expect securitization levels (as a proportion of AuM) to decline to 40% by FY12 and 35% by FY13 from 46% in FY11.

Exhibit 31: Securitization to decline



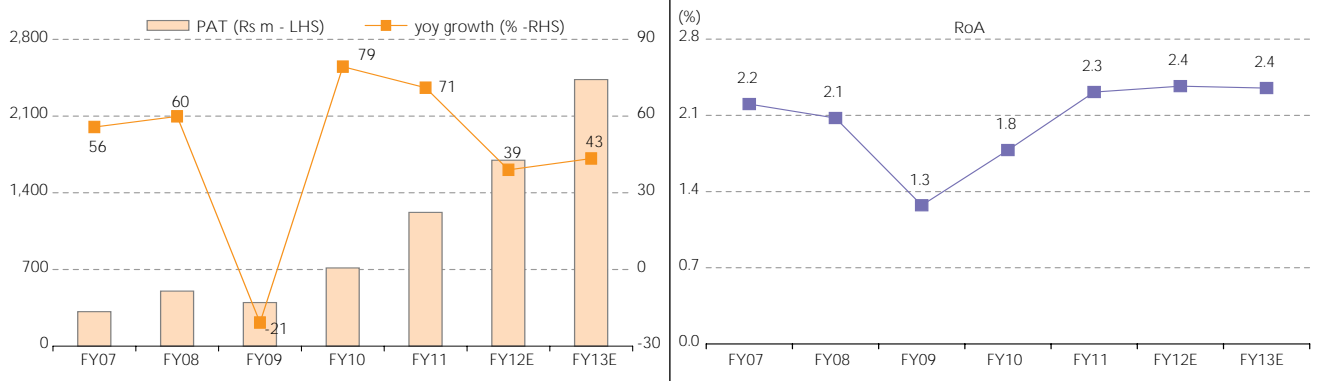
Source: Company, IDFC Securities Research

PAT to grow by 41% CAGR over FY11-13E

Strong profit growth ahead

We expect 41% CAGR in Magma's net profit over FY11-13, driven by significant expansion in NII and increasing operating efficiency.

Exhibit 32: Robust net profit along with healthy RoA



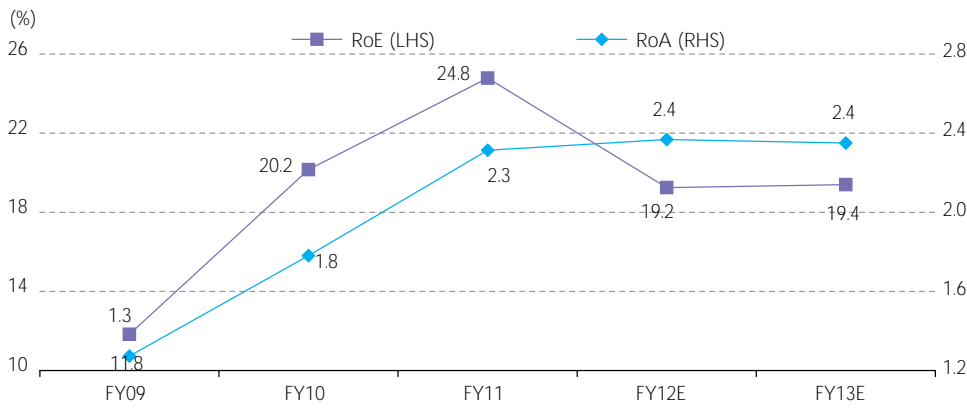
Source: Company reports and IDFC Securities Research

Return ratios

We believe the company will require capital infusion in FY12 as it looks to decrease dependence on securitization, support loan growth and keep gearing in check. We are building in a capital infusion of Rs4bn in FY12 at 1.2x FY12E P/BV, which would result in a 44% equity dilution. Even after assuming an equity dilution, Magma would generate a healthy average RoE of ~19% over FY12-13E. We believe loan-book expansion, improving yields and higher operating efficiency will result in steady RoA of 2.4% by FY13.

RoE at healthy 19% despite dilution

Exhibit 33: RoE and RoA trend



Source: Company reports and IDFC Securities Research

Income statement

Year to 31 Mar (Rs m)	FY09	FY10	FY11	FY12E	FY13E
Net interest income	2,867	3,227	4,429	6,192	8,606
yoy growth (%)	7.5	12.6	37.3	39.8	39.0
Other income	564	754	788	877	952
yoy growth (%)	63.9	33.6	4.5	11.3	8.6
Non trading income	562	752	788	877	952
Net revenue	3,431	3,981	5,217	7,069	9,558
yoy growth (%)	14.0	16.0	31.1	35.5	35.2
Operating expenses	2,405	2,467	3,039	3,910	4,885
yoy growth (%)	30.4	2.6	23.2	28.7	24.9
Provisions	415	408	356	627	1,042
PBT	610	1,105	1,822	2,532	3,631
yoy growth (%)	(19.9)	81.0	64.9	39.0	43.4
Provision for tax	212	391	601	836	1,198
PAT	398	714	1,221	1,697	2,433
yoy growth (%)	(20.8)	79.3	71.1	39.0	43.4

Balance sheet

As on 31 Mar (Rs m)	FY09	FY10	FY11	FY12E	FY13E
Loan book on BS	20,459	33,014	45,143	68,825	104,847
yoy growth (%)	9.6	61.4	36.7	52.5	52.3
Off BS assets	49,658	48,184	50,153	56,313	64,654
Total managed assets	70,117	81,197	95,296	125,137	169,501
yoy growth (%)	17.1	15.8	17.4	31.3	35.5
Total assets	33,525	46,630	58,917	84,400	122,655
yoy growth (%)	15.6	39.1	26.4	43.3	45.3
Networth	2,965	3,523	5,848	11,161	13,303
Loan funds	25,065	36,543	45,924	64,755	98,413
Gearing (no of times)	11.3	13.2	10.1	7.6	9.2
Debt/ Equity	8.5	10.4	7.9	5.8	7.4

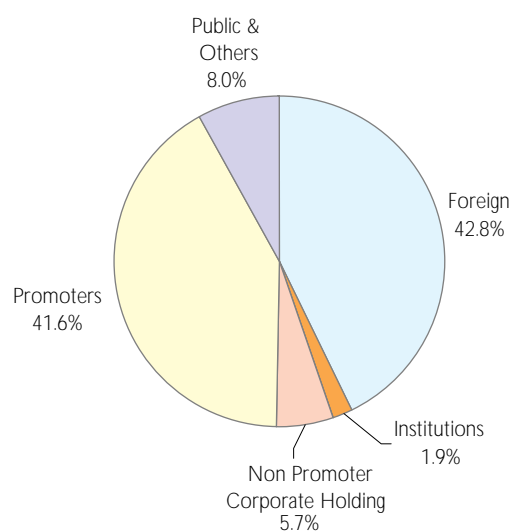
Valuations

Year to 31 Mar (Rs m)	FY09	FY10	FY11	FY12E	FY13E
Net profit (Rs m)	398	714	1,221	1,697	2,433
yoy growth (%)	(20.8)	79.3	71.1	39.0	43.4
Shares in issue (m)	108.9	108.9	130.0	197.1	197.1
EPS (Rs)	3.7	6.6	9.4	8.6	12.3
EPS growth (%)	(20.8)	79.3	43.3	(8.4)	43.4
PE (x)	19.3	10.7	7.5	8.2	5.7
Book value (Rs/share)	27.2	32.4	45.0	56.6	67.5
P / BV (x)	2.6	2.2	1.6	1.2	1.0
ROAE (%)	11.8	20.2	24.8	19.2	19.4

Key ratios

Year to 31 Mar (%)	FY09	FY10	FY11	FY12E	FY13E
Net int. margin/avg assets	9.2	8.1	8.4	8.6	8.3
Non-fund rev./avg assets	1.8	1.9	1.5	1.2	0.9
Fees / avg assets	1.8	1.9	1.5	1.2	0.9
Operating exp./avg assets	7.7	6.2	5.8	5.5	4.7
Cost/Income	70.1	62.0	58.3	55.3	51.1
Prov./avg loan assets	1.3	1.0	0.7	0.9	1.0
PBT/Average assets	2.0	2.8	3.5	3.5	3.5
RoA	1.3	1.8	2.3	2.4	2.4
RoE	11.8	20.2	24.8	19.2	19.4
Tax/PBT	34.8	35.4	33.0	33.0	33.0
Tier I	9.2	8.6	11.3	14.7	12.0

Shareholding pattern (%)



As of March 2011

Analyst	Sector/Industry/Coverage	E-mail	Tel. +91-22-6622 2600
Pathik Gandotra	Head of Research: Financials, Strategy	pathik.gandotra@idfc.com	91-22-662 22525
Shirish Rane	Construction, Power, Cement	shirish.rane@idfc.com	91-22-662 22575
Nikhil Vora	FMCG, Media, Mid Caps, Education, Exchanges	nikhil.vora@idfc.com	91-22-662 22567
Nitin Agarwal	Pharmaceuticals, Real Estate	nitin.agarwal@idfc.com	91-22-662 22568
Chirag Shah	Metals & Mining, Telecom, Pipes, Textiles	chirag.shah@idfc.com	91-22-662 22564
Bhoomika Nair	Logistics, Engineering	bhoomika.nair@idfc.com	91-22-662 22561
Hitesh Shah, CFA	IT Services	hitesh.shah@idfc.com	91-22-662 22565
Bhushan Gajaria	Automobiles, Auto ancillaries, Retailing	bhushan.gajaria@idfc.com	91-22-662 22562
Salil Desai	Construction, Power, Cement	salil.desai@idfc.com	91-22-662 22573
Ashish Shah	Construction, Power, Cement	ashish.shah@idfc.com	91-22-662 22560
Probal Sen	Oil & Gas	probal.sen@idfc.com	91-22-662 22569
Chinmaya Garg	Financials	chinmaya.garg@idfc.com	91-22-662 22563
Abhishek Gupta	Telecom, Metals & Mining	abhishek.gupta@idfc.com	91-22-662 22661
Saumil Mehta	Metals, Pipes	saumil.mehta@idfc.com	91-22-662 22578
Vineet Chandak	Real Estate	vineet.chandak@idfc.com	91-22-662 22579
Kavita Kejriwal	Strategy, Financials	kavita.kejriwal@idfc.com	91-22-662 22558
Anamika Sharma	IT Services	anamika.sharma@idfc.com	91-22-662 22680
Varun Kejriwal	FMCG, Mid Caps	varun.kejriwal@idfc.com	91-22-662 22685
Swati Nangalia	Media, Education, Exchanges, Midcaps	swati.nangalia@idfc.com	91-22-662 22576
Nikhil Salvi	Construction, Power, Cement	nikhil.salvi@idfc.com	91-22-662 22566
Kavitha Rajan	Strategy, Midcaps	kavitha.rajan@idfc.com	91-22-662 22697
Dharmendra Sahu	Database Analyst	dharmendra.sahu@idfc.com	91-22-662 22580
Rupesh Sonawale	Database Analyst	rupesh.sonawale@idfc.com	91-22-662 22572
Dharmesh R Bhatt, CMT	Technical Analyst	dharmesh.bhatt@idfc.com	91-22-662 22534
Equity Sales/Dealing	Designation	E-mail	Tel. +91-22-6622 2500
Naishadh Paleja	MD, CEO	naishadh.paleja@idfc.com	91-22-6622 2522
Paresh Shah	MD, Dealing	paresh.shah@idfc.com	91-22-6622 2508
Vishal Purohit	MD, Sales	vishal.purohit@idfc.com	91-22-6622 2533
Nikhil Gholani	MD, Sales	nikhil.gholani@idfc.com	91-22-6622 2529
Sanjay Panicker	Director, Sales	sanjay.panicker@idfc.com	91-22-6622 2530
Rajesh Makharia	Director, Sales	rajesh.makharia@idfc.com	91-22-6622 2528
Nirbhay Singh	SVP, Sales	nirbhay.singh@idfc.com	91-22-6622 2595
Suchit Sehgal	AVP, Sales	suchit.sehgal@idfc.com	91-22-6622 2532
Pawan Sharma	MD, Derivatives	pawan.sharma@idfc.com	91-22-6622 2539
Dipesh Shah	Director, Derivatives	dipesh.shah@idfc.com	91-22-6622 2693
Jignesh Shah	AVP, Derivatives	jignesh.shah@idfc.com	91-22-6622 2536
Sunil Pandit	Director, Sales trading	sunil.pandit@idfc.com	91-22-6622 2524
Mukesh Chaturvedi	SVP, Sales trading	mukesh.chaturvedi@idfc.com	91-22-6622 2512
Viren Sompura	SVP, Sales trading	viren.sompura@idfc.com	91-22-6622 2527
Rajashekhar Hiremath	VP, Sales trading	rajashekhar.hiremath@idfc.com	91-22-6622 2516

Disclaimer

This document has been prepared by IDFC Securities Ltd (IDFC SEC). IDFC SEC and its subsidiaries and associated companies are a full-service, integrated investment banking, investment management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities.

This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.

The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavor to update the information herein on reasonable basis, IDFC SEC, its subsidiaries and associated companies, their directors and employees ("IDFC SEC and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent IDFC SEC and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved). The investment discussed or views expressed may not be suitable for all investors.

Affiliates of IDFC SEC may have issued other reports that are inconsistent with and reach different conclusions from, the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IDFC SEC and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of, and to observe, such applicable restrictions.

Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

IDFC SEC and affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell, or may be materially interested in any of the securities mentioned or related securities. IDFC SEC and affiliates may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall IDFC SEC, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of IDFC SEC and affiliates.

This document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. IDFC SEC will not treat recipients as customers by virtue of their receiving this report.

Explanation of Ratings:

1. Outperformer: More than 5% upside to Index
2. Neutral: Within 0-5% to Index (upside or downside)
3. Underperformer: More than 5% downside to Index

Disclosure of interest:

1. IDFC SEC and affiliates may have received compensation from the company covered herein in the past twelve months for issue management, capital structure, mergers & acquisitions, buyback of shares and other corporate advisory services.
2. Affiliates of IDFC SEC may have received a mandate from the subject company.
3. IDFC SEC and affiliates may hold paid up capital of the subject company.
4. IDFC SEC and affiliates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company(ies) mentioned herein.

Naman Chambers, C-32,
G- Block, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051

Tel: 91-22-6622 2600
Fax: 91-22-6622 2501