



## MAGMA HOUSING FINANCE

12 June 2020

**BSE Limited**

Corporate Relationship Department  
25<sup>th</sup> Floor, P.J. Towers, Dalal Street, Fort,  
Mumbai – 400 001

(Company Code - 10828)

Dear Sir,

**Sub: Investors Presentation**

In continuation to our intimation dated 09 June, 2020, please find enclosed herewith the investor presentation and key highlights on the financial performance of the Company for year ended 31 March, 2020.

The presentation may also be accessed on the website of the Company at the URL <https://magmafc.co.in/regulatory-disclosure/intimation-to-stock-exchange.php>. The same is uploaded on the website in accordance with Regulation 62 of the Listing Regulations.

Kindly take the same on record.

Thanking you,

**Yours faithfully,  
For Magma Housing Finance Limited**

**Priti Saraogi  
Company Secretary  
Membership No. A26360**

**Encl: as above**

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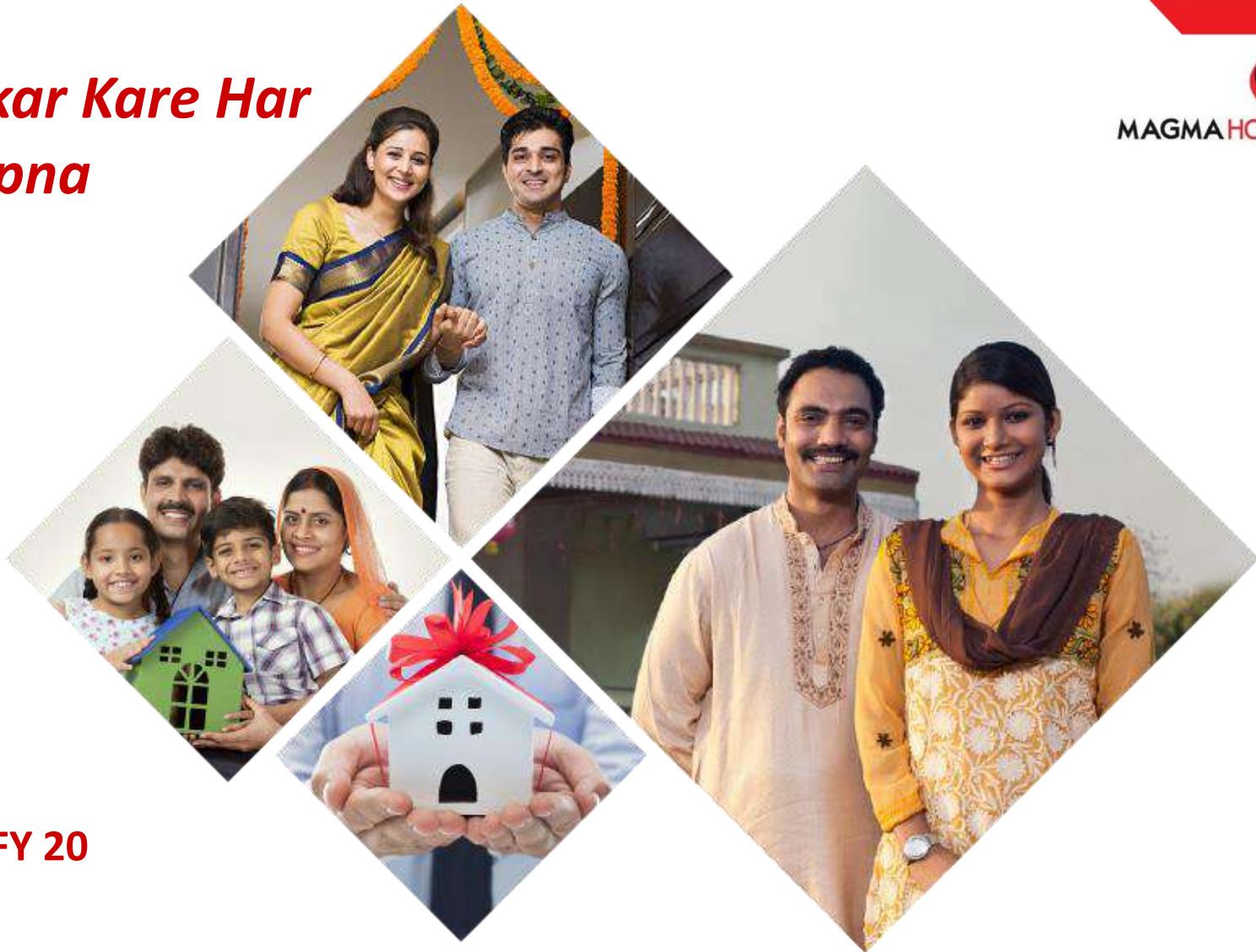
Magma Housing Finance Limited

Regd. Office: Development House, 24 Park Street, Kolkata 700 016, Ph: 91 7596067686 / 91 33 44017350  
Web : <http://www.magmafc.co.in>, CIN : U65922WB2004PLC229849

Please Visit <https://ipg.magma.co.in> For Online Payment

# *Garv Se Sakar Kare Har Ghar Ka Sapna*

  
MAGMA HOUSING FINANCE



**Results: Q4 & FY 20**



- 1 Company Overview – Long Term Value Creation
- 2 Business Strategy
- 3 Financial Performance
- 4 Business enablers to drive sustainable growth
- 5 Leadership Team
- 6 Annexures

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“MHFL shall be India’s best in class **digitally efficient** AHFC which will nurture its employees to serve its customers with **Empathy, Care & Gratitude**. MHFL shall **double** its business size over next 4 years and return **industry leading** asset quality & profitability for its shareholders”

# Quick Snapshot



MAGMA HOUSING FINANCE



- ❖ An Affordable Housing Finance Company with **National Presence**
- ❖ Presence in 19 states with **103** branches



- ❖ **AUM** of 3,283 Crore as on 31<sup>st</sup> Mar, 2020 (35% growth YoY)
- ❖ Home Loan Disbursal of ~827 Crore in FY20 (28% growth YoY)



- ❖ **12,000+** satisfied customers on-boarded in last 12 months
- ❖ ~51% **PMAY** penetration in fresh Home Loan on-boarding



- ❖ **Woman borrower** in 96% of loans originated in FY20
- ❖ **53%** of customers sourced in FY20 are **new to credit**



- ❖ ~80% **direct** sourcing by in-house team
- ❖ **Home Loan** ~70% of incremental disbursement



- ❖ **NHB** Funding availed for first time, will lead to lower cost of funds
- ❖ Adequate liquidity with **positive ALM** across buckets

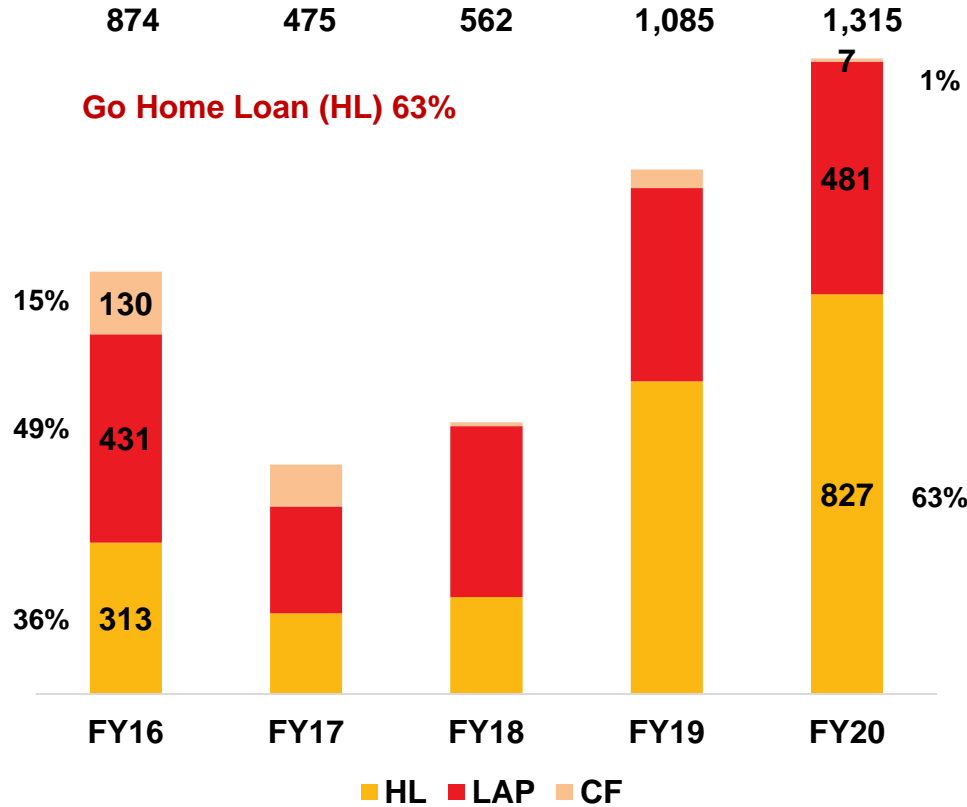
Value in Rs. Crore

# Granular Affordable Long Term Book Building...

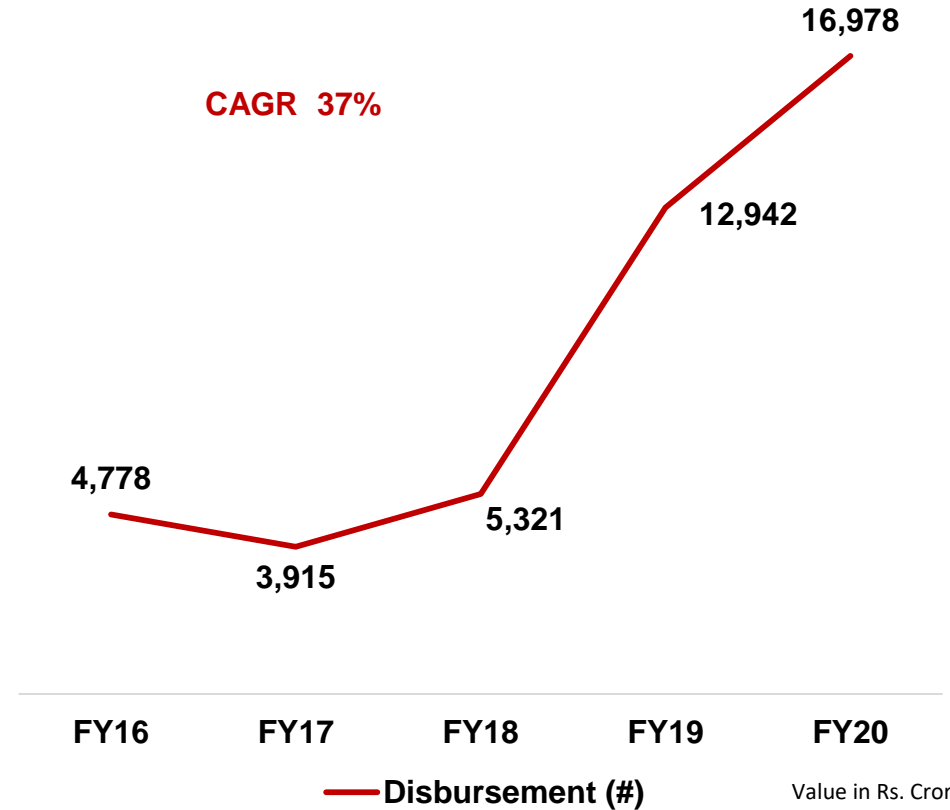


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### Disbursement



### Disbursement (#)



Value in Rs. Crore

# Relationship based direct sourcing...



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## Sourcing Mix

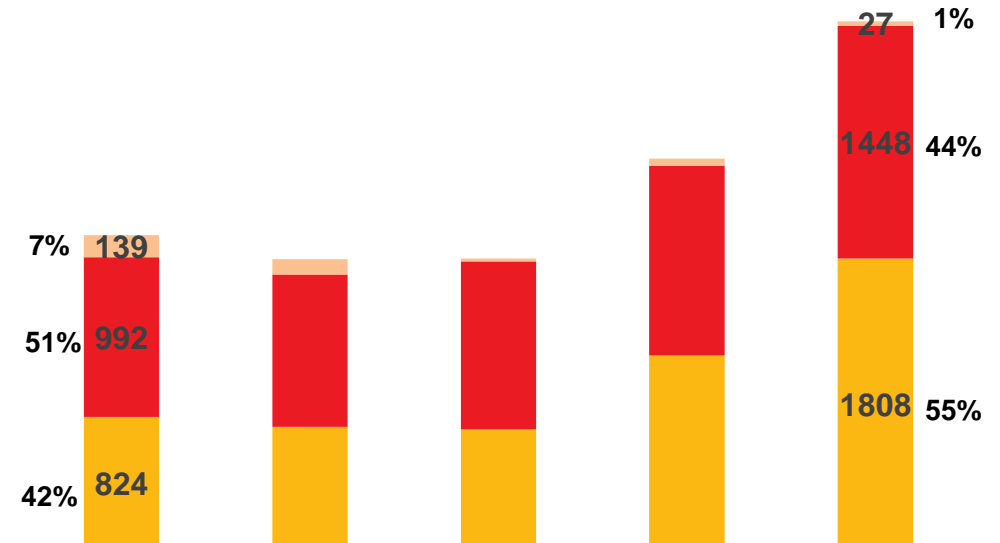
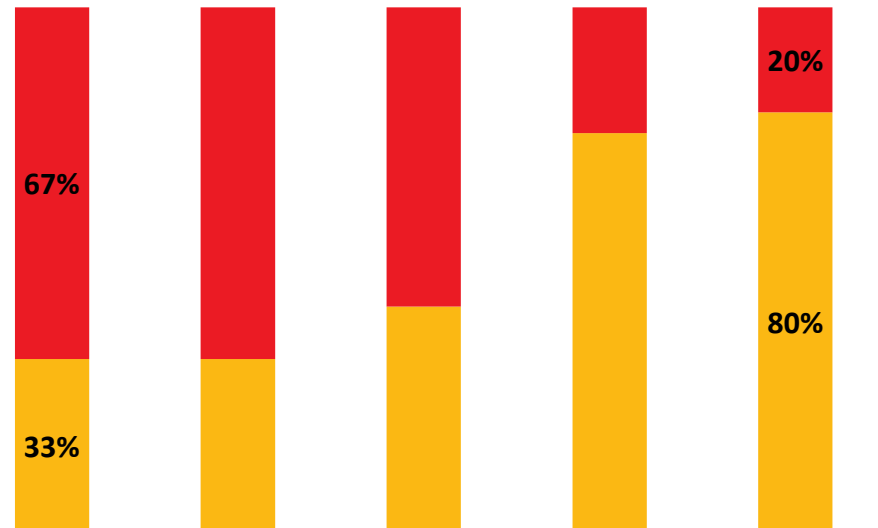
## AUM

874      475      562      1,085      1,315

1,955      1,804      1,809      2,429      3,283

Go Direct 80%

Go Home Loan 55%



FY16      FY17      FY18      FY19      FY20

FY16      FY17      FY18      FY19      FY20

■ Direct Sourcing    ■ Channel sourcing

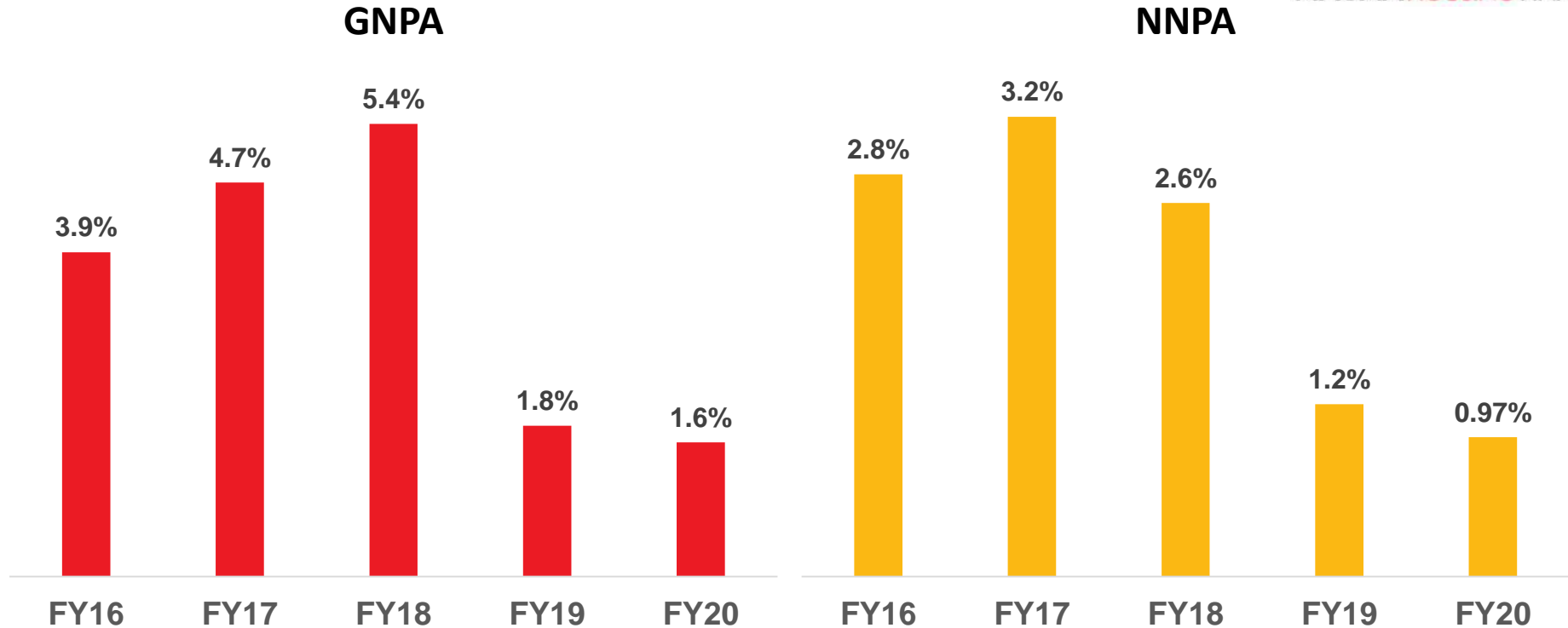
■ HL    ■ LAP    ■ CF

Value in Rs. Crore

# Momentum towards Best in Class Asset Quality...



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Best in Class upper quartile portfolio quality in Affordable Housing Finance



# Serving the under-served MIG and LIG customers

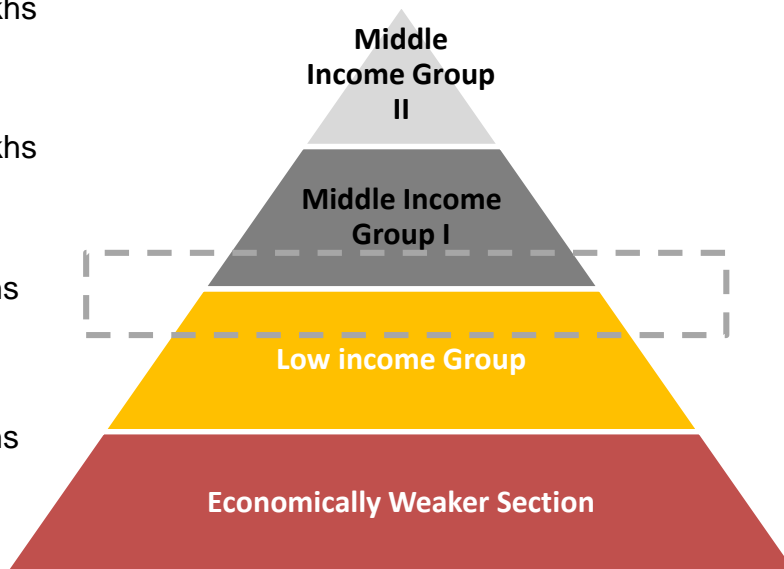
## Household Income

18 lakhs

12 lakhs

6 lakhs

3 lakhs



## Average Loan Ticket Size

> INR 30 lakhs

INR 16 - 30 lakhs

INR 6 - 15 lakhs

INR 2 - 5 lakhs

## MHF Customer segment

- Primarily new to credit customers buying first home
- 72% of loans disbursed in Tier 2 and Tier 3 towns
- Income type: Self Employed, Salaried Informal, Self Employed-Professional, Salaried
- Lending towards affordable housing with Average Ticket Size of 9-13 lakhs

*Note: According to RBI classification, cities with a population in the range of 50,000 to 100,000 are classified as tier 2 cities, while those with a population of 20,000 to 50,000 are classified as tier 3 cities*

# Pan India Affordable Housing Finance Company



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## Asset Light Branch Network

- ✓ Wide retail presence through hub and spoke model
- ✓ Technology enabled solutions leading to industry best productivity, national coverage and best in class customer experience
- ✓ Strong customer engagement through large team of Field Executives
- ✓ Toll free Inbound/Outbound Customer Call Centre for servicing and cross sell

## 103 Branches as on 31<sup>st</sup> March, 2020

Deep presence in select geographies pan India through hub and spoke model.



# Value in Consistent Performance



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Parameter	FY16	FY17	FY18	FY19	FY20
AUM	Rs. 1,955 crs	Rs. 1,804 crs	Rs. 1,809 crs	Rs. 2,430 crs	Rs. 3,283 crs
Gross NPA	3.9%	4.7%	5.4%	1.8%	1.6%
Net NPA	3.1%	3.7%	3.3%	1.2%	0.97%
Disbursement IRR	13.9%	14.0%	13.3%	13.1%	13.8%
Opex Ratio	3.1%	2.8%	3.1%	3.9%	3.6%
PAT	Rs. 22.8 crs	Rs. 33.7 crs	Rs. 33.8 crs	Rs. 34.0 crs	Rs. 42.6 crs
ROA	1.3%	1.9%	1.9%	1.6%	1.5%
ROE	9.5%	13.1%	11.5%	10.4%	10.4%

Note: Performance for FY16 and FY17 as per I-GAAP; FY18 to FY20 performance as per Ind-AS



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# Slowing economy is weathering storm of liquidity stress and now COVID 19



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- Liquidity crisis in financial services sector since Sep-18 resulted in broader economic slowdown impacting all sections of economy, however government interventions improved the liquidity scenario in Q3FY20.
- Unprecedented prolonged lockdown in times of COVID 19 impacted entire world economy; India GDP growth is estimated at 4.2% in FY20.
- Lock down has severely impacted MSME segment, barring few sectors like Health care, FMCG, Allied Agro, etc.
- Surge in unemployment numbers, leading to uncertainty of income, will slowdown consumption.
- Restart of economic activity after a prolonged lockdown, under fear of COVID 19, would be challenging.
- Government schemes to recuperate Indian economy, under 'Atma Nirbhar Bharat', Liquidity measures to MSME like ECLGS, PMAY (U), Special Refinance Scheme, etc. should provide help to resume march to normalcy
- Prolonged disruption – started with the liquidity crisis, transcended into confidence crisis and now the Covid-19 crisis – has led ***HFCs and NBFCs to sacrifice growth, prune balance sheets and become asset light.***

# Executive Summary – Living in times of Covid-19



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## **Our Strategy**

- A robust Business Continuity Plan as a response to COVID addressing financial planning, business strategy realignment, employee productivity re-focus, IT enablement and renewed customer engagement.
- Focus on collections, stringent operating expenses management and strengthening Balance Sheet.
- Company has a healthy capital adequacy, good liquidity position, a granular retail portfolio with excellent geographic distribution

## **Business & Liquidity Management**

- FY20 Disbursement grew by 21%.; AUM by 35% YoY to ₹3,283crs, in spite of the economic downturn and the COVID impact
- Amidst Covid-19, taken a cautious stance on new business, tightened underwriting norms
- Exited March 2020 with a comfortable liquidity of Rs. 284 Crore including unutilized credit lines
- Low cost NHB refinance assistance of Rs. 227 Cr sanctioned

## **Customer engagement**

- Have enabled 845 of Affordable Housing Customers under PMAY scheme during the year; 4000+ applications in process
- Customer survey covering 77% customers between 23<sup>rd</sup> May,20 to 2<sup>nd</sup> June,20, to understand customers liquidity, business impact and support they need

## **Employee engagement**

- Enabled Employees to Work From Home, providing adequate protection in times of COVID 19.
- Ensuring Employee welfare – A very active health support desk and medical emergency helpline etc. for employees and their families

# Executive Summary – Living in times of Covid-19



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## Credit Cost

- Focus on collections with additional rigour on customers availing moratorium.
- Taken one-time COVID provision amounting to ₹ 7.35 crore in Q4. (0.22% of AUM as on 31<sup>st</sup> Mar 20)
- Initial 3 months moratorium – 49% customers opted for moratorium
- Gross NPA & Net NPA stood at 1.6% and 0.97% as of 31 March 2020
- Healthy PCR of 40% under Expected Credit Loss regime under Ind AS on an entirely retail book

## Opex Management

- Stringent control over operating expenses with Go Direct and Go Digital policy
- Investments in Technology in early FY20, will help drive productivity and cost optimisation in these stressed times
- Opex initiatives like review of Branch and office network, delayering, stringent control on all discretionary spends
- Operating expense as a percentage of Average AUM reduced to 3.6% in FY20 from 3.9% in FY19

## Profitability and Balance Sheet strength

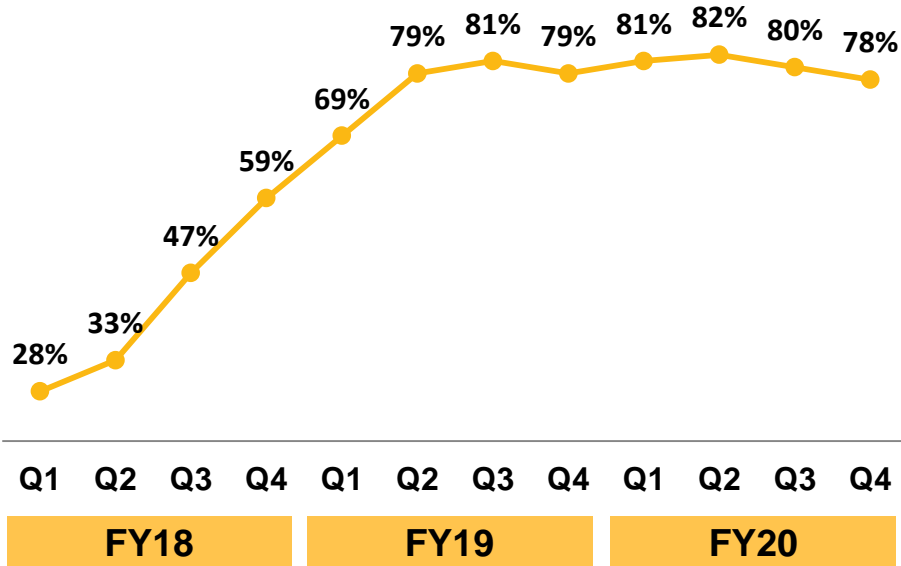
- FY 20 PBT to ₹ 54.3 crore, YoY growth of 16% in a most challenging year
- Strong Capital adequacy (Tier – I ) at 30.6%

# Business Initiatives



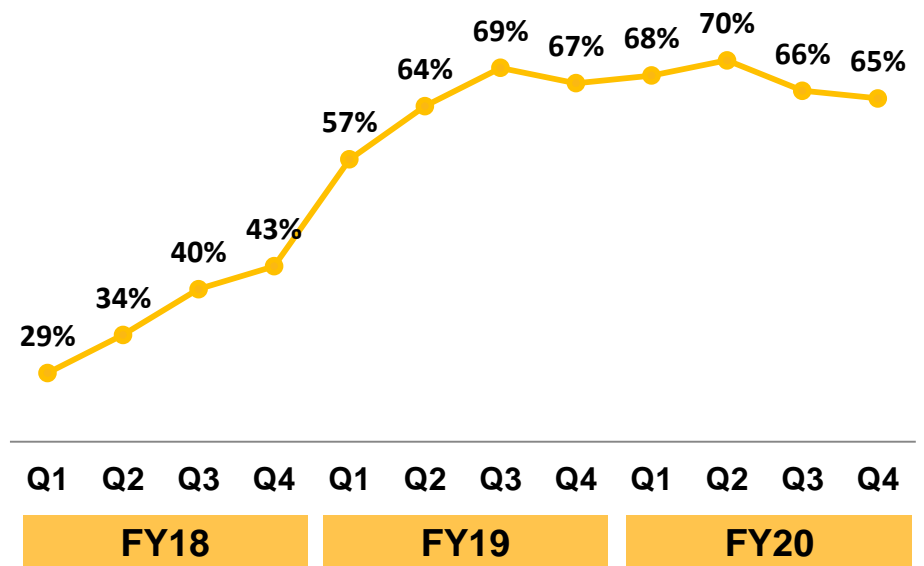
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### Direct Ratio (Units)



- Successfully **transitioned** from DSA model to **direct sale model** over last 2 years.
- Direct Sourcing improved from 28% in Q1 FY18 to 78% in Q4 FY20

### Home Loan Ratio (Units)



- **Home Loans** Ratio in fresh disbursement has grown from 29% in Q1 FY18 to 65% in Q4 FY20

HL does not include Construction Finance. Direct Biz means Business directly generated by Magma employees without help from DDSAs / NDSAs / Brokers, and includes Cross-sell

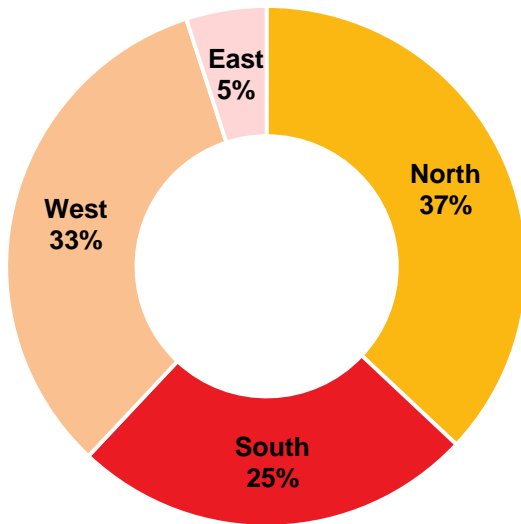


# Disbursement - Diversified Business – Q4 FY20

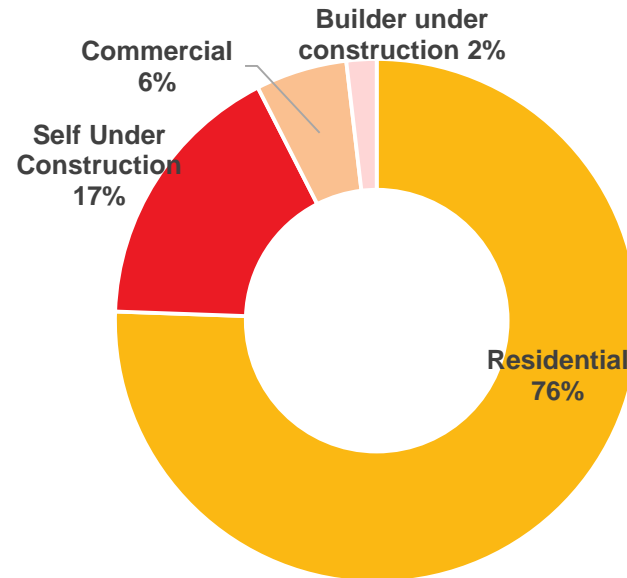


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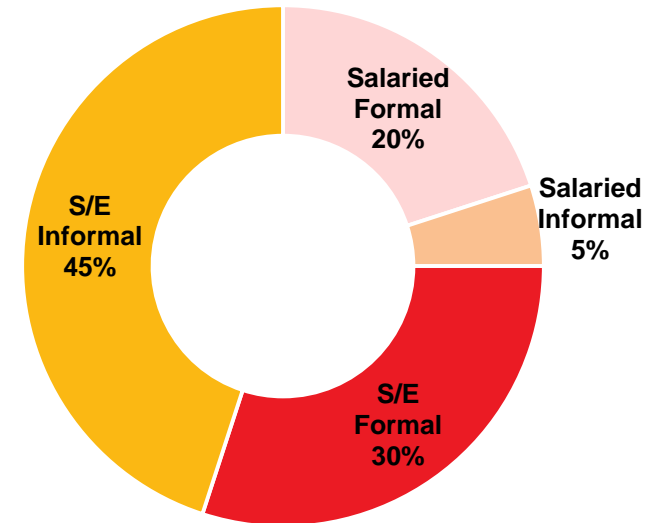
## Geographical Distribution



## Collateral Mix



## Customer Mix



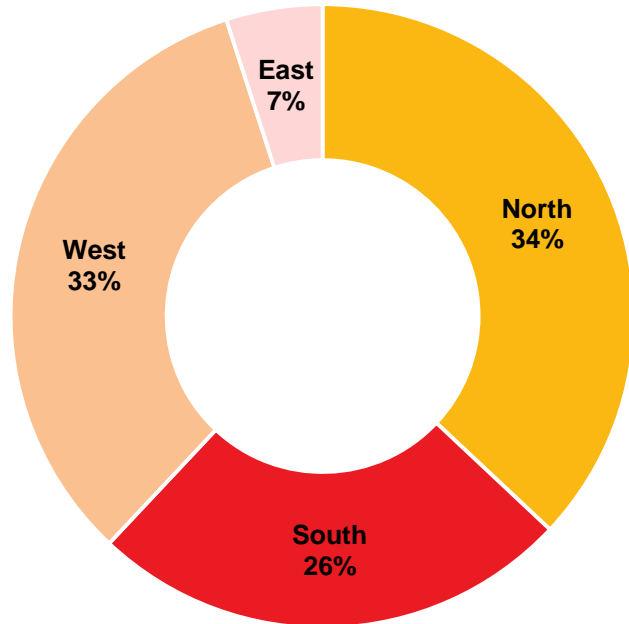
- ❖ Geo-risk optimized diversified National presence
- ❖ Minimal construction risk, under-construction builder property only 2% of disbursement
- ❖ Balanced Mix of Salaried: Self employed and Formal: Informal customers

# AUM - Diversified Business – FY20

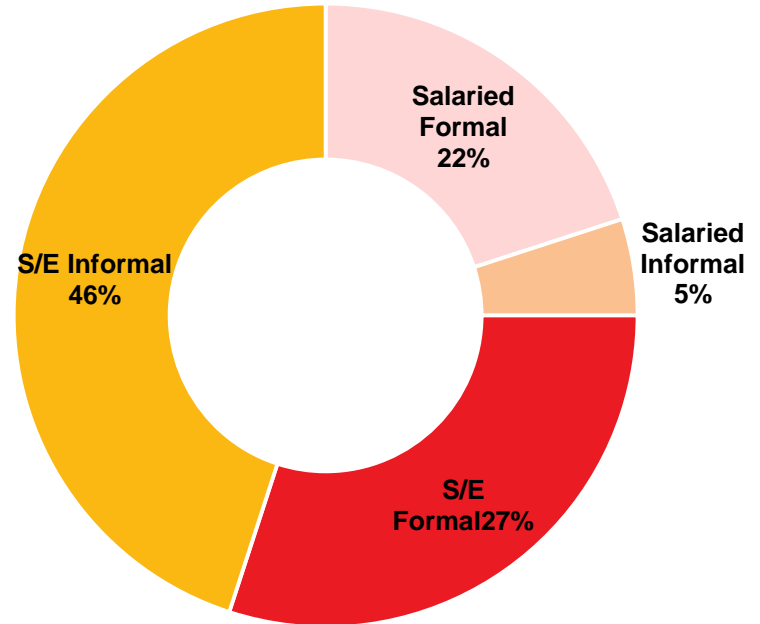


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## Geographical Distribution



## Customer Mix

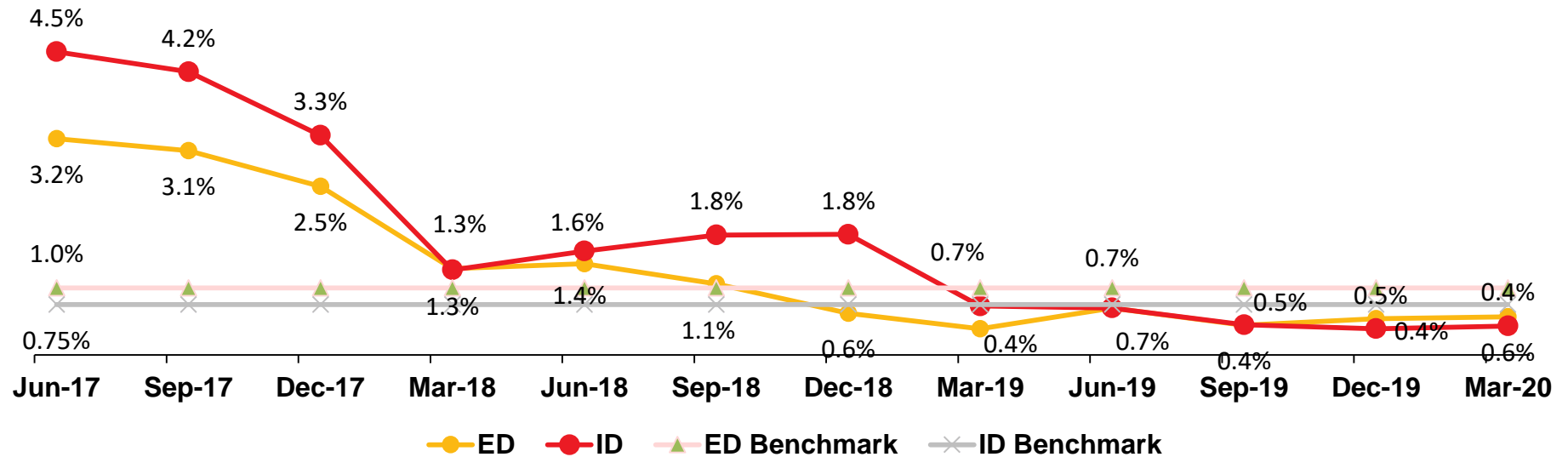


# Early Indicators: ID & ED Trends



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## ID & ED Trend



**Consistent improvement in ED and ID**

ID = 0+ bkt % for cases sourced in last 6 months on 1 months lag basis including current month . Benchmark – 0.75%  
ED = 30+ bkt % for cases sourced in last 12 months on 2 month lag basis including current month. Benchmark – 1.0%



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# Profit & Loss Statement



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Particulars	Q4 FY19	Q3 FY20	Q4 FY20	FY19	FY20
Net Revenue	35	50	41	133	180
Expenses	27	26	26	83	104
<b>Operating Profit</b>	<b>8</b>	<b>25</b>	<b>15</b>	<b>50</b>	<b>76</b>
Net Credit Loss	-1	4	16	3	22
<b>Profit Before Tax</b>	<b>9</b>	<b>21</b>	<b>0</b>	<b>47</b>	<b>54</b>
Tax	3	6	-4	13	11
<b>Profit After Tax</b>	<b>6</b>	<b>15</b>	<b>4</b>	<b>34</b>	<b>43</b>

- ❖ Additional Covid-19 provisions of ₹ 7.35 Cr (0.22% of AUM) towards potential impact of the pandemic
- ❖ The Profit before taxes without additional provisions would have been ₹ 61.6 Cr as against ₹ 54.3 Cr
- ❖ ROA and ROE without COVID-19 additional provisions would have been 1.6% and 11.8% respectively

Value in Rs. Crore

# Asset Quality



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Particulars	Q1 FY20	Q2 FY20	Q3 FY20	FY19	FY20
Gross Stage 1 and Stage 2 Assets	1,940	2,025	2,214	1,862	2,368
ECL Provision – Stage 1 and 2	13	12	13	12	13
<b>Stage 1 and Stage 2 Coverage Ratio (%)</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>
Gross Stage 3 Assets	45	46	48	34	39
ECL Provision – Stage 3	13	12	11	12	16
<b>Gross Stage 3 Assets (%) (~ GNPA)</b>	<b>2.3%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1.61%</b>
<b>Net Stage 3 Assets (%) (~NNPA)</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.2%</b>	<b>0.97%</b>
<b>Coverage Ratio (%)</b>	<b>28.1%</b>	<b>27.0%</b>	<b>23.0%</b>	<b>34.3%</b>	<b>40.2%</b>

- Assets quality ratios are calculated basis On Book AUM (i.e. Direct Assignment book is excluded)
- Figures for previous periods have been restated/ regrouped to align with current quarter's presentation.
- In order to cover the contingency arising due to COVID -19, an additional charge of Rs. 7.35 crore has been provided based on management overlay

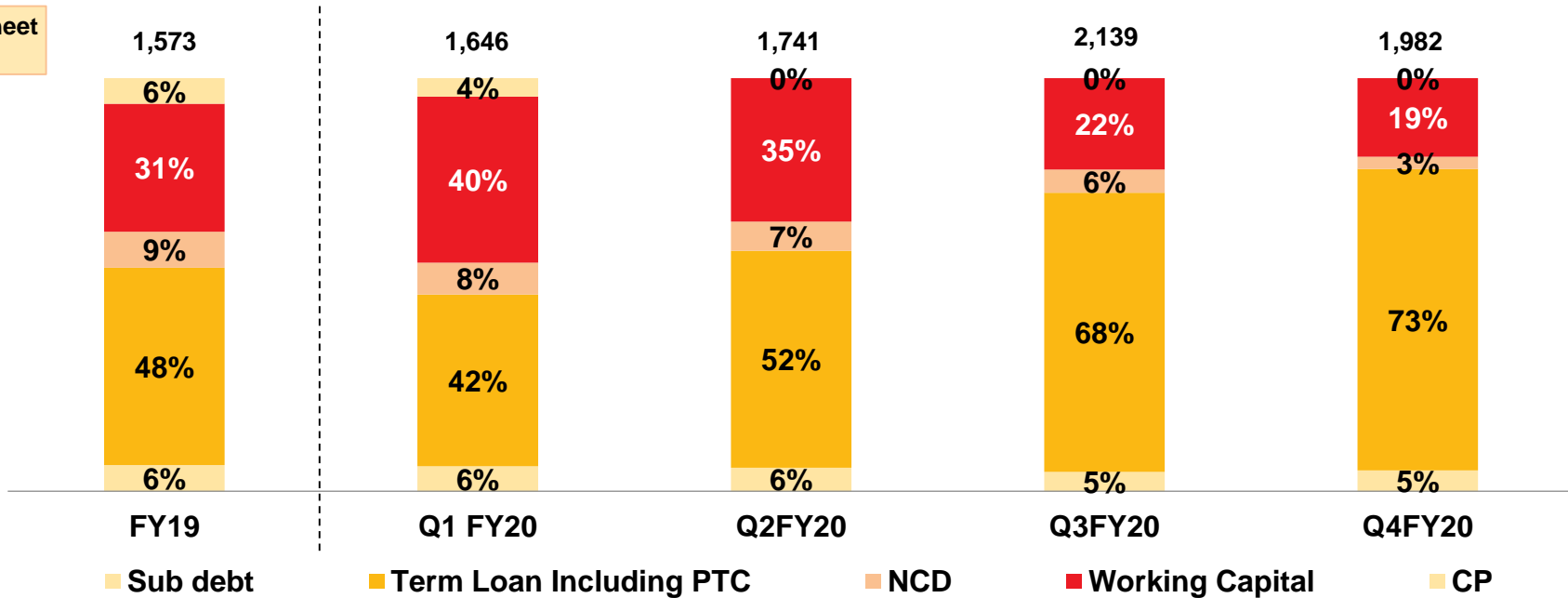
Value in Rs. Crore

# Liability Profile- Structural Shift to Long Term Liquidity



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On Balance Sheet Debt



Instrument	Rating
Short term Debt	A1+ (By CRISIL)
Long term Debt	AA- (By CARE & ICRA) AA (By Brickwork)

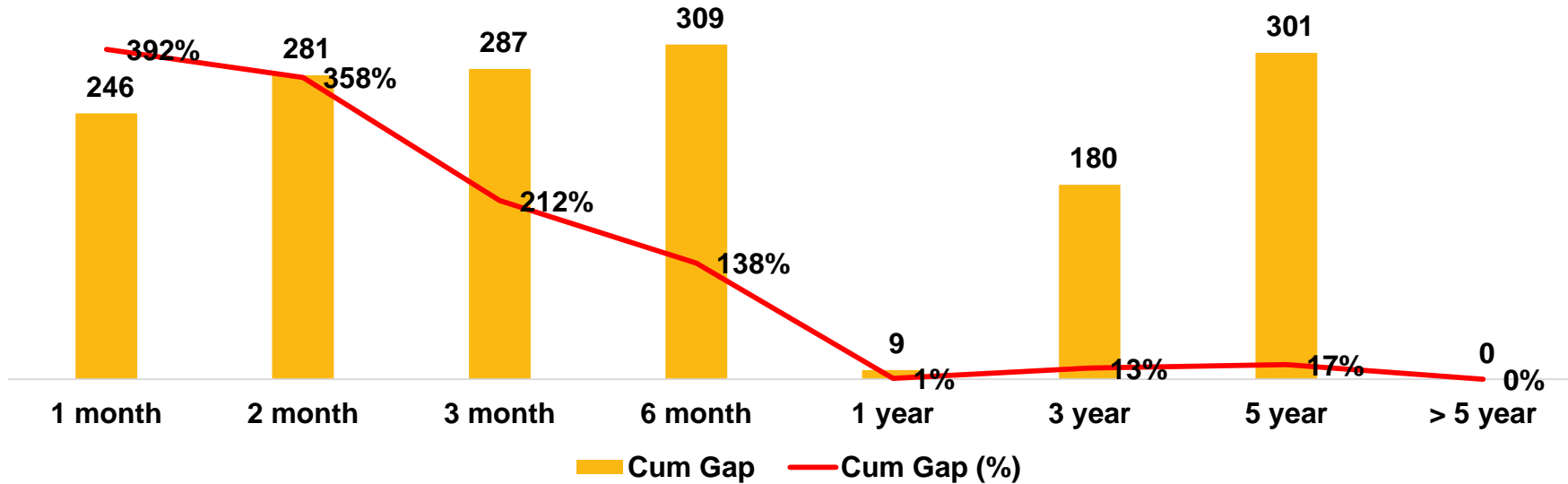
• Entire borrowings from Long Term Sources of funds (Working Capital facilities are long term in nature, though shown as repayable in 6m-12m bucket for purpose of ALM)

Value in Rs. Crore

# Structural Liquidity for MHF as at Mar 20



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## Note:

- Working capital limits (20% of total borrowing) are considered as repayable in 6 - 12 months time bucket
- Liquidity Risk Management (LRM) Framework:
  - Surplus in each of the new granular buckets i.e. 1-7 days, 8-14 days, 15-30/31 days

Value in Rs. Crore

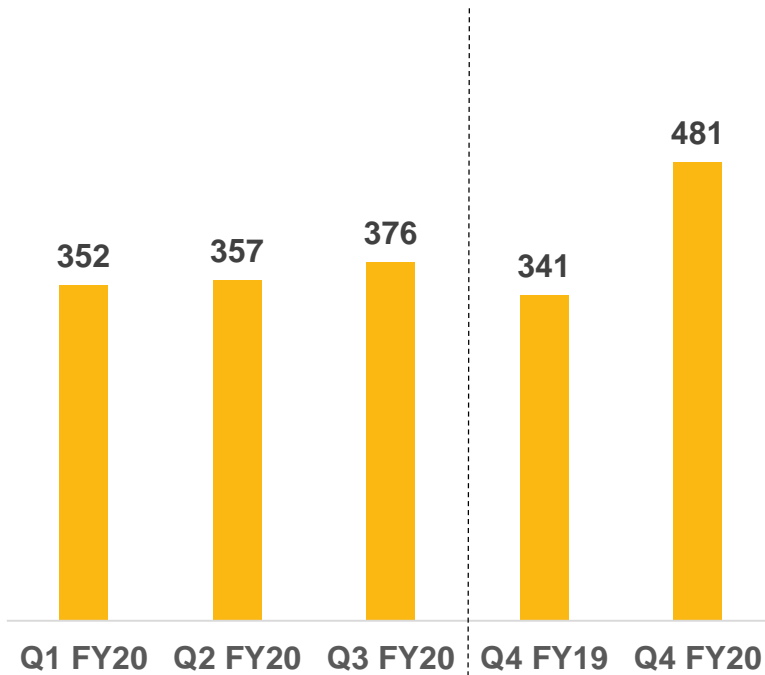


# Capital

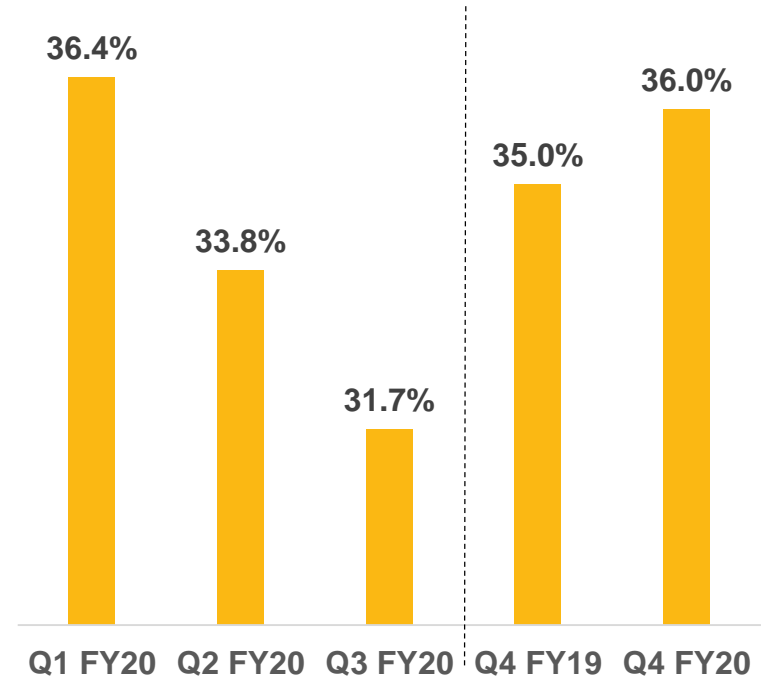


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## Net Worth



## Capital Adequacy\*



ROA- PAT (excluding OCI) / Average AUM

ROE- PAT (excluding OCI) / Average Net Worth \* Subject to RBI guidelines

Value in Rs. Crore



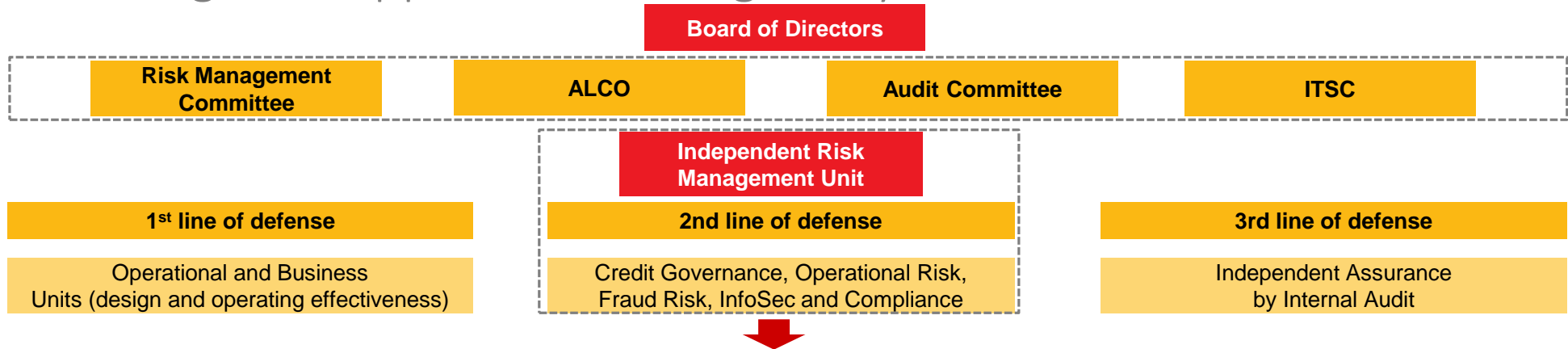
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# Enterprise wide, independent risk management framework, An integrated approach covering entity wide risks



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Components of Risk Management	Overarching principles and execution
<b>Risk Governance</b>	<ul style="list-style-type: none"> <li>• Risk Appetite Statement and Strategic Risk Assessment set the guardrails</li> <li>• Quarterly Committee meetings to assess enterprise risk profile</li> <li>• Well defined risk policies and standards</li> </ul>
<b>Operating controls and compliance</b>	<ul style="list-style-type: none"> <li>• Comprehensive Risk library. Regular monitoring of Key Risk Indicators.</li> <li>• Internal Financial Controls (IFC) standards as mandated by Companies Act</li> </ul>
<b>Credit underwriting strategies</b>	<ul style="list-style-type: none"> <li>• Decisioning platforms based on segmental behavior and risk based pricing</li> <li>• Automated Credit Rule Engine with connectivity to bureau and fraud systems</li> </ul>
<b>Analytics driven portfolio management</b>	<ul style="list-style-type: none"> <li>• Statistically derived Early Warning Indicators (EWI) and Continuous Portfolio Monitoring Indicators (CPMI)</li> <li>• Robust PD and LGD models guide consistently accurate loss forecasting</li> </ul>
<b>Capital and Liquidity Management</b>	<ul style="list-style-type: none"> <li>• Proactive management of ALM mismatch in each time bucket</li> <li>• Prudent capital and liquidity buffers for stress resilience</li> </ul>

# Enterprise wide, independent risk management framework, Risk strategy to deal with COVID-19 situation



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During the end of financial year, we have been faced with unprecedented health and economic crisis on account of COVID-19 which has led us to fine tune our existing risk strategy due to the uncertain conditions.

## Minimum disruption of activities

- Being a geographically neutral team, which can work from a non-office location without much disruption, the Risk team has ensured minimum disruption of its planned activities during the crisis

## Key initiatives by the Risk team

- All planned risk activities like risk reviews, IFC exercise, KRI monitoring, committee meetings have been carried out as per plan
- Developed an Event Risk register to monitor the new risks, and corresponding controls put in place to deal with the COVID-19 situation
- Participated in COVID-19 specific webinars to get valuable insights into risks due to the pandemic and undertaken discussions with the business units for mitigating the same
- Intensified surveillance activities by FRM happening on a regular basis. Team has also focused on the training of other support functions for better fraud prevention
- Credit pre-approved customers are being reassessed by the Credit team for loans in uncertain scenario
- Customer Survey done to understand how they have been affected by this crisis and obtained invaluable feedback to improve credit processes / re design lending and collection strategies

## Road ahead

- Increased use of secured technology tools like Zoom to conduct risk activities
- Identifying and eliminating redundant processes, identified during the crisis, across the organization
- More impetus on telephonic discussion for investigations and cross verifications

# Business enablers to drive sustainable growth- Technology



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- As part of the digital transformation Project Navodaya, a **brand new cloud based loan origination system (LOS)** along with credit approval engine (rule based decision making) was implemented for high availability and high scalability with minimal requirement of physical documents
- **Digital Collection:** Enhanced digital collection abilities through payment gateway (Cards, Net Banking, UPI, PayTM, Google Pay and PhonePe)
- The augmentation of the mobile sales and collection applications to support the **‘bring your own device’ (BYOD) flexibility** for the Field Officers have resulted in increased productivity along with cost savings for the company by eliminating the need to procure company owned tablets.
- **Data Analytics:** Implementation of three new **cloud enabled data marts** namely Finance data mart, Risk data mart and Cross sell data mart; data marts and downstream analytics will accelerate delivery of business insights and performance reporting
- The introduction of **robotic process automation (RPA)** technology for intelligent automation of back-office processes is bolstering efficiency and accuracy at a lower cost of operations.
- Magma responded proactively to the present **COVID 19 situation** and has successfully used technology to empower its employees to work from home and remain productive, while not compromising on information and cyber security.

# Business enablers to drive sustainable growth- People



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- Fully functional **role based and** state of the art learning tools aimed at enhancing productivity and behavior
- **Structured Onboarding Program** across levels for smooth onboarding and integration.
- **Development interventions through International program** for Senior leadership, including 360 degree feedback
- **Leadership Talent evaluation** for VPs & SVPs with an objective of building leadership depth & succession
- **Talent management framework** with objective of building internal talent pipeline and strengthening retention
- Empowering business leaders with **real time HR dashboards** to help them make informed people related decisions
- Empowering business leaders with structured **Performance Review Program** to have a review rigor among teams



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# Board of Directors



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## Non Executive Directors and MD & CEO



### **Sanjay Chamria - Chairman and Non- Executive Director**

- Holds the position of Vice Chairman & Managing Director of Magma Fincorp Limited
- Supports policy formulation and guidance to the Management/Board



### **Manish Jaiswal - Managing Director and Chief Executive Officer**

- Previously served as Senior Director & Business Head – SME Rating and ECO System Business, CRISIL, Mumbai.

## Non Executive Independent Directors



### **Deena Asit Mehta - Director**

- She is a financial adviser.
- She holds the position of MD & CEO of Asit C. Mehta Investment Intermediates Ltd.
- She has served as the first woman director of Bombay Stock Exchange Limited (BSE Ltd.) and was also a Former President of BSE



### **Raman Uberoi - Director**

- Previously worked in CRISIL for over 24 years and last stint was with CRISIL as President Ratings and Corporate Affairs.
- Handled multiple assignments with Ministry of Finance, ADB and World Bank in the areas of infrastructure financing, infrastructure sector outlooks and SME Financing



### **Satya Brata Ganguly - Director**

- He held the Senior position in Exide Industries Limited and retired as Chairman Emeritus.
- He is on Board of Directors of Emami Limited and Paharpur Cooling Towers Limited etc.



# Management Team



MAGMA HOUSING FINANCE



**Mr. Manish Jaiswal**, is the Managing Director & Chief Executive Officer of the Company. He holds a Bachelor of Engineering degree from Visvesvaraya National Institute of Technology, Nagpur and has also completed his Fast Track General Management Program from IIM, Bangalore. He has built SME business in eminent organizations Citigroup, Fullerton, Eicher Motors and Dhanalakshmi Bank. In his last stint Manish was Sr. Director with CRISIL Ltd, where he led businesses of CRISIL Risk Solutions, Research and SME Ratings



**Mr. Vishwas Shrungarpure** is the Chief Business Officer of the Company. He holds a Bachelor's degree in Mechanical Engineering and a Master's degree in Business Administration from Institute of Management Studies, Devi Ahilya University, Indore. He brings with him a rich experience of 22 years in Housing Finance, Construction Finance and Mortgages, covering key areas of Sales, Credit - Risk and Collections



**Mr. Anand Wagh** is the Integrated Head of Collections of the Company. He holds a Bachelor's degree in Commerce and a Bachelor's degree in Law from Mumbai University. He also holds a Masters in Business Administration from IGNOU. He has more than 28 years of work experience within the banking and Financial sector across organizations like HSBC, CITI Bank Ltd. among others.



**Mr. Ian Desouza** is the Chief Financial Officer of the Company. He is a Chartered Accountant and a Cost Accountant and holds a Master's degree in Finance from Mumbai University. He has over 23 years of experience in the Banking & BFSI domain with specific emphasis in strategy, cost optimization, profitability or productivity enhancement, financial controllership and implementation of internal control frameworks



- 1 Company Overview – Long Term Value Creation
- 2 Business Strategy
- 3 Financial Performance
- 4 Business enablers to drive sustainable growth
- 5 Leadership Team
- 6 **Annexures**

Note: We have used various abbreviations, nomenclature, financial & non-financial ratios in this presentation. These may differ from the customary or industry practices and some of the products / geographical breakup are on best estimate basis. Please refer to the Glossary in this presentation for the definition or description of such abbreviations, nomenclature, financial & non-financial ratios.

# Balance Sheet



MAGMA HOUSING FINANCE

Particulars	31-Mar-19	31-Mar-20
Loans and Advances	1,873	2,378
Other Assets	89	168
Fixed Assets	2	7
<b>Total Assets</b>	<b>1,963</b>	<b>2,554</b>
Borrowings	1,392	1,983
Other Liabilities	230	90
Shareholder's Funds	341	481
<b>Total Liabilities</b>	<b>1,963</b>	<b>2,554</b>

Note: During the year on 23rd March 2020, the Company has allotted 17,727,353 equity shares of face value ₹ 10 each to Magma Fincorp Limited, aggregating to approximately ₹ 100 Crs

Value in Rs. Crore

# Glossary



AUM	Assets Under Management: On-Book & Off-Book Loan Assets
Average AUM (AAUM)	Average of opening and closing AUM
FOS / Field Officer	Feet on Street
AHF	Affordable Housing Finance
HL	Home Loan
LAP	Loan against property
Direct Biz	Business through connectors is included in Direct business
ATS	Disbursals during the month / Number of first time disbursals
ODPOS	Overdue + Principal Outstanding
NIM	Net Interest Margin: [Total Income (incl. Other Income)– Interest Expenses]/Average AUM
Yield	Weighted average yield on Loan Assets including Off-Book Loan assets
CoF	Cost of Funds: Weighted average cost of borrowings including securitization
Opex / AUM%	Opex / Average AUM
Total Assets	On B/S Assets of MFL (Consolidated)
NCL	Prov. & Write-off/ Average AUM
Gross Stage 3 Assets %	Gross Stage 3 Assets / Closing AUM (On-book)
Net Stage 3 Assets %	(Gross Stage 3 Assets – ECL Provision – Stage 3) / (Closing AUM (On-book) – ECL Provision Stage 3)
ECL	Estimated Credit Loss
RoA	PAT (excluding OCI) / Average AUM
RoE	PAT (Excluding OCI) / (Net worth - Goodwill)
Networth	Equity Share Capital + Reserves & Surplus
BVPS	Book Value per share: (Net worth-Goodwill) / No. of Equity shares outstanding
EPS	Earnings Per Share (Diluted)
MHF	Magma Housing Finance Limited
SENP	Self-employed Non Professional
SEP	Self-employed Professional



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