January 15, 2025

The Manager,
BSE Limited
Listing Department,
Wholesale Debt Market,
Phiroze Jeejeebhoy Tower,
Dalal Street, Mumbai - 400 001

**Sub: Reaffirmation of credit rating on Rs. 425 Crore Subordinated Debt of Magma General Insurance Limited (Erstwhile Magma HDI General Insurance Company Limited) ["the Company"]**

| Security Code | ISIN |
|---|---|
| 975286 | INE312X08026 |
| 975526 | INE312X08042 |
| 975527 | INE312X08034 |

Dear Sir / Madam,

Pursuant to Regulation 51 read with 55 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we wish to inform you that CARE Ratings Limited ("CARE Limited") vide its letter dated January 14, 2025, has reaffirmed its "CARE AA; Stable" rating assigned to Rs. 425 Crore Subordinated Debt of the Company.

The letter issued by CARE Limited is enclosed as **Annexure A**.

The above information will also be made available on the website of the Company at www.magmainsurance.com.

You are requested to kindly take the same on your records.

Thanking You,

Yours Faithfully,

**For Magma General Insurance Limited**
***(Erstwhile Magma HDI General Insurance Company Limited)***

SWATI GOPAL SINGH
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2025.01.15 15:19:18 +05'30'

**Swati Singh**
Company Secretary and Compliance Officer
Membership No.: A20388

# Magma General Insurance Limited
# [Erstwhile Magma HDI General Insurance Company Limited]

January 14, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| **Subordinate Debt*** | 425.00 | CARE AA; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

* *CARE Ratings Limited (CARE Ratings) has rated the aforesaid subordinate debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument. Interest payable on subordinate debt will be subject to the following:*

- *The solvency of the issuer remains as per regulatory stipulation*
- *Where the impact of such payment may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained. A*

*Any delay in payment of interest / principal (as the case may be) following the invocation of covenants, would constitute an event of default as per CARE Ratings' definition of default and as such these instruments may exhibit sharper migration of the rating.*

## Rationale and key rating drivers

The rating assigned to subordinated debt of Magma General Insurance Limited (Magma) [Erstwhile Magma HDI General Insurance Company Limited] favourably factors in its strong parentage, strategic importance of Magma to its parent and demonstrated need-based support from the parent, and the financial flexibility resulting from its association with the Poonawalla group. The rating also continues to factor in the experienced management team and the adequate solvency position. However, the rating is constrained by moderate size of operations, limited business diversification and modest profitability metrics.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:**

- Significant increase in size of operations and overall market share.
- Improvement in profitability metrics with a diversification in the product portfolio.

**Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:**

- Material changes in shareholding pattern, leading to weakening support philosophy from the Poonawalla group.
- Weakness in the capitalisation profile, with solvency falling below 1.7x on a sustained basis.

## Analytical approach:

Standalone, along with factoring in the linkage with the promoter of the Poonawalla group.

## Outlook: Stable

The stable outlook reflects CARE Ratings' expectation of continued need-based capital support from the Poonawalla group while maintaining growth momentum, reducing costs and adhering to prudent solvency levels.

## Detailed description of key rating drivers:

## Key strengths

**Strong and resourceful promoter**

Sanoti Properties LLP (Sanoti) held by Mr. Adar Poonawalla and Rising Sun Holdings Private Limited (RSPHL) in the ratio of 90%:10%, held 72.5% stake in Magma as on November 11, 2024. RSHPL is the holding company of the Poonawalla Group, having investments in insurance, retail, pharma, and the financial services segments. Over the last few years, Poonawalla Group has infused ₹1,065 crore thereby gradually increasing its stake to 72.5%. During November 2024, ₹300 crore of equity capital was

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

infused of which ₹150 crore was infused by Sanoti while remaining ₹150 crore was infused by non-promoter companies/ family offices.
By virtue of the strong parentage, the company benefits from capital support and financial flexibility which has enabled gradual diversification of the company's earnings profile from motor insurance to other distribution intensive segments such as health insurance.
The company's board of directors consists of eight directors with varied experience in their respective functional areas. The board includes one nominee from Poonawalla group and two nominees from Celica Developers. Mr. Rajive Kumaraswami is the Managing Director & CEO of Magma, having more than two decades of experience in the insurance industry. Magma's key management team consists of professionals with relevant experience in the industry.
Considering that Magma foray into the insurance sector and the demonstrated track record of necessary capital support, CARE Ratings expects the Poonawalla group to continue to maintain the majority shareholding in the company and provide need-based capital, going forward.

**Adequate solvency**
Magma's solvency margin stood at 1.77 times as on September 30, 2024 [March-24: 2.05 times] which is above the regulatory threshold of 1.50 times translating into an excess capital of ₹190 crore as on September 30, 2024 [March-24: ₹328 crore]. The y-o-y reduction in solvency margin was led by higher than industry growth in GWP coupled with growth in distribution intensive health and personal accident insurance business (grew by 47% during H1FY25).
Going forward, CARE Ratings expects the solvency margins to remain above of 1.70x in the medium term.

## Key weaknesses

**Modest size of operations with limited business diversification**
During FY24, Magma's GWP grew at a five-year CAGR of 26.3% to ₹3,295 crore [H1FY25: ₹1,631] and the company has a market share of 1.05% [PY.: 0.99%] within general insurance industry. The market share for motor and health segment stood at 2.26% [PY.: 2.29%] and 0.60% [PY.: 0.26%] respectively.
While CARE Ratings' note YoY increase in the company's size and overall market share, it remained modest due to concentrated motor segment (accounted for 62.9% of GWP during FY24 against 71.9% during FY23). Company has been focusing on diversifying its line of business (LOB) by increasing the share of health & personal accident insurance business, the share of which increased to 21.4% during FY24 [PY.: 9.7%] while commercial segment accounted for 15.6% of GWP during FY24 [PY.: 18.4%]. Within motor segment, the company has further diversified its portfolio with commercial vehicle consisting of 45.9% share in the segment during FY24 [PY.: 44.7%] followed by private car (FY24: 24.9%, FY23: 20.5%), two-wheeler (FY24: 20.4%, FY23: 23.8%), tractor (FY24: 5.4%, FY23: 6.8%) and standalone third party (FY24: 3.4%, FY23: 4.2%). Within health & personal accident insurance segment, the company has been focusing on SME group health business (31% of this group business has less than 500 lives insured).
Magma sources 39.3% of its GWP from agency network during FY24 [PY.: 41.4%], 22.3% [PY.: 28.6%] from original equipment manufacturers (OEMs), 18.8% [PY.: 10.2%] from corporate sales team and 6.5% [PY.: 6.3%] from banca channels. Company has been aiming to diversify and strengthen its distribution franchise through ecommerce and other innovative channels apart from agency and OEMs.
Led by the gradual scaling up of its operations, the ramp-up in distribution channels and adequate solvency levels, CARE Ratings expects the company to diversify its product portfolio and reduce the concentration in the motor segment to around 60% of the total GWP in the medium term.

**Moderate profitability metrics**
During FY24, the GWP grew by 27.3% YoY to ₹3,295 crore against overall industry growth of 12.8% growth. Company's reported losses reduced to ₹141.2 crore [PY.: ₹287.1 crore]. This was led by reduction in expense of management to GDP (EOM - as per the regulatory returns filed) to 32.87% during FY24 [PY.: 42.1%]. Going forward, the reduction in EOM is expected to be supported by economies of scale and balanced health portfolio. However, loss ratio increased to 79.9% during FY24 [PY.: 72.6%] due to increased claims in health (increased from 72.1% during FY23 to 87.5% during FY24), motor (increased from 73.4% during FY23 to 78.9% during FY24) and fire segment (increased from 26.6% during FY23 to 41.5% during FY24). As a result, the combined ratio improved to 116.5% during FY24 [PY.: 123.8%]. Additionally, company's reported investment income during FY24 stood at ₹403.9 crore [PY.: ₹299.5 crore] with a reported investment yield of 6.6% [PY.: 5.99%].
During H1FY25, company reported a profit of ₹17 crore against loss of ₹28 crore during H1FY24. This was led by loss ratio of 83.3% [PY.: 81%] and reduced EOM (as per the regulatory returns filed) of 32.36% [PY.: 32.95%]. Further, company reported an investment income of ₹253.9 crore [PY.: ₹188.6 crore] with a reported investment yield (annualised) of 7.09% [PY.: 6.44%].

Supported by a gradual diversification in the product portfolio and an increase in the scale of operations, CARE Rating's expects the company to turn profitable in the near term.

**Liquidity**: Strong

Magma has a strong liquidity profile, where the company's liquidity coverage ratio (liquid investment + cash & cash equivalent / technical reserves including sub debt repayment) stood at 131.7% as of September 30, 2024 [Mar-24.: 132.6%] with liquid investment (G-secs and AAA rated bonds) being ₹6,813 crore [March-24: ₹6,431 crore]. During FY24, as per the cashflow statement the cash inflows (premiums received+ investment income) stood at ₹3,905 crore against claims payouts of ₹1,139 crore and total expense (opex + commission + re-insurance expenses) of ₹1,272 crore.

## Assumptions/Covenants

Not applicable

## Environment, social, and governance (ESG) risks

Not applicable

## Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Insurance Sector
Insurance Sector

## About the company and industry

## Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Financial Services | Financial Services | Insurance | General Insurance |

Magma General Insurance Limited (Magma) [Erstwhile Magma HDI General Insurance Company Limited] was incorporated in 2009 as a joint venture between Magma Fincorp Limited, Celica Developers Private Limited, Jaguar Advisory Services Private Limited and HDI Global SE Germany. In February 2021, with acquisition of Magma Fincorp Ltd by Pune based Poonawalla group, the Poonawalla group became the promoters of Magma. Subsequently, in March 2022, a part of the shareholding of the erstwhile promoter group companies was also acquired by the Poonawalla group. During June 2022, the shareholding by erstwhile Magma Fincorp and other Poonawalla group companies was consolidated into Sanoti Properties LLP (held by Adar Poonawalla and Rising Sun Holdings Private Ltd) and during November 2023 HDI Global SE sold its entire stake to the Poonawalla group and exited the company. As on November 11, 2024, company is 72.5% is held by Sanoti (Poonawalla Group company) while remaining stake is held by Celica Developers (12.3%), Jaguar Advisory (7.7%), Mr. Keki Mistry (1.8%) and others (5.7%).

The company offers both retail and commercial general insurance products. Retail products consist of motor (Car, Two-wheeler, Commercial Vehicles, Tractor), health and individual personal accident covers. While commercial products consist of property, fire, marine cargo, and liability insurance. The company has a market share of 1.05% in the non-life insurance space. The company has 96 branches and has sold 19.72 Lakhs of insurance policies during FY24.

| Brief Financials (₹ crore) | FY23 (A) | FY24 (A) | H1FY25 (UA) |
|---|---|---|---|
| Gross direct premium | 2,534 | 3,044 | 1,507 |
| Gross premium written | 2,588 | 3,295 | 1,631 |
| PAT | -287 | -141 | 17 |
| Claims Outstanding | 2,523 | 3,272 | 3,744 |
| Total assets* | 5,850 | 7,492 | 7510 |
| Tangible net worth | 817 | 836 | 863 |
| Net NPA (%) | 0 | 0 | 0 |
| Solvency ratio (x) | 2.10 | 2.05 | 1.77 |

A: Audited UA: Unaudited; Note: these are latest available financial results
*Adjusted for deferred tax assets and intangible assets

**Status of non-cooperation with previous CRA:**
Not applicable

**Any other information:**
Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Debt-Subordinate Debt | INE312X08018 | 30-03-2022 | 8.75 | 30-03-2032 | 100 | CARE AA; Stable |
| Debt-Subordinate Debt | INE312X08026 | 28-12-2023 | 9.70 | 28-12-2033 | 200 | CARE AA; Stable |
| Debt-Subordinate Debt | INE312X08034 | 20-03-2024 | 9.70 | 20-03-2034 | 75 | CARE AA; Stable |
| Debt-Subordinate Debt | INE312X08042 | 20-03-2024 | 9.75 | 20-03-2034 | 50 | CARE AA; Stable |

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Debt-Subordinate Debt | LT | 100.00 | CARE AA; Stable | - | 1)CARE AA; Stable (23-Feb-24)<br><br>2)CARE AA; Stable (05-Sep-23) | 1)CARE AA; Stable (12-Sep-22) | 1)CARE AA-; Stable (30-Mar-22) |
| 2 | Debt-Subordinate Debt | LT | 250.00 | CARE AA; Stable | - | 1)CARE AA; Stable (23-Feb-24)<br><br>2)CARE AA; Stable (05-Sep-23) | - | - |
| 3 | Debt-Subordinate Debt | LT | 75.00 | CARE AA; Stable | - | 1)CARE AA; Stable (23-Feb-24) | - | - |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities**

Not applicable

**Annexure-4: Complexity level of instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Debt-Subordinate Debt | Complex |

**Annexure-5: Lender details**

| To view the lender wise details of bank facilities please click here |
|---|

**Contact us**

| **Media Contact** | **Analytical Contacts** |
|---|---|
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Pradeep Kumar V<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 044-28501001<br>E-mail: pradeep.kumar@careedge.in | Sanjay Agarwal<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 912267543500<br>E-mail: Sanjay.agarwal@careedge.in<br><br>Priyesh Ruparelia<br>Director<br>**CARE Ratings Limited**<br>Phone: 912267543493<br>E-mail: Priyesh.ruparelia@careedge.in<br><br>Geeta Chainani<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: 912267543447<br>E-mail: Geeta.Chainani@careedge.in |

**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**Disclaimer:**

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