March 26, 2025

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

Sub: Review 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
-	INE312X08018 (Unlisted)

Dear Sir / Madam,

This is further to our intimation dated March 12, 2025, w.r.t proposed acquisition of approximately 98.055% (on a fully diluted basis) of the Company's total issued and paid-up equity share capital, by Patanjali Ayurved Limited, S.R. Foundation, RITI Foundation, RR Foundation, Suruchi Foundation and Swati Foundation (collectively referred to as "**Buyers**") from the existing shareholders of the Company, subject to applicable regulatory approvals.

Pursuant to Regulation 51 read with 55 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we wish to inform that consequent to the proposed acquisition, CARE Ratings Limited ("CARE") carried out review of its rating assigned to Rs. 425 Crore Subordinated Debt of the Company.

In this regard, please find attached the Rating Rationale issued by CARE on March 25, 2025, wherein CARE has reviewed its current rating from "CARE AA (Stable)" to "CARE AA (Rating Watch Negative)" (**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)

AMIT RAHEJA
Digitally signed by AMIT RAHEJA
Date: 2025.03.26 17:31:49 +05'30'

Amit Raheja
Head – Legal, Secretarial and Chief Compliance Officer
(Compliance Officer)

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

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Subordinate Debt*	425.00	CARE AA (RWN)	Placed on Rating Watch with Negative Implications

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

Magma has intimated stock exchange on March 13, 2025, that the Board of Directors of Magma at its meeting held on March 12, 2025, approved execution of the Share Purchase Agreement (SPA) with respect to the proposed transfer of equity shares by the existing promoters and other investors to Patanjali Ayurved Limited (PAL), S.R. Foundation, RITI Foundation, RR Foundation, Suruchi Foundation and Swati Foundation (part of Dharmpal Satyapal Group). Pursuant to the SPA and subject to the terms and conditions, PAL and trusts, part of Dharampal Satyapal Group (DS Group) have proposed to acquire ~98.055% of share.

CARE Ratings has placed the rating on the subordinated debt instrument of Magma General Insurance Limited (Magma) [Erstwhile Magma HDI General Insurance Company Limited] on "Rating Watch with Negative Implications" following this announcement. While Magma's credit profile derives strength from capital support and financial flexibility arising from its association with Poonawalla Group, CARE Ratings notes that post the completion of the acquisition process, the notching up benefit given to the ratings of Magma due to support expected from its parent as per CARE Rating's criteria for notching by factoring linkages in ratings will be diluted.

CARE Ratings will continue to monitor the developments in this regard and will take a final rating action once the transaction is completed and evaluation of the then credit profile is carried out by CARE Ratings.

The rating continues to factor in Magma's experienced management team and 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.

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

Outlook: Not applicable

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 February 28, 2025. 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 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.

Adequate solvency

Magma's solvency margin stood at 1.79* times as on December 31, 2024 [March-24: 2.05 times] which is above the regulatory threshold of 1.50 times translating into an excess capital of ₹220 crore as on December 31, 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.

Going forward, CARE Ratings expects the solvency margins to remain above of 1.70x in the medium term.

**In May 2024, IRDAI issued the Master Circular on Actuarial, Accounting and Investment Reg. 2024, wherein the calculation of disallowances of Reinsurance (RI) & Co-insurance (CI) receivables for the purpose of Solvency Ratio computation was changed. Initially, this circular was to come into effect from October 1, 2024. Basis the revised calculation, the solvency ratio of the company was reported at 1.79 times as on December 31, 2024, whereas basis the erstwhile method of calculation, the solvency ratio was 2.12 times on the same date. However, post representation made by the insurers to IRDAI, in January 2025 - IRDAI clarified that the earlier method of solvency calculation is to be continued with.*

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 [9MFY25: ₹2,464 crore] 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.

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.: 42.41%]. 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 9MFY25, company reported a profit of ₹30.5 crore against loss of ₹72.7 crore during 9MFY24. This was led by stable loss ratio of 79.4% [PY.: 80.0%] and decreased EOM (as per the regulatory returns filed) of 33.04% [PY.: 33.54%].

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 181.7% as of December 31, 2024 [Mar-24.: 132.6%] with liquid investment (G-secs and AAA rated bonds) being ₹7,182 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) 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
Non-life 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 February 28, 2025, 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)	9MFY25 (UA)
Gross direct premium	2,534	3,044	2,246
Gross premium written	2,588	3,295	2,464
PAT	-287	-141	31
Claims Outstanding	2,523	3,272	3,934
Total assets*	5,850	7,492	8,093
Tangible net worth	817	836	1,185
Net NPA (%)	0	0	0
Solvency ratio (x)	2.10	2.05	1.79

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	100.00	CARE AA (RWN)
Debt-Subordinate Debt	INE312X08026	28-12-2023	9.70%	28-12-2033	200.00	CARE AA (RWN)
Debt-Subordinate Debt	INE312X08034	20-03-2024	9.70%	20-03-2034	75.00	CARE AA (RWN)
Debt-Subordinate Debt	INE312X08042	20-03-2024	9.75%	20-03-2034	50.00	CARE AA (RWN)

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 (RWN)	1)CARE AA; Stable (14-Jan-25)	1)CARE AA; Stable (23-Feb-24) 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 (RWN)	1)CARE AA; Stable (14-Jan-25)	1)CARE AA; Stable (23-Feb-24) 2)CARE AA; Stable (05-Sep-23)	-	-
3	Debt-Subordinate Debt	LT	75.00	CARE AA (RWN)	1)CARE AA; Stable (14-Jan-25)	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
2	Debt-Subordinate Debt	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For detailed Rationale Report and subscription information,
please visit www.careedge.in