MAGMA
General Insurance Limited

March 25, 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. 325 Crore Listed 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,

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, Crisil Ratings Limited (“Crisil”) carried out review of its rating assigned to Rs. 325 Crore Listed Subordinated Debt of the Company.

In this regard, please find attached the Rating Rationale issued by Crisil on March 24, 2025, wherein Crisil has reviewed its current rating from “Crisil AA (Stable)” to “Crisil 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: 2025.03.25 19:13:05 +05'30'

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

Crisil Ratings

Rating Rationale

March 24, 2025 | Mumbai

Magma General Insurance Limited

Ratings on Subordinated debt placed on 'Rating Watch'

Rating Action

Rs.75 Crore Subordinated Debt	**Crisil AA/Watch Negative (Placed on Rating Watch from 'Crisil AA/Stable')**
Rs.250 Crore Subordinated Debt	**Crisil AA/Watch Negative (Placed on Rating Watch from 'Crisil AA/Stable')**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has placed its **'Crisil AA'** rating on the existing debt instruments of Magma General Insurance Limited (Magma) (erstwhile Magma HDI General Insurance Company Limited) on **'Rating Watch Negative'**.

The rating action follows the recent announcement made by Magma dated March 12, 2025 that its Board of Directors has approved execution of the Share Purchase Agreement with respect to the proposed transfer of 98% stake cumulatively held by Sanoti Properties LLP, Celica Developers Private Limited, Jaguar Advisory Services Private Limited, Mr. Keki Mistry, Atul DP Family Trust, Shahi Sterling Exports Private Limited, QRG Investments and Holdings Limited and such other employee shareholders to Patanjali Ayurved Limited (Patanjali), S.R. Foundation, RITI Foundation, RR Foundation, Suruchi Foundation and Swati Foundation. Post completion of the transaction, Patanjali would have 73.556% shareholding on a fully diluted basis and will be classified as the promoter of Magma.

The transaction is subject to regulatory approvals and dispensations (including the Insurance Regulatory and Development Authority of India and Competition Commission of India) and the Debenture Holders. Upon completion of the transaction as laid out in the share purchase agreement, the buyers will further infuse fresh equity capital to fund the business growth of the company.

The outstanding ratings factor in the strategic importance of Magma to, and expectation of strong support from, its majority shareholder, Sanoti Properties LLP (Sanoti Properties). Sanoti Properties is an investment vehicle held by Mr. Adar Poonawalla (90%) directly and indirectly through Rising Sun Holdings Private Limited (RSHPL) (10%) which is also owned and controlled by him. Mr. Adar Poonawalla is the CEO of Cyrus Poonawalla group of companies. Furthermore, during the previous years, Serum Institute of India Pvt Ltd (SIIPL; 'Crisil AAA/Stable/Crisil A1+'), the flagship company of the promoter, infused about Rs 6,663 crore in the form of compulsorily convertible cumulative preference shares up to fiscal 2023 in RSHPL. This capital was used to infuse funds into financial services and various businesses of the group including Sanoti Properties.

Once the requisite regulatory approvals are received and the transaction is consummated, the ownership of Magma will be transferred from Sanoti Properties to the incoming investors. Consequent to that, the parentage benefit currently factored into the ratings from Sanoti Properties [an investment vehicle controlled by Mr. Adar Poonawalla, who is the CEO of Cyrus Poonawalla group of companies whose flagship operating company is Serum Institute of India Pvt Ltd (SIIPL; 'Crisil AAA/Stable/Crisil A1+']) will no longer be available.

That said, till the transaction is consummated, Crisil Ratings expects that Magma will continue to receive support from its majority shareholder, Sanoti Properties.

The ratings on debt instruments of Magma will, after consummation of the transaction, be based on the company's standalone credit risk profile, and benefits emanating from the incoming consortium of investors. Further, the final rating then will also be driven by Crisil Ratings' view on the credit profile of Patanjali and aspects like degree and nature of support expected towards Magma, brand sharing and extent of management oversight and board representation.

Crisil Ratings will continue to monitor the developments pertaining to this transaction. The rating watch will be resolved once all requisite regulatory approvals are in place, and greater clarity emerges on the nature and degree of support extended by Patanjali towards Magma.

The ratings continue to reflect the adequate capitalisation of Magma and Crisil Ratings' expectation that Magma will maintain a comfortable level of cushion in its solvency ratio above the regulator-specified minimum on a steady-state basis. The extent of the solvency surplus is a critical determinant of the insurer's ability to service subordinated debt. This is because these instruments carry additional risks owing to restrictions on their servicing if the solvency ratio falls below the regulator-specified minimum, and regulatory approval is needed for their servicing in case of loss or inadequate profit. The existing as well as prospective investors have undertaken to support Magma in maintaining the solvency ratio comfortably above the regulatory requirement and this has also been factored into the rating. The business risk profile is also supported by the company’s stable investment portfolio. These strengths are partially offset by small scale of operations with limited, though increasing, diversity in the portfolio, and modest underwriting performance constraining the earnings.

The rating on the subordinated debt is also centrally based on the approval by the Insurance Regulatory and Development Authority of India (IRDAI) to Magma, as allowed under Insurance Regulatory and Development Authority of India (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024, for the rated instruments of Rs 325 crore. As and when received from the regulator, the approval allows the company to make interest or coupon payments to investors for the period for which it has been received, irrespective of reported losses.

Analytical Approach

Crisil Ratings has first assessed the corporate credit rating of Magma, which is an indication of the company's ability to meet obligations to policy holders. For arriving at the corporate credit rating, Crisil Ratings has assessed the standalone business, financial and management risk profiles of Magma, and then factored in the strategic importance of the company to, and expectation of strong support from, its current majority shareholder, Sanoti Properties LLP (Sanoti Properties). Sanoti Properties is an investment vehicle held directly by Mr. Adar Poonawalla (90%) and indirectly through Rising Sun Holdings Private Limited (RSHPL) (10%) which is owned and controlled by him. Mr. Adar Poonawalla is the CEO of Cyrus Poonawalla group of companies. Furthermore, during the previous years, Serum Institute of India Pvt Ltd (SIIPL; ‘Crisil AAA/Stable/Crisil A1+’), the flagship company of the promoter, infused about Rs 6,663 crore in the form of compulsorily convertible cumulative preference shares up to fiscal 2023 in RSHPL. This capital was used to infuse funds into financial services and various businesses of the group, including Sanoti Properties.

In light of the proposed scheme of arrangement between the existing and incoming investors, entailing transfer of majority ownership from Sanoti to Patanjali Ayurved Limited, S.R. Foundation, RITI Foundation, RR Foundation, Suruchi Foundation and Swati Foundation, the above analytical approach will be discontinued upon the scheme coming into effect. Instead, once the transaction is consummated, the ratings will be based on the Magma’s standalone corporate credit rating and thereafter, its strategic importance to, and expectation of support from, the incoming promoter, Patanjali.

The subordinated debt instrument continues to be assessed for additional risks to determine whether its rating should be the same as, or lower than, the corporate credit rating. The extent of cushion that Magma intends to maintain over and above the regulatory solvency ratio stipulation on a steady state basis has been considered. The parent’s stance to support Magma in maintaining a solvency ratio comfortably above the regulatory requirement has also been factored into the rating.

Key Rating Drivers & Detailed Description

Strengths:

- **Expectation of continued support from the existing parent until successful consummation of the transaction; and even in a scenario where the transaction does not materialize**
  As on December 31, 2024, Sanoti Properties held 72.5% stake in Magma. Sanoti Properties is jointly held by Adar Poonawalla (90%) and Rising Sun Holdings Pvt Ltd (RSHPL; 10%).

  Other key shareholders in Magma are Celica Developers Pvt Ltd (Celica) and Jaguar Advisory Services Pvt Ltd (Jaguar). Before Sanoti Properties came in as a shareholder (fiscal 2023), Poonawalla Fincorp Ltd (PFL), the non-banking financial company (NBFC) promoted by the Poonawalla family, held a majority stake in Magma. The shareholding of Sanoti Properties had increased from 64.7% as on June 2023 to 74.5% as of November 2023, by virtue of secondary acquisition of 9.9% stake from HDI Global SE. Incrementally, the company had also onboarded Mr. Keki Mistry as an investor with ~2% stake in the company. Further in October 2024, Sanoti Properties along with new family office investors infused Rs 300 crores in the Company. As on December 31, 2024, Sanoti held 72.5% stake in the company.

  For as long as the proposed transaction is underway and the company’s ownership remains with Sanoti, the latter is expected to provide financial and strategic support to the company. Further, the support stance is expected to remain unchanged even in a scenario where the deal does not materialise. However, once the transaction is successfully complete - the nature and extent of support to be provided by incoming promoter, will be a key rating sensitivity factor.

- **Adequate capitalisation and expectation of high level of cushion in solvency over regulatory stipulation**

The capital position remains adequate as reflected in reported net worth of Rs 1,232 crore as on December 31, 2024, supported by cumulative capital infusion of Rs 1,215 crore since fiscal 2023. The equity infusion improved the solvency ratio to 2.05 times as on March 31, 2024, from 1.76 times as on March 31, 2022. The solvency ratio was also supported by tranches of Rs 100 crore and Rs 325 crore raised as subordinated debt in fiscals 2022 and 2024, respectively. The solvency ratio stood at 1.79 times as on December 31, 2024.

Further, as part of the Share Purchase Agreement, the incoming investors will further infuse fresh equity capital, which will further bolster its capital position.

The buffer in the solvency ratio will support the company's medium-term business strategy of scaling up the health insurance and corporate insurance portfolios by ramping up its distribution network. The company may raise more equity in the near term, which will enhance its solvency ratio. The solvency ratio has been above the regulatory stipulation of 1.5 times over the years, and is expected to remain comfortably so over the medium term. The cushion is crucial, given the likelihood of default in the subordinated debt instrument if the solvency ratio falls below the stipulated minimum.

- **Sound investment quality**
  99.82% of the company's debt investments as on December 31, 2024, were in sovereign securities or corporate debt instruments rated 'AA+' or better. Moreover, a large proportion of liquid investments bolsters its liquidity profile. Government securities (G-secs), both state and central, accounted for 47.7% of the investment book as on December 31, 2024. Magma will maintain its sound investment portfolio, given its prudent investment policy and stringent regulatory guidelines.

Weaknesses

- **Small scale of operations with limited, though increasing, diversification**
  Magma is a small player in the Indian general insurance sector with market share below 1% until fiscal 2024. The size of operations continues to remain modest with gross direct premium (GDP) of Rs 3,044 crore for fiscal 2024 as against Rs 2,534 crore in previous fiscal. For the nine months ended December 31, 2024, the company wrote gross direct premiums of Rs 2,246 crore as against Rs 2,024 crore of gross premiums for the corresponding period of the previous fiscal.

  While the company has started diversifying gradually, its portfolio mix remains skewed towards motor insurance. Until March 2023, Motor insurance constituted over 73% of the gross direct premiums, followed by Health (including Personal Accident) insurance (~10%). However, the concentration has started to reduce, with Motor insurance forming 64% of the gross direct premiums written in the first nine months of fiscal 2025, and the share of Health (including Personal Accident) and Commercial segments rising to 22% and 14%, respectively. This was catalyzed by the company's initiatives to reduce concentration as well as favourable macro growth prospects in the health and commercial segments.

  The scale of operations is expected to remain small over the medium term as growth and diversification will happen gradually and organically, along with the development of bancassurance and agency channels, thereby achieving scale and improving the operational efficiency.

- **Modest underwriting performance**
  The company's underwriting performance has remained modest while the overall profitability has improved. It reported an underwriting deficit of Rs 557 crore translating to a combined ratio of 116.5% for fiscal 2024, compared with an underwriting loss of Rs 580 crore and combined ratio of 123.8% for the previous fiscal. For fiscal 2024, the company reported a claims ratio of 79.9% (72.6% for fiscal 2023).

  The loss ratio for nine months ended December 31, 2024, remained almost flat at 79.4% vis-à-vis 80.0% for the corresponding period of the previous fiscal. The overall combined ratio, however, improved to 116.3% from 117.3%, driven by reduction in expense ratio. Underwriting loss for the nine months of fiscal 2025 was Rs 315 crore compared with Rs 376 crore for the corresponding period of fiscal 2024.

  Earnings remain constrained due to underwriting performance and, largely, comprise income from investments. The RoE has historically been below 5% and the company incurred losses for fiscals 2022, 2023 and 2024. The net loss of Rs 141 crore for fiscal 2024 factored in the investment income of Rs 404 crore (net loss of Rs 287 crore and investment income of Rs 300 crore for fiscal 2023). The company reported a net profit of Rs 31 crore (considering investment income of Rs 386 crores) for nine months ended December 31, 2024, as compared with Rs 73 crore of loss (post investment income of Rs 293 cores) reported for the corresponding period of the previous fiscal. While the underwriting performance has started to stabilise, it will improve only gradually over the long term, thereby constraining profitability.

Liquidity : Strong

The company's liquidity position is comfortable, backed by highly liquid investments in the form of G-Secs (48% of the total investment portfolio on book value). Additionally, the company maintains adequate reserve for claims outstanding.

Rating sensitivity factors

Upward factors

- Significant and sustained improvement in market position and profitability
- Improvement of underwriting performance reflected in combined ratio reducing to and, remaining below 105% on a sustained basis

Downward factors

- Decline in support from, or in strategic importance to, the parent - Sanoti Properties (till it remains the majority shareholder) and related entities, or material change in shareholding in Magma or in any downward revision in Crisil Ratings' view on the parent and related entities.
- Solvency ratio declining to, and remaining below, 1.7 times for a prolonged period
- Substantial increase in underwriting losses, adversely impacting earnings

About the Company

Magma was incorporated in 2009 as a joint venture between PFL (erstwhile Magma Fincorp Ltd), HDI Global SE Germany, Celica Developers Private Limited (Celica) and Jaguar Advisory Services (Jaguar)

In fiscal 2023, Sanoti Properties bought the entire stake of PFL (23.2%) and SIIPL (9.9%). This change in shareholding was because of the Reserve Bank of India (RBI) and IRDAI stipulations, which cap the shareholding of NBFCs in an insurance company at 50% and state that the holding company of an insurance company cannot be a subsidiary. Further in fiscal 2024, Sanoti Properties acquired 9.9% stake of HDI.

As on December 31, 2024, Sanoti Properties held 72.5% stake in Magma, with Celica and Jaguar being the other key stakeholders. Basis the proposed scheme of arrangement announced on March 12, 2025, Patanjali Ayurved Limited, S.R. Foundation, RITI Foundation, RR Foundation, Suruchi Foundation and Swati Foundation will cumulatively acquire 98% stake in the company upon successful completion of the deal. The same is subject to regulatory approvals.

Magma offers a wide range of retail and commercial general insurance products and operates in three lines of business: Motor insurance (64% of gross direct premiums), Health (including Personal Accident) insurance (22%) and Commercial insurance (14%), which includes Fire insurance (around 9%). The company has a pan-India presence with 96 branches in different cities.

Key Financial Indicators

As on/ for the period ended March 31,		2024	2023	2022
Gross direct premium	Rs crore	3044	2534	1757
Total investment income	Rs crore	404	300	232
Profit after tax	Rs crore	-141	-287	-12
Networth	Rs crore	900	861	412
Solvency ratio	Times	2.05	2.10	1.76

As on / for the period		Dec-24	Dec-23
Gross direct premium	Rs crore	2246	2023
Total investment income	Rs crore	386	293
Profit after tax	Rs crore	31	-73
Networth	Rs crore	1232	969
Solvency ratio	Times	1.79*	2.11

**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.*

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
INE312X08026	Subordinated Debt	28-Dec-23	9.70	28-Dec-33	200.00	Complex	Crisil AA/Watch Negative
INE312X08034	Subordinated Debt	20-Mar-24	9.70	20-Mar-34	75.00	Complex	Crisil AA/Watch Negative
INE312X08042	Subordinated Debt	20-Mar-24	9.75	20-Mar-34	50.00	Complex	Crisil AA/Watch Negative

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Subordinated Debt	LT	325.0	Crisil AA/Watch Negative	21-02-25	Crisil AA/Stable	22-02-24	Crisil AA/Stable	12-10-23	Crisil AA/Stable		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
[Criteria for Insurance companies (including approach for financial ratios)]
[Basics of Ratings (including default recognition, assessing information adequacy)]
[Criteria for factoring parent, group and government linkages]

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Crisil Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

Crisil Ratings Limited ('Crisil Ratings') is a wholly-owned subsidiary of Crisil Limited ('Crisil'). Crisil Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About Crisil Limited

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It is India’s foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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