

CONFIDENTIAL

RL/MHGICL/361081/SUBDEBT/0225/109930/168549112

February 24, 2025



**Mr. Rajive Kumaraswami**  
Managing Director & Chief Executive Officer  
**Magma General Insurance Limited**  
Equinox Business Park,  
Tower 3, 2nd floor, LBS road, Kurla West,  
Mumbai City - 400086

Dear Mr. Rajive Kumaraswami,

**Re: Review of Crisil Rating on the Rs.75 Crore Subordinated Debt of Magma General Insurance Limited**

All ratings assigned by Crisil Ratings are kept under continuous surveillance and review.

Crisil Ratings has, after due consideration, reaffirmed its Crisil AA/Stable (pronounced as Crisil double A rating with Stable outlook) rating on the captioned debt instrument. Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk.

In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from Crisil Ratings will be necessary.

As per our Rating Agreement, Crisil Ratings would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. Crisil Ratings reserves the right to withdraw, or revise the rating / outlook assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information, or other circumstances which Crisil Ratings believes may have an impact on the rating. Please visit [www.crisilratings.com](http://www.crisilratings.com) and search with the name of the rated entity to access the latest rating/s.

As per SEBI circular (reference number: CIR/IMD/DF/17/2013; dated October 22, 2013) on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at [debtissue@crisil.com](mailto:debtissue@crisil.com). This will enable Crisil Ratings to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us at [debtissue@crisil.com](mailto:debtissue@crisil.com) for any clarification you may need.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Vani Ojasvi  
Associate Director - Crisil Ratings

Nivedita Shibu  
Director - Crisil Ratings



**Disclaimer:** A rating by Crisil Ratings reflects Crisil Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by Crisil Ratings. Our ratings are based on information provided by the issuer or obtained by Crisil Ratings from sources it considers reliable. Crisil Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by Crisil Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. Crisil Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. Crisil Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. Crisil Ratings' criteria are available without charge to the public on the web site, [www.crisilratings.com](http://www.crisilratings.com). Crisil Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by Crisil Ratings, please visit [www.crisilratings.com](http://www.crisilratings.com) or contact Customer Service Helpdesk at [Crisilratingdesk@crisil.com](mailto:Crisilratingdesk@crisil.com) or at 1800-267-1301

**Crisil Ratings Limited**  
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RL/MHGICL/361081/SUBDEBT/0225/109929/157370274

February 24, 2025

**Mr. Rajive Kumaraswami**  
Managing Director & Chief Executive Officer  
**Magma General Insurance Limited**  
Equinox Business Park,  
Tower 3, 2nd floor, LBS road, Kurla West,  
Mumbai City - 400086



Dear Mr. Rajive Kumaraswami,

**Re: Review of Crisil Rating on the Rs.250 Crore Subordinated Debt of Magma General Insurance Limited**

All ratings assigned by Crisil Ratings are kept under continuous surveillance and review.

Crisil Ratings has, after due consideration, reaffirmed its Crisil AA/Stable (pronounced as Crisil double A rating with Stable outlook) rating on the captioned debt instrument. Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk.

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Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

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

January 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
<b>Subordinate Debt*</b>	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

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://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) 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) 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
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### 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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## Magma HDI General Insurance Company Limited

February 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Debt-Subordinated Debt	75.00	CARE AA; Stable	Assigned
Debt-Subordinated Debt	100.00	CARE AA; Stable	Reaffirmed
Debt-Subordinated Debt	250.00	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.

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 the subordinated debt of Magma HDI General Insurance Company Limited (Magma HDI) continues to factor in its strong parentage, the strategic importance of Magma HDI to its parent, and the financial flexibility resulting from its association with the Poonawalla group as well as the expectations of support as and when needed. The rating also continues to factor in the experienced management team and the comfortable solvency position. That said, the rating is constrained by the moderate size of operations along with limited business diversification and the moderate 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 the size of operations and overall market share.
- Improvement in the profitability metrics with a diversification in the product portfolio.

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

- Any material changes in the shareholding pattern, leading to the expectation of diminished support from the Poonawalla group.
- Weakness in the capitalisation profile, with the 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' view that the company will continue to have need-based capital support from the Poonawalla group and the prudent solvency levels along with maintained growth momentum.

### Detailed description of the 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), holds 74.5% stake in Magma HDI as on January 31, 2024. RSPHL is the holding company of the group, having investments in insurance, retail, pharma, and the financial services segments. In FY23, Sanoti infused ₹734 crore of equity capital, and consequently, ₹181 crore in Q1FY24, post which its stake increased from 55.4% in June 2022 to 64.7% in June 2023. In November 2023, from the total stake of 11.9%, HDI Global SE sold 9.9% stake to Sanoti & ~2.0% to Mr. Keki Mistry. With this secondary transfer, Sanoti's stake has increased to 74.5%. By virtue of the strong parentage, the company benefits from the financial flexibility and the access to

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

corporate relationships, which is expected to enable the gradual diversification of the company's earnings profile from motor insurance to other segments such as health insurance and corporate businesses.

Considering that Magma HDI symbolises the group's foray into the insurance sector and the demonstrated track record of 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. The rebranding exercise of the company is expected to be concluded by H1FY25.

### **Experienced management team**

The company's board of directors consists of eight directors with varied experience in their respective functional areas. The board includes two nominees from Celica Developers and one nominee from Sanoti. Mr. Vinesh Kriplani (Director – M&A & Taxation, Serum Institute) has been appointed as a nominee director by Sanoti with effect from November 01, 2023. Furthermore, the Poonawalla group has appointed Mr. Keki Mistry, Additional & Non-executive Director, HDFC Bank, as a strategic advisor to entities operating in the dc services businesses of the Poonawalla group.

Rajive Kumaraswami is the Managing Director & CEO of Magma HDI. Kumaraswami has more than two decades of experience in the insurance industry. Magma HDI's key management team consists of professionals with relevant experience in the industry.

### **Healthy solvency ratio**

Supported by capital infusion of ₹915 crore by the Poonawalla group since FY23 (₹734 crore was infused during FY23 and another ₹181 crore during Q1FY24), the solvency margins of the company increased to 2.10x (PY.: 1.76x) as on March 31, 2023, and further to 2.11x as on December 31, 2023. This translates into a surplus capital of ₹339 crore as on December 31, 2023. The solvency ratio was further supported by ₹100 and ₹200 crore subordinated debt raised by the company during Q4FY22 and Q3FY24 from various institutional investors.

Given the company's plans of ramping up its distribution network so as to increase the share of the health insurance and corporate businesses going forward, the healthy solvency levels provide comfort. The company is expected to raise further equity capital in the near term, which will provide further a fillip to the company's solvency levels. CARE Ratings expects the solvency margins to be above of 2.00x in the medium term.

### **Key weaknesses**

#### **Modest size of operations with limited business diversification**

Magma HDI has been operating in the general insurance industry for more than a decade, however, the size of operations continues to remain modest with ₹2,523 crore of claims outstanding as of March 2023 (Dec-23: ₹3,072 crores). As on March 31, 2023, the company's gross written premium (GWP) grew at a five-year CAGR of 35% at ₹2,588 crore (GDP of ₹2,534 crore), thereby comprising market share based on a gross direct premium (GDP) of 1.9% (PY.: 1.6%) among private general insurance players. The company's market share based on the GDP within the motor segment increased to 3.2% (PY.: 2.7%) among private general insurance players.

While CARE Ratings notes the y-o-y increase in the company's size and market share complemented by its healthy solvency ratio, it continues to remain modest and is concentrated towards the motor segment. During FY23, the motor segment accounted for 71.9% of its total GWP (PY.: 72.5%) while the health and commercial segments contributed 9.7% and 18.4%, respectively, to the total GWP.

Within motor, the company has diversified its portfolio, with commercial vehicles (CVs) constituting 44.7% of the total GWP during FY23, private cars – 20.5%, two-wheelers – 23.8%, tractors – 6.9%, and standalone third party – 4.2%. The company has now focused on the health segment (grown by 123.24% to ₹251 crore in FY23) with special focus SME group health segment contributing 82.1% of the total health book [PY.: 70.2%]. Magma HDI sources 41.4% (PY.: 40.4%) of its premium from agencies, and over the past three years, it has worked towards increasing its original equipment manufacturer (OEM) network to source motor insurance, which led to 28.6% of the premium via OEMs during FY23 (FY20.: 18.7%).

Led by the gradual scaling up of its operations, the ramp-up in distribution channels and healthy 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 FY23, Magma HDI reported 42.6% growth in its GWP to ₹2,588 crore as against the 20% growth in GWP reported by private sector general insurance players. Despite the rise in GWP and NEP by 42.6% and 67.8%, respectively, the company's losses expanded to ₹287 crore during FY23 (P.Y. losses: ₹12 crore) due to a rise in the claims' ratio and operational expenses. The increase in operating expenses since FY22 has been on account of various reasons including investments in people, infrastructure and information technology and covid easing. Furthermore, while the company has been downsizing its branches, it has been ramping up its employee strength (increased to 1,853 in FY23 from 1,372 in FY22) and increasing its OEM and health channel tie-ups. Commission expenses ratio on net earned premium (NEP) increased to 4.9% in FY23 (P.Y.: -2.4%) due to reduction in reinsurance commission earning, as the retention ratio has increased at 75.1% (P.Y.: 61.8%). The investment income marginally increased to ₹300 crore (P.Y.: ₹232 crore) along with increased in investment book to ₹5,259 crore (P.Y.: ₹3,844 crores) with the yield-on-investments (with treasury gain) at 6.62% (PY.: 6.80%) and exit yield of 6.85% (PY.: 6.08%).

During 9MFY24 GPW grew by 16.8% YoY to Rs.2,190 crores. The combined ratio on NEP of the company reduced to 123.5% [PY.: 140.9%]. The total net commission and expense ratio has reduced for the company to 43.5% [PY.: 71.1%] and claims ratio of the company continues to remain high at 80.0% [PY.: 69.8%], as the company is expanding its distribution reach and changing its product mix.

The investment income during the 9MFY24 stood at Rs.293 crores [PY.: Rs. 212 crores] with yield on investment (with treasury gain) at 6.76% [PY.: 6.41%] and exit yield of 7.14% (PY.: 6.76%). Supported by a gradual diversification in the product portfolio and an increase in the scale of operations, CARE Ratings' expects the company to turn profitable in the medium term.

### **Liquidity: Strong**

The investments portfolio for Magma HDI stood at ₹6,389 crores as on December 31, 2023, out of which 32.4% of the total investments were in G-Secs, 14.9% in state development loans & other approved securities, and 44.4% in 'AAA' rated corporate bonds. Further, the cash and cash equivalents stood at ₹ 25 crore. As against this, the total claims outstanding stood at ₹3,072 crore and the interest payment for next 1 year stood at ₹28 crore as on December 31, 2023, due to which the liquidity is strong.

### **Assumptions/Covenants**

Not Applicable

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

Not Applicable

### **Applicable criteria**

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Financial Ratios - Insurance Sector](#)

[Insurance Sector](#)

[Factoring Linkage Parent Sub JV Group](#)

### **About the company and industry**

#### **Industry classification**

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Insurance	General Insurance

Magma HDI was incorporated in 2009 as a joint venture (JV) between Magma Fincorp Limited, Celica Developers Private Limited, Jaguar Advisory Services Private Limited, and HDI Global SE Germany. The company obtained the licence to undertake general insurance business on May 22, 2012, from the Insurance Regulatory and Development Authority of India (IRDAI).

As on March 31, 2023, the company offers both, retail and commercial general insurance products. Retail products consist of motor (car, two-wheeler, CVs, tractors), health, and individual personal accident covers, while commercial products consist of property, fire, marine cargo, and liability insurance. The company had a market share of 0.99% in the non-life insurance space in FY23. Magma HDI had 102 offices as of March 2023 and has sold ₹24.19 lakh of insurance policies during FY23.

In November 2023, HDI Global SE Germany sold its 9.9% stake to Sanoti taking the total stake of Sanoti to 74.5% and sold the remaining ~2.0% stake to Mr. Keki Mistry.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Gross direct premium	1,284	1,757	2,534	2,023
Gross written premium	1,349	1,815	2,588	2,190
PAT	19	-12	-287	-73
Claims Outstanding	1,650	2,009	2,523	3,073
Total assets*	3,206	4,064	5,853	6826
Tangible net worth*	387	368	817	913
Net NPA (%)	0	0	0	0
Solvency ratio (x)	1.79	1.76	2.10	2.11

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

\*Adjusted to intangible assets and deferred tax assets.

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

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various 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 along with Rating Outlook
Debt-Subordinate Debt	INE312X08018	30-03-2022	8.75	30-03-2032	100.00	CARE AA; Stable
Debt-Subordinate Debt	INE312X08026	28-12-2023	9.70	28-12-2033	200.00	CARE AA; Stable
Debt-Subordinate Debt	Proposed	-	-	-	50.00	CARE AA; Stable
Debt-Subordinate Debt	Proposed	-	-	-	75.00	CARE AA; Stable

**Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debt-Subordinate Debt	LT	100.00	CARE AA; Stable	1)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 (05-Sep-23)	-	-	-
3	Debt-Subordinate Debt	LT	75.00	CARE AA; Stable				

LT: Long term

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

Not Applicable

**Annexure-4: Complexity level of the various 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](#)

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

## Contact Us

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### 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 the detailed Rationale Report and subscription information,  
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No. CARE/HO/RL/2023-24/4322

**Mr. Rajive Kumaraswami**  
**Managing Director and Chief Executive Officer**  
**Magma HDI General Insurance Company Limited**  
 Equinox Business Park, Tower-3, 2nd Floor,  
 LBS Road,  
 Mumbai  
 Maharashtra 400070



February 21, 2024

**Confidential**

Dear Sir,

**Credit rating for Subordinated Debt issue**

On the basis of recent developments including operational and financial performance of your Company for FY23 (Audited) and 9MFY24 (Unaudited), our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
1.	<b>Subordinate Debt</b>	<b>100.00</b>	<b>CARE AA; Stable (Double A; Outlook: Stable)</b>	<b>Reaffirmed</b>
2.	<b>Subordinate Debt</b>	<b>250.00</b>	<b>CARE AA; Stable (Double A; Outlook: Stable)</b>	<b>Reaffirmed</b>
	<b>Total Instruments</b>	<b>350.00 (Rs. Three Hundred Fifty Crore Only)</b>		

2. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.



CARE Ratings Limited

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CIN-L67190MH1993PLC071691

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors
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3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly.
4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the lifetime of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
7. Users of this rating may kindly refer our website [www.careedge.in](http://www.careedge.in) for latest update on the outstanding rating.
8. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

*Disha*

*Geeta C.*

CARE Ratings Limited

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**Geeta Chainani**  
Associate Director  
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Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited 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 Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited 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 Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited 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 Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

  
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RL/MHGICL/337440/SUBDEBT/0224/79953/168549112

February 23, 2024

**Mr. Rajive Kumaraswami**

Managing Director &amp; Chief Executive Officer

**Magma HDI General Insurance Company Limited**

Equinox Business Park,

Tower 3, 2nd Floor,

LBS Road, Kurla West,

Mumbai City - 400086

Dear Mr. Rajive Kumaraswami,

**Re: CRISIL Rating on the Rs.75 Crore Subordinated Debt of Magma HDI General Insurance Company Limited**

We refer to your request for a rating for the captioned Debt instrument.

CRISIL Ratings has, after due consideration, assigned a CRISIL AA/Stable (pronounced as CRISIL double A rating with Stable outlook) rating to the captioned Debt instrument. Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk.

Further, in view of your decision to accept the CRISIL Ratings, we request you to apprise us of the instrument details (in the enclosed format) as soon as it has been placed. In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from CRISIL Ratings will be necessary.

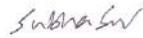
As per our Rating Agreement, CRISIL Ratings would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL Ratings reserves the right to withdraw, or revise the rating / outlook assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL Ratings believes may have an impact on the rating. Please visit [www.crisilratings.com](http://www.crisilratings.com) and search with the name of the rated entity to access the latest rating/s.

As per SEBI circular (reference number: CIR/IMD/DF/17/2013; dated October 22, 2013) on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at [debtissue@crisil.com](mailto:debtissue@crisil.com). This will enable CRISIL Ratings to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us at [debtissue@crisil.com](mailto:debtissue@crisil.com) for any clarification you may need.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,



Subha Sri Narayanan  
Director - CRISIL Ratings



Nivedita Shibu  
Associate Director - CRISIL Ratings



**Disclaimer:** A rating by CRISIL Ratings reflects CRISIL Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL Ratings. Our ratings are based on information provided by the issuer or obtained by CRISIL Ratings from sources it considers reliable. CRISIL Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by CRISIL Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. CRISIL Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. CRISIL Ratings' criteria are available without charge to the public on the web site, [www.crisilratings.com](http://www.crisilratings.com). CRISIL Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by CRISIL Ratings, please visit [www.crisilratings.com](http://www.crisilratings.com) or contact Customer Service Helpdesk at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com) or at 1800-267-1301

**CRISIL Ratings Limited**

A subsidiary of CRISIL Limited, an S&P Global Company  
Corporate Identity Number: U67100MH2019PLC326247

**Details of the Rs.75 Crore Subordinated Debt of  
Magma HDI General Insurance Company Limited**

	<i>1st tranche</i>	<i>2nd tranche</i>	<i>3rd tranche</i>			
<i>Instrument Series:</i>						
<i>Amount Placed:</i>						
<i>Maturity Period:</i>						
<i>Put or Call Options (if any):</i>						
<i>Coupon Rate:</i>						
<i>Interest Payment Dates:</i>						
<i>Principal Repayment Details:</i>	Date	Amount	Date	Amount	Date	Amount
<i>Investors:</i>						
<i>Trustees:</i>						

***In case there is an offer document for the captioned Debt issue, please send us a copy of it.***

**Disclaimer:** A rating by CRISIL Ratings reflects CRISIL Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL Ratings. Our ratings are based on information provided by the issuer or obtained by CRISIL Ratings from sources it considers reliable. CRISIL Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by CRISIL Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. CRISIL Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. CRISIL Ratings' criteria are available without charge to the public on the web site, [www.crisilratings.com](http://www.crisilratings.com). CRISIL Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by CRISIL Ratings, please visit [www.crisilratings.com](http://www.crisilratings.com) or contact Customer Service Helpdesk at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com) or at 1800-267-1301

RL/MHGICL/337440/SUBDEBT/0224/79954/157370274

February 23, 2024

**Mr. Rajive Kumaraswami**

Managing Director &amp; Chief Executive Officer

**Magma HDI General Insurance Company Limited**

Equinox Business Park,

Tower 3, 2nd Floor,

LBS Road, Kurla West,

Mumbai City - 400086



Dear Mr. Rajive Kumaraswami,

**Re: Review of CRISIL Rating on the Rs.250 Crore Subordinated Debt of Magma HDI General Insurance Company Limited**

All ratings assigned by CRISIL Ratings are kept under continuous surveillance and review.

CRISIL Ratings has, after due consideration, reaffirmed its CRISIL AA/Stable (pronounced as CRISIL double A rating with Stable outlook) rating to the captioned Debt instrument. Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk.

In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from CRISIL Ratings will be necessary.

As per our Rating Agreement, CRISIL Ratings would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL Ratings reserves the right to withdraw, or revise the rating / outlook assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL Ratings believes may have an impact on the rating. Please visit [www.crisilratings.com](http://www.crisilratings.com) and search with the name of the rated entity to access the latest rating/s.

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Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Subha Sri Narayanan  
Director - CRISIL Ratings

Nivedita Shibu  
Associate Director - CRISIL Ratings



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**CRISIL Ratings Limited**

A subsidiary of CRISIL Limited, an S&P Global Company  
Corporate Identity Number: U67100MH2019PLC326247

## Rating Rationale

February 22, 2024 | Mumbai

### Magma HDI General Insurance Company Limited

'CRISIL AA/Stable' assigned to Subordinated Debt

#### Rating Action

Rs.75 Crore Subordinated Debt	CRISIL AA/Stable (Assigned)
Rs.250 Crore Subordinated Debt	CRISIL AA/Stable (Reaffirmed)

*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 assigned its '**CRISIL AA/Stable**' rating to the Rs.75 crore subordinated debt instrument of Magma HDI General Insurance Company Ltd (Magma HDI) and reaffirmed its rating on existing subordinated debt.

The rating centrally factors in the strategic importance of Magma HDI to, and expectation of strong support from, its majority shareholder, Sanoti Properties LLP (Sanoti Properties). Sanoti Properties is significantly held by Mr. Adar Poonawalla (90%) and Rising Sun Holdings Private Limited (RSHPL) (10%). Mr. Adar Poonawalla is CEO of Cyrus Poonawalla group of companies. Furthermore, during the previous years, the group, including Serum Institute of India Pvt Ltd (SIIPL; 'CRISIL AAA/Stable/CRISIL A1+'), has invested substantial funds in RSHPL. This capital was used to infuse funds into financial services and various businesses of the group.

The rating also reflects the adequate capitalisation of Magma HDI and CRISIL Ratings' expectation that Magma HDI 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 parent company's stance to support Magma HDI in maintaining the solvency ratio comfortably above the regulatory requirement has also been factored into the rating. The business risk profile is also supported by the company's stable investment portfolio.

The rating 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 hybrid instrument is also centrally based on the approval by the Insurance Regulatory and Development Authority of India (IRDAI) to Magma HDI, as allowed under provision 5(iii) of the Insurance Regulatory and Development Authority of India (Other Forms of Capital) Regulations, 2022, for this specific proposed subordinated debt issue of Rs 75 crore and the previously rated instrument of Rs 250 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. Previously, the company has sought similar regulatory approvals for interest payment on its existing hybrid debt of Rs 100 crore issued in March 2022.

#### Analytical Approach

CRISIL Ratings has first assessed the corporate credit rating of Magma HDI, 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 HDI, and then factored in the strategic importance of the company to, and expectation of strong support from, its majority shareholder, Sanoti Properties LLP (Sanoti Properties). Sanoti Properties is significantly held by Mr. Adar Poonawalla (90%) and Rising Sun Holdings Private Limited (RSHPL) (10%). Mr. Adar Poonawalla is CEO of Cyrus Poonawalla group of companies. Furthermore, during the previous years, the group, including Serum Institute of India Pvt Ltd (SIIPL; 'CRISIL AAA/Stable/CRISIL A1+') have invested substantial funds in RSHPL. This capital was used to infuse funds into financial services and various businesses of the group.

The subordinated debt instrument has then been 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 HDI intends to maintain over and above the regulatory stipulation on a steady state basis has been considered. The parent's stance to support Magma HDI 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 strategic importance to, and strong support from, parent**

As on December 31, 2023, Sanoti Properties held 74.5% stake in Magma HDI. Sanoti Properties is jointly held by Adar Poonawalla (90%) and Rising Sun Holdings Pvt Ltd (RSHPL; 10%).

Other key shareholders in Magma HDI are Celica Developers Pvt Ltd (Celica), Jaguar Advisory Services Pvt Ltd and (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 HDI. Magma HDI derives funding support and strategic oversight from the parent, as indicated by cumulative capital infusion of ~Rs 1,350 crore since inception. Sanoti Properties infused Rs 734 crore into Magma HDI in fiscal 2023 and Rs 181 crore in the first quarter of fiscal 2024. Resultantly, the stake of Sanoti Properties increased from 55.4% in June 2022 to 64.7% in June 2023. The shareholding of Sanoti Properties has further increased to ~74.5% by virtue of secondary acquisition of 9.9% stake from HDI Global SE. Incrementally, the company has also on-boarded Mr. Keki Mistry as an investor with ~2% stake in the company. Given the high strategic importance of Magma HDI and the parent's intent of maintaining majority shareholding on a steady state basis, the company will continue to receive strong financial and strategic support.

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

The capital position remains adequate as reflected in reported networth of Rs 969.16 crore as on December 31, 2023, supported by cumulative capital infusion of Rs 915 crore since fiscal 2023. The equity infusion improved the solvency ratio to 2.10 times as on March 31, 2023, and to 2.11 times as on December 31, 2023, from 1.76 times as on March 31, 2022. The solvency ratio was also supported by tranches of Rs 100 crore and Rs 200 crore raised as subordinated debt in fiscals 2023 and 2024, respectively.

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 position has been above the regulatory stipulation of 1.5 times over the years, and will remain comfortably so over the medium term, with the parent being supportive of this stance. 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**

100% of the company's debt investments as on December 31, 2023, 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 47.3% of the investment book as on December 31, 2023. Since inception, the company has seen two account exposures slip into non-performing assets (NPAs), but both were fully written off. Magma HDI 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 HDI is a small player in the Indian general insurance sector with market share below 1% until fiscal 2023. The size of operations continues to remain modest with gross direct premium (GDP) of Rs 2534 crore for fiscal 2023 as against Rs 1757 crore in 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 insurance (~10%). However, the concentration has started to reduce, with motor insurance forming 69% of the gross direct premiums in the nine months period of fiscal 2024, and the share of health and commercial segments rising to 18% and 13%, 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 and receipt of fresh equity capital from the parent.

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 and improvement in in-house underwriting practices.

##### **Modest underwriting performance resulting in weak profitability**

The company's underwriting performance and profitability have remained modest. It reported an underwriting deficit of Rs 574 crore translating to a combined ratio of 123.8% for fiscal 2023, compared with an underwriting loss of Rs 262 crore and combined ratio of 117.5% for the previous fiscal. While the claims ratio remains at par with close peers, the elevated expense ratio of Magma HDI has been the key constraint for its operating performance. For fiscal 2023, the company

reported a claims ratio of 72.6% (68.6% for fiscal 2022) alongside a high operating expense ratio of 47.3% (50.8%). In this regard, the negative commission ratio, resulting from low retention of risks on the book, has been of marginal benefit. With upward revision in reinsurance rates by global reinsurers post pandemic and less ceding in motor quota treaty, the retention ratio of Magma HDI has increased, leading to a corresponding increase in its commission ratio to 3.9% for fiscal 2023 from net negative in the past.

The loss ratio for the nine months period of fiscal 2024 increased to 80.0% from 69.8% for the corresponding of the previous fiscal, owing to steeper losses in the increased health insurance segment. The overall combined ratio, however, improved to 117.3% from 123.1%, driven by reduction in expense ratio. Underwriting loss for the nine months period was Rs 445 crore compared with Rs 376 crore for the corresponding period of fiscal 2023.

Earnings remain constrained due to upfronting of expenses resulting in weak underwriting performance and, largely comprise income from investments. The RoE has historically been below 5% and the company incurred losses for fiscals 2022 and 2023. The net loss of Rs 287 crore for fiscal 2023 factored in the investment income of Rs 301 crore (net loss of Rs 12 crore and investment income of Rs 233 crore for fiscal 2022). The company reported a net loss of Rs 73 crore for nine months ended December 31, 2023 as compared with Rs 238 crore of loss reported for the corresponding period of fiscal 2023. While the underwriting performance has started to stabilise, it will improve only gradually over the long term, thereby constraining profitability. Thus, the company will continue incurring losses over the medium term. In lieu of the expected losses, it intends to seek approval from IRDAI under clause 5 (iii) of the Insurance Regulatory and Development Authority of India (Other Forms of Capital) Regulations, 2022 for honouring obligation pertaining to its subordinated debt issuance.

### **Liquidity: Strong**

The company's liquidity position is comfortable, backed by highly liquid investments in the form of G-Secs (49% of the total investment portfolio on book value). Additionally, the company maintains adequate reserve for claims outstanding at all points in time.

### **Outlook: Stable**

Magma HDI will continue to derive strong financial and managerial support from its parent, both on an ongoing basis and during financial distress. The company will maintain comfortable cushion in its solvency ratio, backed by healthy capitalisation and sound investment portfolio. However, profitability will remain constrained by high underwriting losses.

### **Rating Sensitivity factors**

#### **Upward factors**

- Significant increase in strategic importance, reflected in brand sharing of, Magma HDI to the parent and related entities, and substantial increase in ownership of the parent and related entities in Magma HDI
- Significant improvement in market position and sustained improvement in profitability, with combined ratio improving to and remaining below 105%

#### **Downward factors**

- Decline in steady state solvency ratio below 1.7 times.
- Substantial increase in underwriting losses, adversely impacting earnings Decline in support from, or in strategic importance to, the parent and related entities, or material change in shareholding in Magma HDI or in any downward revision in CRISIL Ratings' view on the parent and related entities.

### **About the Company**

Magma HDI 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.

As on December 31, 2023, Sanoti Properties held 74.5% stake in Magma HDI, with Celica, Jaguar and being the other key stakeholders.

Magma HDI offers a wide range of retail and commercial general insurance products and operates in three lines of business: motor insurance (69% of gross direct premiums), health insurance (18%) and commercial insurance (13%), which includes fire insurance (around 10%). The company has a pan-India presence with 97 branches in different cities.

### **Key Financial Indicators**

As on / for the period ended March 31,	Unit	2023	2022
<b>Gross direct premium</b>	<b>Rs crore</b>	<b>2534</b>	<b>1757</b>
<b>Total investment income</b>	<b>Rs crore</b>	<b>300</b>	<b>232</b>
<b>Profit after tax</b>	<b>Rs crore</b>	<b>-287</b>	<b>-12</b>
<b>Networth</b>	<b>Rs crore</b>	<b>861</b>	<b>412</b>

Solvency ratio	Times	2.10	1.76
<b>As on / for the period</b>	<b>Unit</b>	<b>Dec-23</b>	<b>Dec-22</b>
<b>Gross direct premium</b>	<b>Rs crore</b>	<b>2023</b>	<b>1826</b>
<b>Total investment income</b>	<b>Rs crore</b>	<b>293</b>	<b>212</b>
<b>Profit after tax</b>	<b>Rs crore</b>	<b>-73</b>	<b>-238</b>
<b>Networth</b>	<b>Rs crore</b>	<b>969</b>	<b>861</b>
<b>Solvency ratio</b>	<b>Times</b>	<b>2.11</b>	<b>1.70</b>

**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.

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**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity	Rating assigned with outlook
NA	Subordinated debt*	NA	NA	NA	125	Complex	CRISIL AA/Stable
INE312X08026	Subordinated debt	28-Dec-2023	9.7	28-Dec-2033	200	Complex	CRISIL AA/Stable

\*Yet to be issued

**Annexure - Rating History for last 3 Years**

	Current		2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Subordinated Debt	LT	325.0	CRISIL AA/Stable		--	12-10-23	CRISIL AA/Stable		--		--

All amounts are in Rs.Cr.

## Criteria Details

**Links to related criteria**

[Rating Criteria for General Insurance Companies](#)

[CRISILs criteria for Hybrid Issuances of General Insurance Companies](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

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