Magma Fincorp Limited
Regd. Office
Development House
24 Park Street, Kolkata 700 016
Tel : 91 7596067686
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Fax : 91 33 44017428
CIN : L51504WB1978PLC031813
Web : www.magma.co.in

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Investing in the smallest dream

15 May 2019

Corporate Relationship Department
**BSE Limited**
25th Floor, P.J. Towers, Dalal Street, Fort,
Mumbai – 400 001

**Company Code - 524000**

The Manager
Listing Department,
**National Stock Exchange of India Limited**
"Exchange Plaza"
Bandra- Kurla Complex, Bandra (E),
Mumbai – 400 051

**Symbol - MAGMA**

**Sub: Investors/Analysts' Presentation**

**Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)**

Dear Sir,

Pursuant to Regulation 30 of the Listing Regulations we are enclosing herewith the presentation to be made to the Investors/Analysts on the Audited Financial Results of the Company for the fourth quarter and financial year ended 31 March 2019.

The presentation is also being uploaded on the website of the Company at the URL https://magma.co.in/about-us/investor-relations/financial-results/investor-presentation/ in accordance with Regulation 46 of the Listing Regulations.

Kindly take the same on record

Thanking you,

**Yours faithfully,**
**For Magma Fincorp Limited**

**Shabnum Zaman**
**Company Secretary**
**ACS No. 13918**
**Encl:as above**

# *Towards a Robust, Sustainable and Profitable Growth*

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## Magma Fincorp Limited

**Investor Presentation – Q4 FY19**

1 Company Overview

2 Financial Performance – Q4 FY19 & FY19

3 Business Strategy

4 Business enablers to drive sustainable growth

5 Leadership Team & Shareholding Structure

6 Annexures

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

# Quick Snapshot

Company into 31st year of retail financing business

Strong management team with extensive industry experience

Strong technology platform, systems & processes

Robust risk management framework

AUM[1] – Rs. 17,029 Crore

Evenly spread across India

North 36%, East 17%, West 22%, South 25%

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~ 2.3 Million Customers serviced since inception

> 1.3 Million Active customer

Diversified product portfolio

Asset-backed finance (UV/Cars, CV, CE, Used Assets, Agri Finance), SME finance, Affordable Housing finance and General insurance

Pan India presence across 21 states and 310 branches[2]

UV – Utility Vehicles, CV – Commercial Vehicles, CE – Construction Equipment

1 – As per Ind AS on 31st March 2019 2 – As on 31st March 2019

# Provide Financing Solutions to Underbanked Customers in 'Rurban' India

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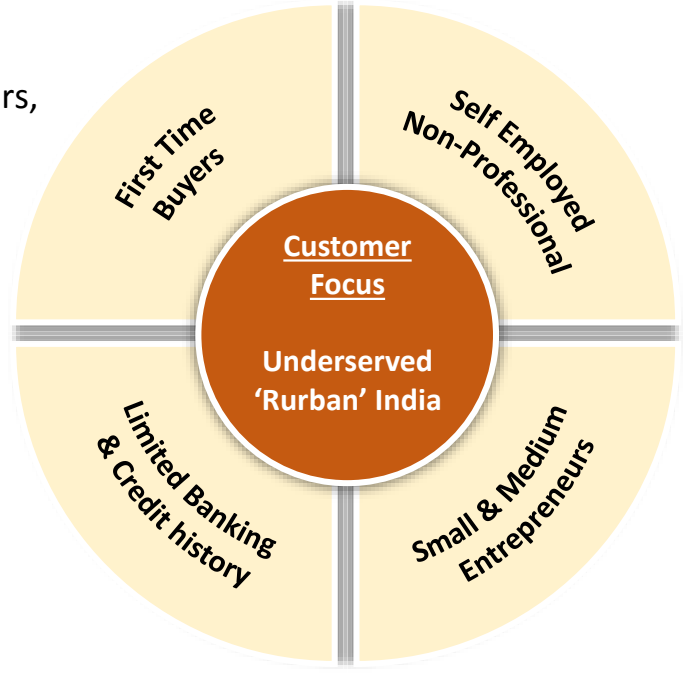
**Recognised and Trusted Brand in 'Rurban' India**

- Taxi / Truck driver / operators, Small Farmers

- Self employed customer with informal income sources (Home / Car buyer)




- Customers with informal income and low eligibility for bank loans

- Small trader, factory owner, shop owner with working capital needs
- Small fleet operator

**Core strengths - Widespread presence, deep 'Rurban' insight, robust technology for faster customer acquisition, loan servicing and effective cross-sell**

Rurban includes Rural and Semi-Urban locations

# Focus on Higher Cross-Selling of Products for Deep Customer Engagement

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| Financing & General Insurance Solutions | Customer Segments | | | | Illustrative Asset Profile | | |
|---|---|---|---|---|---|---|---|
| | First Time Buyers | Self Employed Non Professionals | Small & Medium Entrepreneurs | Limited banking / credit history | Average Ticket Size (Rs lakh) | Average Loan to Value Ratio | Average Tenure (months) |
| ABF: Commercial Finance | ● | ● | ● | ● | 4-6 | 75-80% | 40-45 |
| ABF: Agri Finance | ● | ● | | ● | 3-4 | 65-70% | 45-50 |
| SME Finance | | ● | ● | ● | 19-21 | N/A | 30-35 |
| AHF: Affordable Housing Finance | ● | ● | ● | ● | 9-12 | 60-70% | 150-180 |
| General Insurance | ● | ● | ● | ● | | | |

Numbers indicative of disbursements done during Q4 FY19
Commercial Finance includes trucks, construction equipment, UVs & Cars
SME Finance includes Unsecured Loans to Business Enterprises;
Agri Finance includes Tractors
Affordable Housing Finance includes Home Loans and Loan against property

# A well diversified portfolio across segment and geography

## Diverse Product Offerings

**Asset Backed Finance (ABF)**
**AUM[1] : Rs. 11,591 Cr.**

**Total AUM[1] : Rs. 17,029 Cr.**

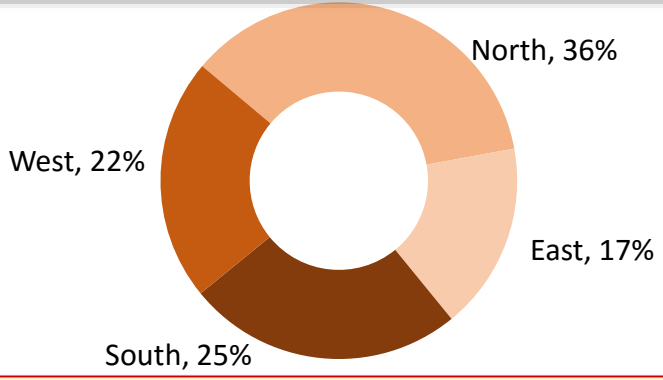
**SME Finance**
**AUM[1] : Rs. 2,278 Cr.**

**Affordable Housing Finance (AHF)***
**AUM[1]: Rs. 3,160 Cr.**

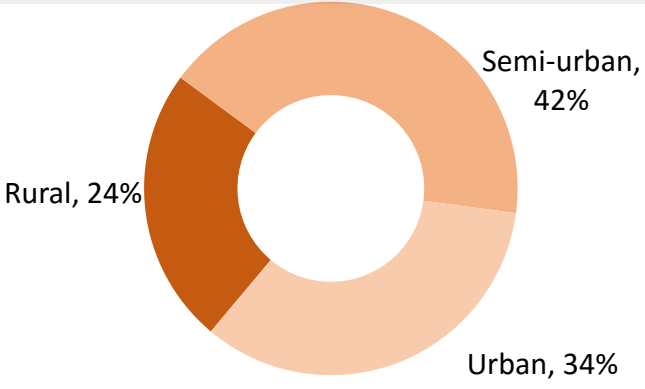
**General Insurance**
**GWP[2] : Rs. 1,026 Cr.**

1 - As of 31st Mar 2019; 2 – FY19
* Split between MFL (Rs. 730 Cr.) and MHF (Rs. 2,430Cr.)

## Zone-wise Breakup




## Rural-Urban Breakup



# Extensive Pan India Network

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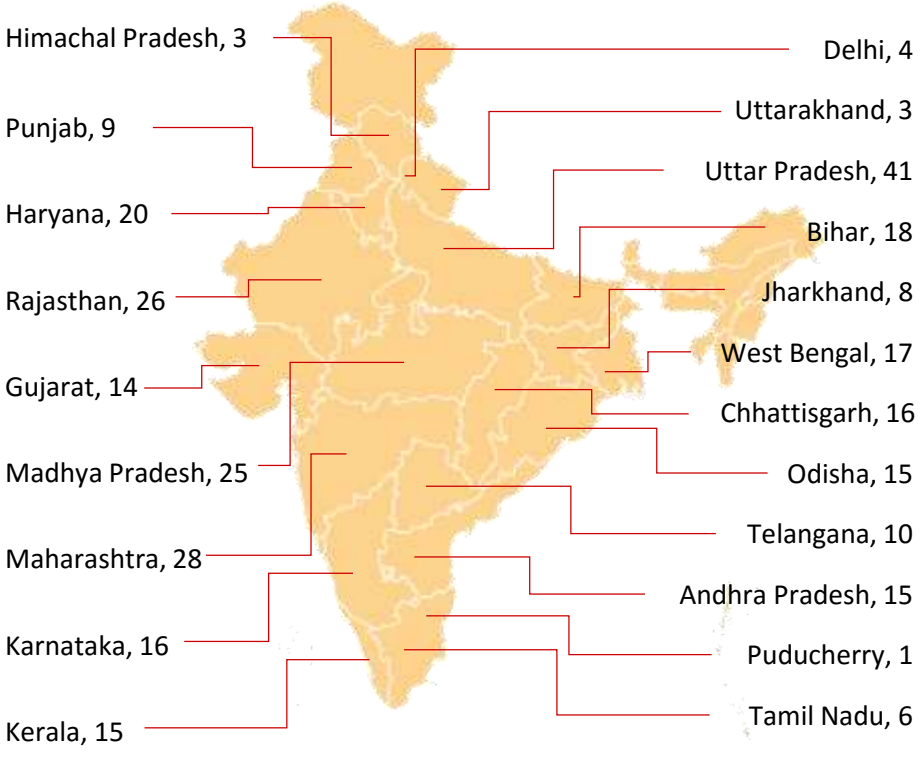
## Asset Light Branch Network

- **Wide retail presence through hub and spoke model**
- **Technology solutions** enable FOS to conduct business from channel/customer location leading to better sales productivity, better market coverage, improved channel and customer experience
- **Strong customer engagement** through large team of Field Executives
- **Toll free Inbound/Outbound Customer Call Centre** for servicing and cross sell

## 310 Branches as on 31st March 2019



# Magma Culture Code

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## Integrity

Do the right thing (end), the right way (means) all the time

## Collaboration

Invite ideas and inspiration for all

## Respect

Treat people equally

1 Company Overview

2 **Financial Performance – Q4 FY19 & FY19**

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## Adoption of Indian Accounting Standards ("IND-AS")

- This is the first financial year of adoption of Indian Accounting Standards ("IND-AS") for the purposes of the Company's financial reporting.
- The impact of the transition from previous GAAP ("I-GAAP") has been made in the opening reserves of FY18 i.e. 1st April 2017
- Financial results for quarter ended 31st March 2019, quarter ended 31st March 2018 and year ended 31st March 2019 and 31st March 2018, have been subjected to audit. All other reporting and disclosures made in the presentation are based on management reports.
- The disclosures provided here are to merely provide a summary of the performance and for comparing key differences with previous accounting standards.
- The financial results and the additional disclosures may be updated, modified or amended due to adjustments which may be required to be made on account of introduction of new standards or their interpretation, receipt of guidelines or circulars from Reserve Bank of India and/or other Government or Regulatory Bodies

# Key Highlights FY 2019

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- **Liquidity scenario**
  - Continued Business as usual during the period of liquidity crisis
  - Comfortable liquidity position - positive cumulative liquidity position across all buckets, assuming Working Capital limits as matched to maturity
- **All round improvement in financial parameters**:
  - Disbursement at Rs. 8,757 crs, **growth of 20% YoY,** AUM at Rs. 17,029 crs, **7.8% growth YoY**.
  - Insurance business in Joint Venture Magma HDI crossed Rs.1,000 Crs Gross Written Premium, **growth of 83% YoY**
  - **PAT Rs. 304 crs** against Rs. 237 crs in FY18, **28% growth YoY**
- **Significant improvement in Asset quality**
  - GNPA reduces from **8.6% to 4.8%** and NNPA from **4.5% to 3.1%** YoY, even as credit cost falls from **2.0% to 1.6%** YoY
  - Early warning indicators fall below threshold parameters indicating robust quality of portfolio being currently underwritten.
- **Enterprise wide, independent risk management framework (ERM)**
  - **'Independent' Risk vertical** set up to assess and monitor all risks, i.e., Credit Governance, Operational, Fraud, InfoSec and Compliance Risks, and including risks associated with new products and services, customer types, geographies, and channels.
- **Customer Delight -** Implemented State of the art Customer Relation Management (CRM) system for **360° customer view** across Business leading to **improvement in cross sell** and customer experience

# FY19: Consolidated Result Highlights (as per Ind AS)

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| Disbursements | AUM | NIM |
|---|---|---|
| FY19 – Rs 8,757 Cr ↑ | FY19 – Rs 17,029 Cr ↑ | FY19 – 8.5% ↑ |
| FY18 – Rs 7,287 Cr | FY18 – Rs 15,801 Cr | FY18 – 7.5% |

| Opex / AAUM | NNPA | PAT |
|---|---|---|
| FY19 – 4.2% ↑ | FY19 – 3.1% ↓ | FY19 – Rs 304 Cr ↑ |
| FY18 – 3.8% | FY18 – 4.5% | FY18 – Rs 237 Cr |

| ROA | ROE | FY19 |
|---|---|---|
| FY19 – 1.9% ↑ | FY19 – 13.0% ↑ | Networth - Rs 2,744Cr |
| FY18 – 1.5% | FY18 – 12.8% | BVPS - Rs 101.3, EPS - Rs 11.3 |
| | | Capital Adequacy – 24.9% |

- Disbursement up 20%
- NNPA improves 31%
- PAT up 28%
- AUM up 8%
- NIM increase 100 bps
- ROA increases 40bps

# Q4 FY19: Consolidated Result Highlights (as per Ind AS)

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| Disbursements | AUM | NIM |
|---|---|---|
| Q4 FY19 – Rs 2,586 Cr ↑ | Q4 FY19 – Rs 17,029 Cr ↑ | Q4 FY19 – 8.1% ↓ |
| Q4 FY18 – Rs 2,233 Cr | Q4 FY18 – Rs 15,801 Cr | Q4 FY18 – 8.2% |

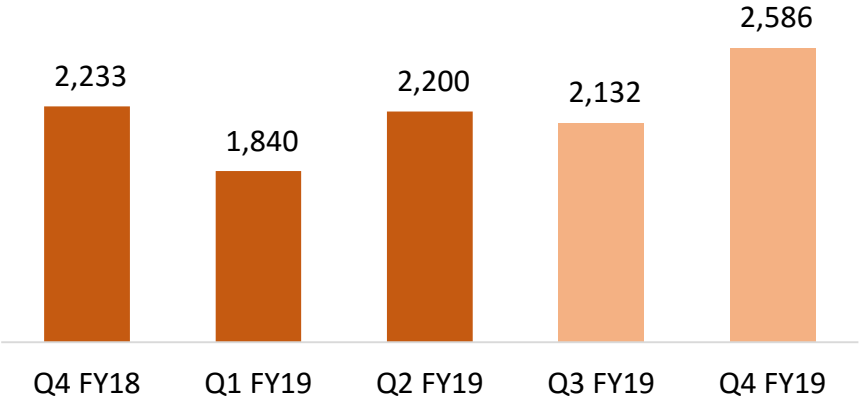
| Opex / AAUM | NNPA | PAT |
|---|---|---|
| Q4 FY19 – 4.1% ↓ | Q4 FY19 – 3.1% ↓ | Q4 FY19 – Rs 85 Cr ↑ |
| Q4 FY18 – 4.2% | Q4 FY18 – 4.5% | Q4 FY18 – Rs 80 Cr |

| ROA | ROE | Q4 FY19 |
|---|---|---|
| Q4 FY19 – 2.0% | Q4 FY19 – 12.7% ↓ | Networth - Rs 2,744Cr |
| Q4 FY18 – 2.0% | Q4 FY18 – 16.7% | BVPS - Rs 101.3, EPS - Rs 3.2 |
| | | Capital Adequacy – 24.9% |

- Disbursement up 16%
- AUM up 8%
- NNPA improves 31%
- PAT up 7%

# Disbursals

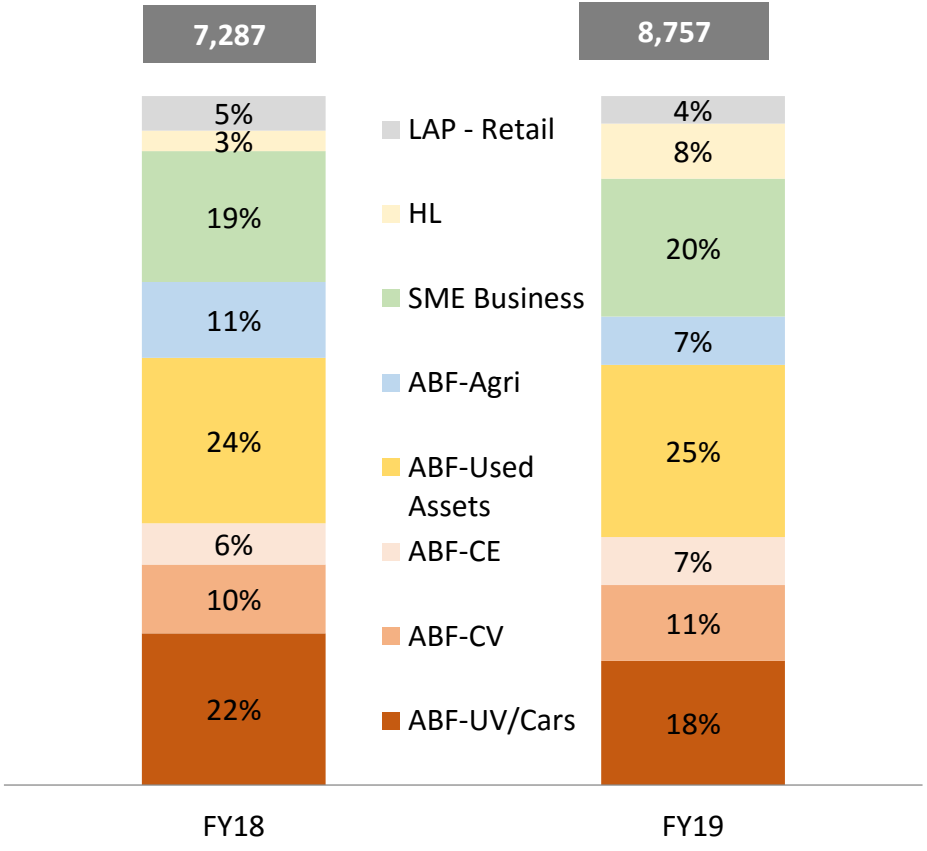
## QoQ growth in Disbursement



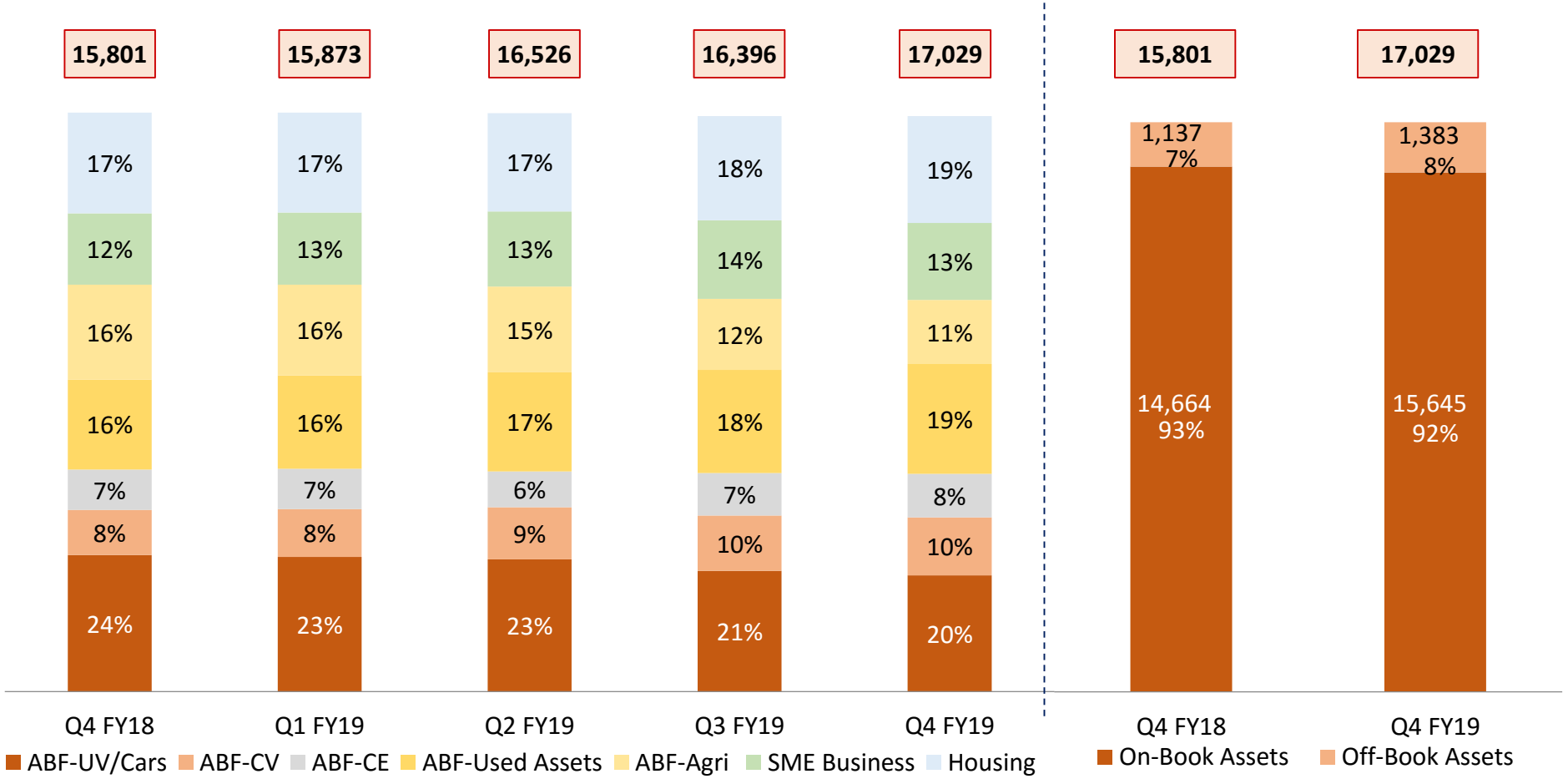

**Increase in contribution of core products, i.e., Used assets, Mortgage and SME finance from 51% to 57%**

*Values in Rs crore*

## YoY Change in Disbursement Mix



# Assets Under Management (AUM)




*Values in Rs crore*

# Assets Quality

| Particulars | Q4 FY18 | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 |
|---|---|---|---|---|---|
| Gross Stage 1 and Stage 2 Assets | 13401 | 13559 | 13879 | 13988 | 14898 |
| ECL Provision – Stage 1 and 2 | 388 | 359 | 348 | 333 | 293 |
| **Stage 1 and Stage 2 Coverage Ratio (%)** | **2.9%** | **2.6%** | **2.5%** | **2.4%** | **2.0%** |
| Gross Stage 3 Assets | 1263 | 1311 | 1341 | 836 | 747 |
| ECL Provision – Stage 3 | 638 | 685 | 710 | 250 | 274 |
| Gross Stage 3 Assets (%) (~ GNPA) | 8.6% | 8.8% | 8.8% | 5.6% | 4.8% |
| **Net Stage 3 Assets (%) (~NNPA)** | **4.5%** | **4.4%** | **4.3%** | **4.0%** | **3.1%** |
| **Stage 3 Coverage Ratio (%)** | **50.5%** | **52.2%** | **52.9%** | **29.9%** | **36.8%** |

**Improved credit quality resulting in lower Stag 1 & 2 provisioning and much lower NPA**

Note: Assets quality ratios are calculated basis On Book AUM (i.e. Direct Assignment book is excluded)
Stage 1 and Stage 2 coverage ratio declines, reflecting improvement in lower bucket composition.

*Values in Rs crore*

# Key Ratios – Ind AS

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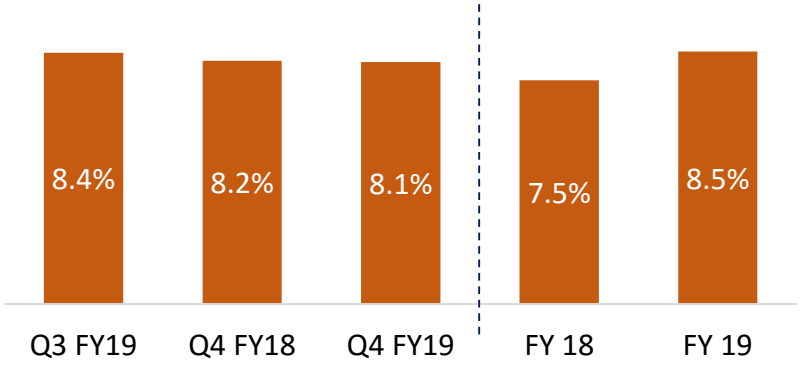
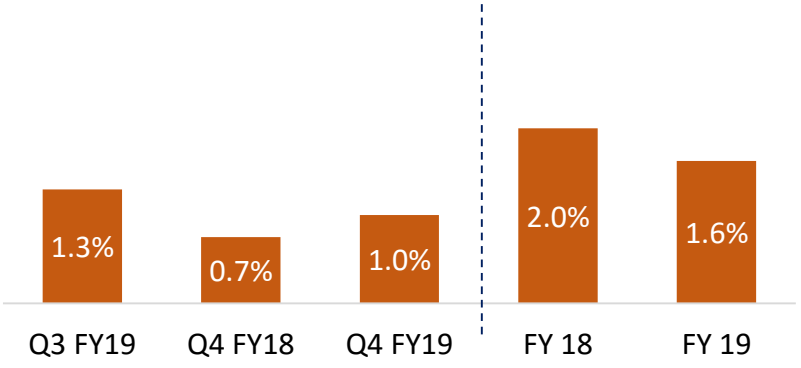
**NIM Analysis (% of AUM)**



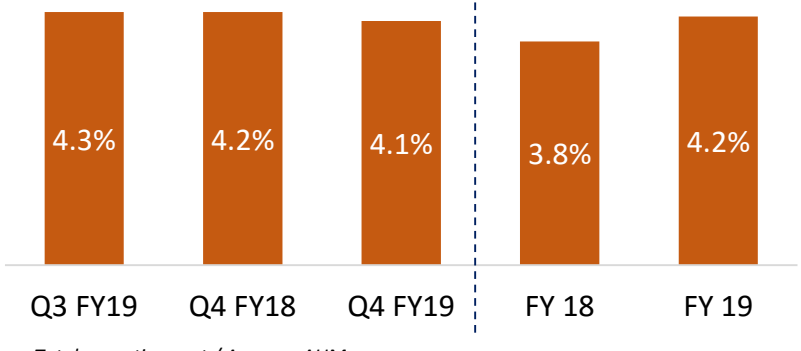

*NIM: (Total Income (incl. Other Income) – Interest Expenses) / Average AUM*

**NCL (% of AUM)**



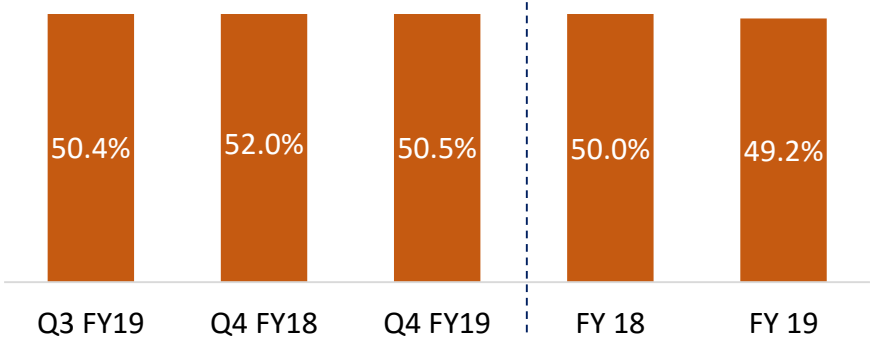

*NCL: Net Credit Loss / Average AUM*

**Opex Ratio**



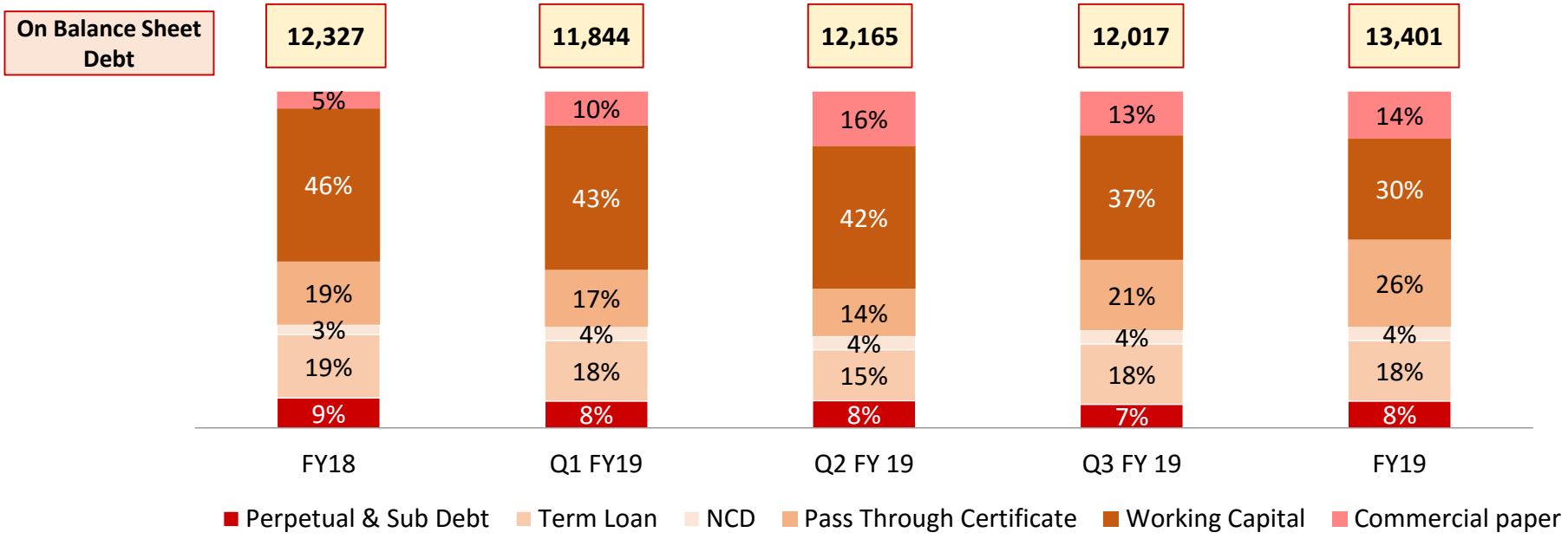

*Opex: Total operating cost / Average AUM*

**Cost / Net Income (%)**




*Cost / Net Income% : Total operating cost / (Total Income (incl. Other Income) – Interest Expenses)*

# Liability Profile – Stable credit rating and Stable sources of funds

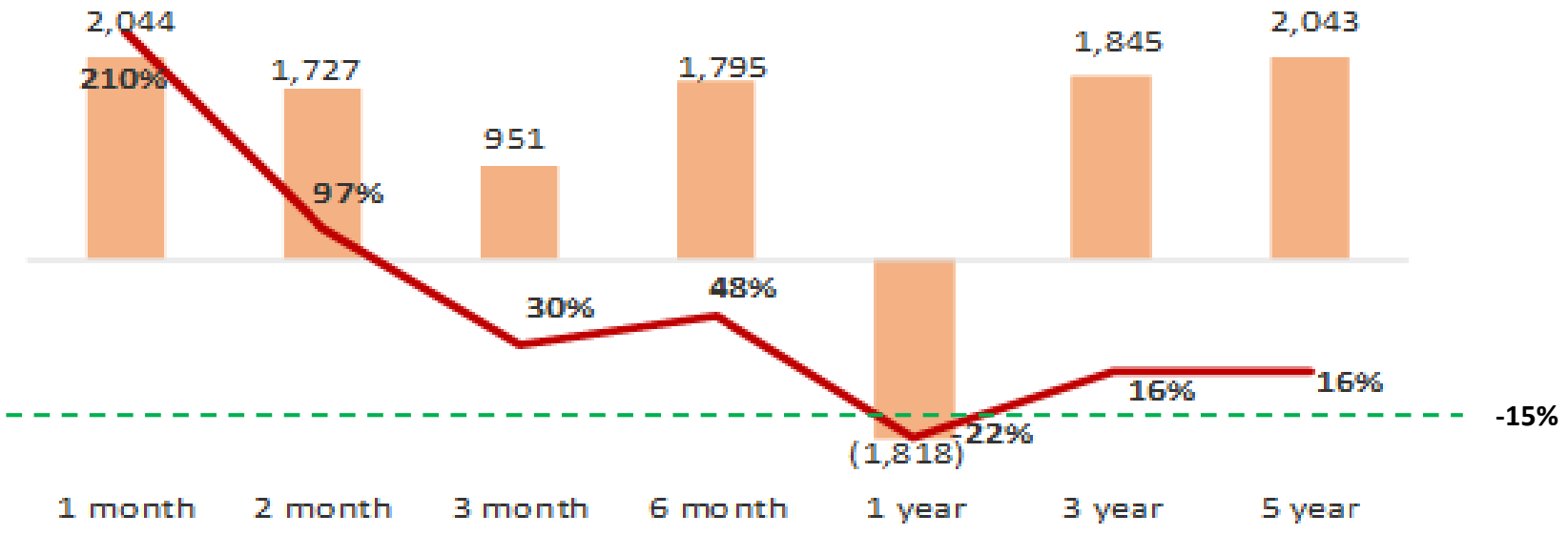



| Instrument | Rating |
|---|---|
| Short term Debt | **A1+** (By CARE & CRISIL) |
| Long term Debt | **AA-** (By CARE, ICRA & India Ratings) |

- Diversified liability sources limit concentration risk and allows stable flow of funds.
- Source of liabilities - Banks 66%, Debt capital market 34%.

*Balance Sheet Debt based on MFL Consolidated financials; Values in Rs crore.*

# Structural Liquidity Mar'19




**Note:**

1. Working capital limits are considered as repayable in 6 - 12 months time bucket against earlier treatment of considering matched to maturity of underlying assets.
2. Behaviorally, Working Capital limits are renewed by banks every year and are thus revolving in nature. Assuming **'working capital'** limits from Banks as matched to maturity, the mismatch in 6 – 12 months time bucket turns to surplus of 4%.
3. The Company shall strive to raise additional long term funds to ensure the mismatch in all time buckets falls below 15% latest by 30th September 2019.

# Asset-Liability Policy & Governance

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**ALM Policy & Governance**

- Strong ALM policy to ensure adequate Liquidity at all times.
- Maintain adequate liquidity buffers to meet repayment obligations and to continue business uninterrupted for a period of **at least 1 calendar month**, assuming no fresh funding lines are available
- Perform regular Stress test – to ensure enough funding lines available at all times to meet repayment obligations for a period of **2 clear calendar months**, assuming no fresh disbursement and no fresh funding shall be available.

**Diversified Sources of Funds**

- Strong and Long standing relationship with over 25 Banks since 1985
- Strong presence in Securitization market with Public and Private Sector Banks, Foreign Banks and Mutual Funds regularly subscribing to Company's Pass Through Certificates (PTCs).
- Proven track record in selling portfolios on Direct Assignment route with Public and Private Sector Banks.
- Have done over 230 securitization deals (both PTC & DA) for underlying Loan Principal of over **Rs.41,500 Crs** over the past 13 years. Total securitization in FY19 alone is over **Rs.4,000 Crs.**
- Ability to raise Long Term Borrowings in adverse market conditions; over **Rs.3,200 Crs** raised through Term Loan, NCDs and Securitization, between Dec-18 and Mar-19.

# Capital and Profitability – Ind AS

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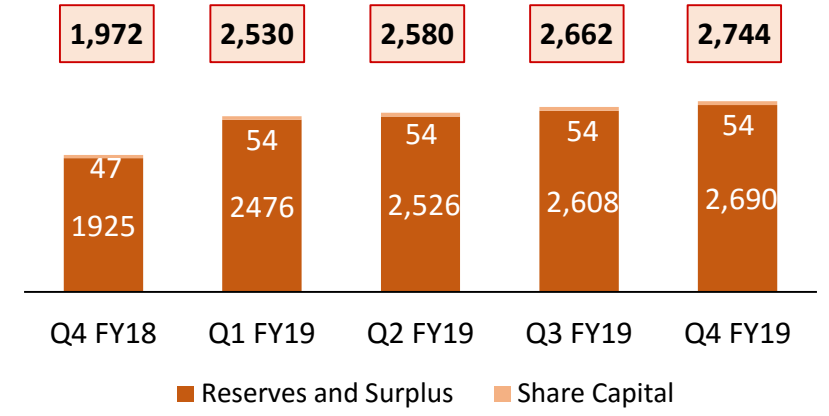
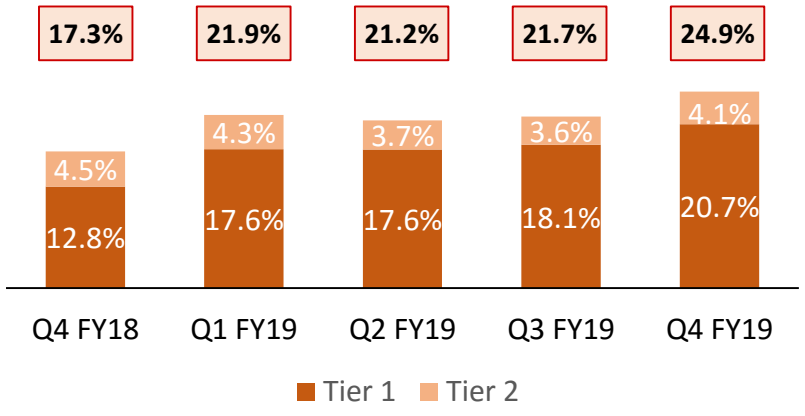
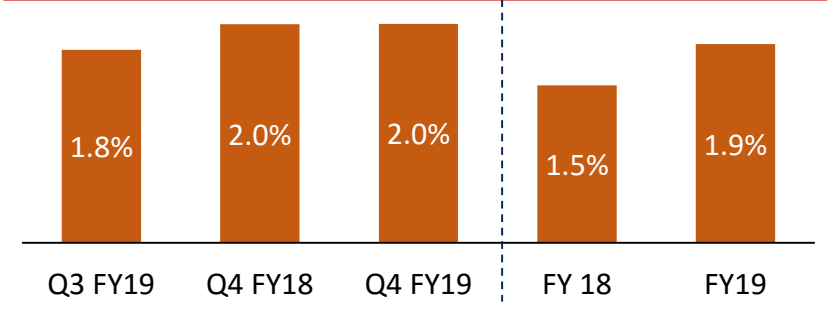
## Net Worth




## Capital Adequacy*

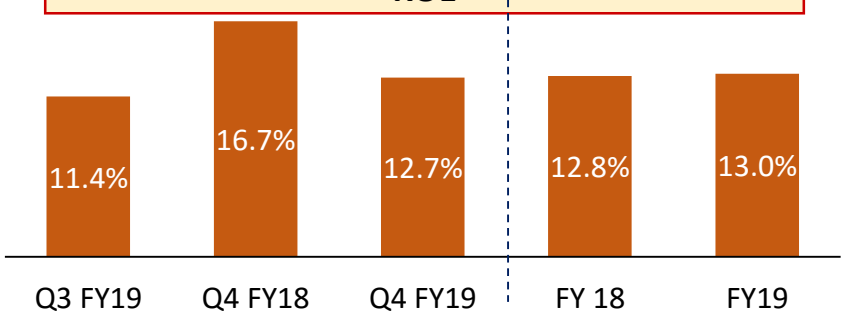



## ROA




*ROA- PAT (excluding OCI) / Average AUM*

## ROE




*ROE- PAT (excluding OCI) / Average Net Worth*

** Subject to RBI guidelines*

*Values in Rs crore*

# Consolidated Profit & Loss Statement – Ind AS

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| | Ind AS | | | | |
|---|---|---|---|---|---|
| **INR Crs** | **Q4 FY19** | **Q3 FY19** | **Q4 FY18** | **FY19** | **FY18** |
| Net Revenue | 339 | 347 | 320 | 1,391 | 1,210 |
| Expenses | 171 | 175 | 167 | 684 | 605 |
| **Operating Profit** | **168** | **172** | **154** | **707** | **605** |
| Net Credit Loss | 41 | 52 | 29 | 265 | 316 |
| **Profit Before Tax** | **127** | **120** | **125** | **442** | **289** |
| Tax | 40 | 43 | 44 | 138 | 54 |
| **Profit After Tax** | **87** | **77** | **80** | **303** | **235** |
| Share of profit in Joint Ventures / Associates | -2 | -3 | 0 | 1 | 2 |
| **Consolidated Profit After Tax** | **85** | **74** | **80** | **304** | **237** |
| RoA | 2.0% | 1.8% | 2.0% | 1.9% | 1.5% |
| RoE | 12.7% | 11.4% | 16.7% | 13.0% | 12.8% |

# Consolidated Balance Sheet – Ind AS

| | Ind AS | |
|---|---|---|
| **INR Crs** | **FY19** | **FY18** |
| Cash and Cash Equivalents | 957 | 407 |
| Loans and Advances | 15,007 | 13,570 |
| Other Assets | 637 | 724 |
| Fixed Assets | 189 | 193 |
| **Total Assets** | **16,789** | **14,894** |
| Borrowings | 13,401 | 12,327 |
| Other Liabilities | 644 | 596 |
| Share Capital | 54 | 47 |
| Reserves & Surplus | 2,690 | 1,925 |
| **Total Liabilities** | **16,789** | **14,894** |

1 Company Overview

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3 **Business Strategy – Asset Backed Finance (ABF)**

4 Business enablers to drive sustainable growth

5 Leadership Team & Shareholding Structure

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# Asset Backed Finance (ABF) Business

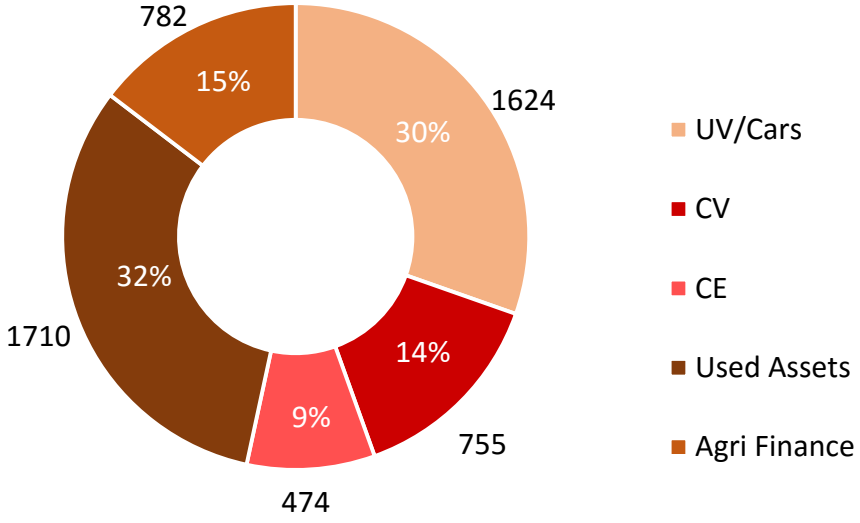
**Branch Manager ownership for both origination and collection (0-60 buckets)**

**Branch & product Grading based on asset quality performance**

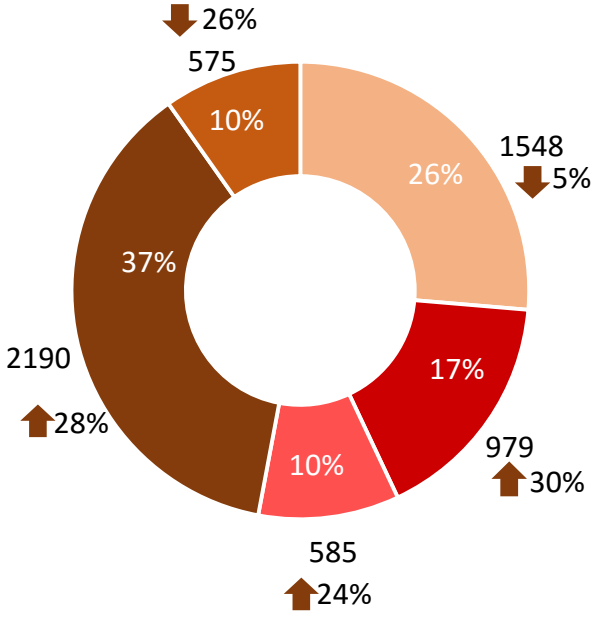
**Portfolio re-shaping by increasing contribution of focus products**

**Credit Underwriting automated through a rule engine**

**FY18 ABF Disbursement**




**FY19 ABF Disbursement**




- ABF Business disbursement grew by ~10%, increasing from Rs. 5,345 Crs In FY18 to Rs. 5,877 Crs in FY19
- Sharp growth in all focus products - 28% YoY in Used Assets and 30% YoY in CV

# ABF Disbursal Strategy - Change is evident

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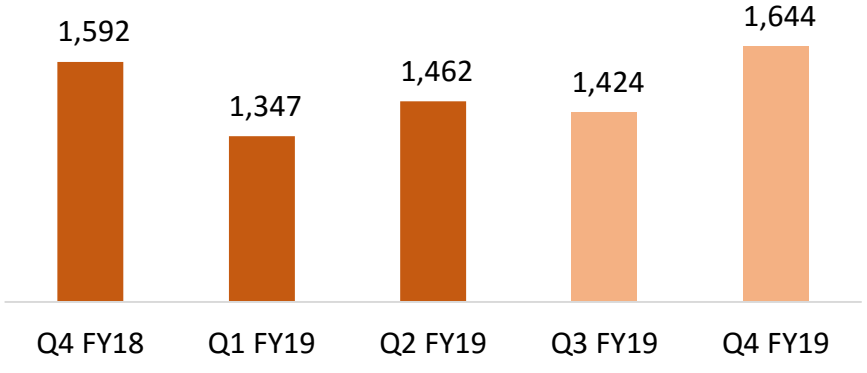
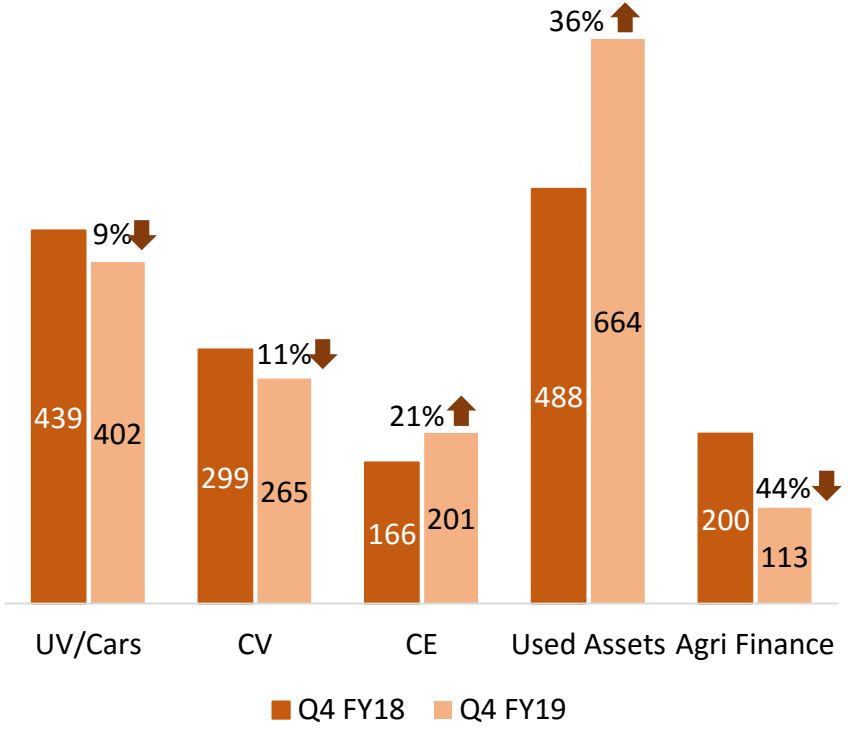
## Disbursement




## Disbursement Mix




Significant growth in focus product i.e. Used Assets

# Asset Backed Finance (ABF) Business

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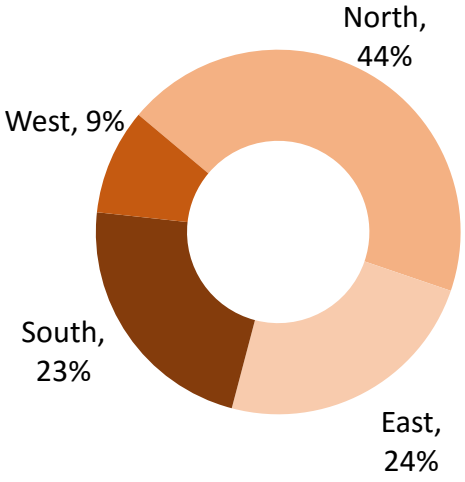
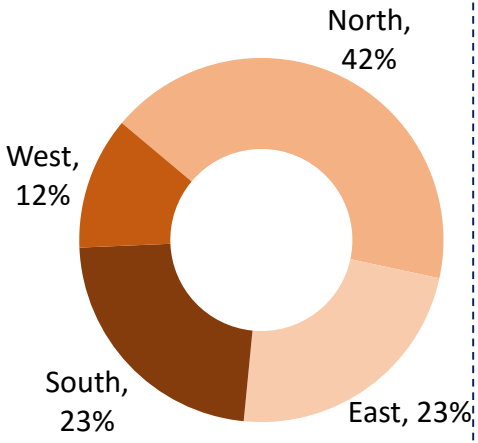
## Zone-wise Breakup

### FY18 ABF Disbursement




**Rs. 5,345 Cr.**

### FY19 ABF Disbursement

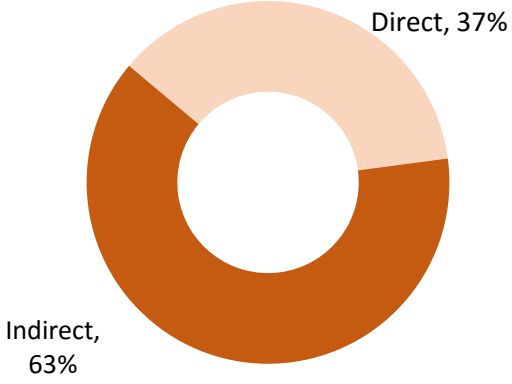



**Rs. 5,877 Cr.**

- Sharp improvement in contribution from West from 9% in FY18 to 12% in FY19

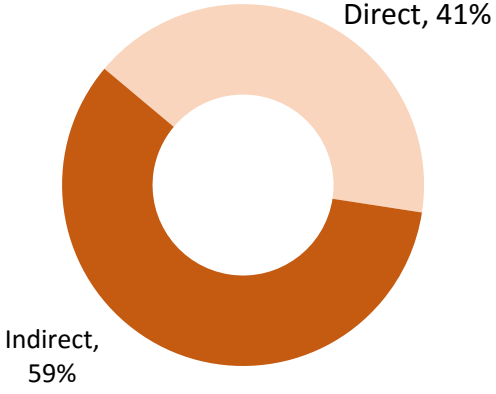
## Direct Business % of total ABF Disbursal

### FY18 ABF Disbursement




**Rs. 5,345 Cr.**

### FY19 ABF Disbursement




**Rs. 5,877 Cr.**

- Significant growth in direct business from 37% in FY18 to 41 % in FY19

# ABF AUM Strategy - Change is evident

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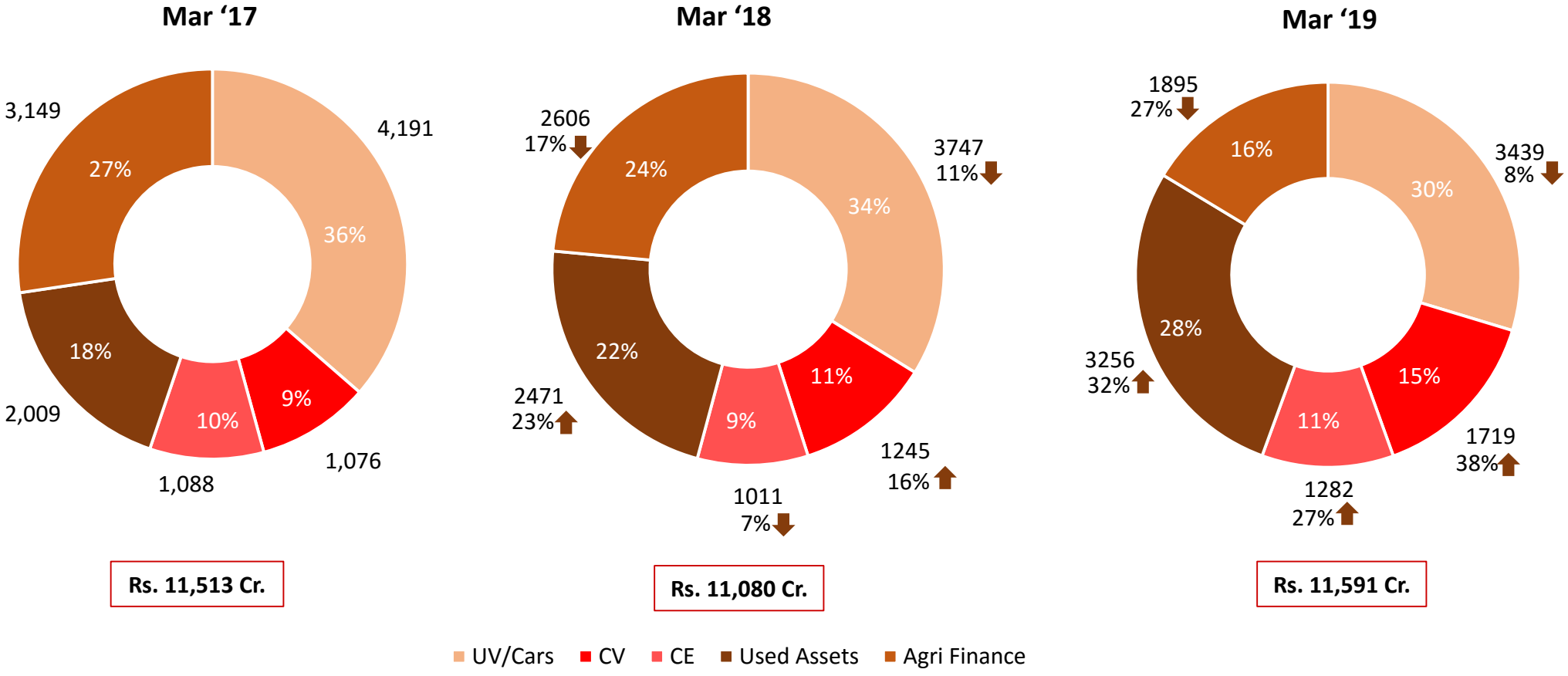
## Product-wise AUM Contribution



# ABF - Early Indicators: EWI & CPMI Trend

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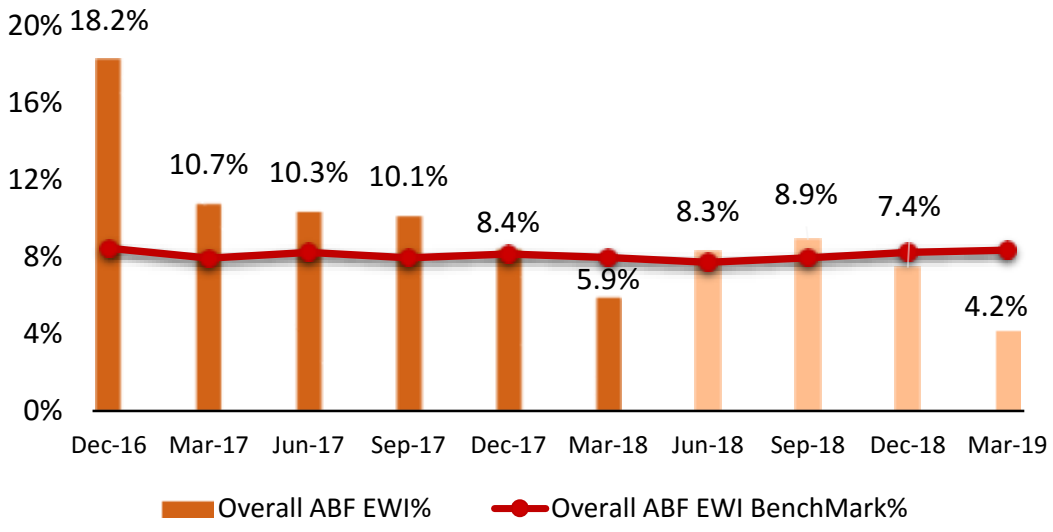
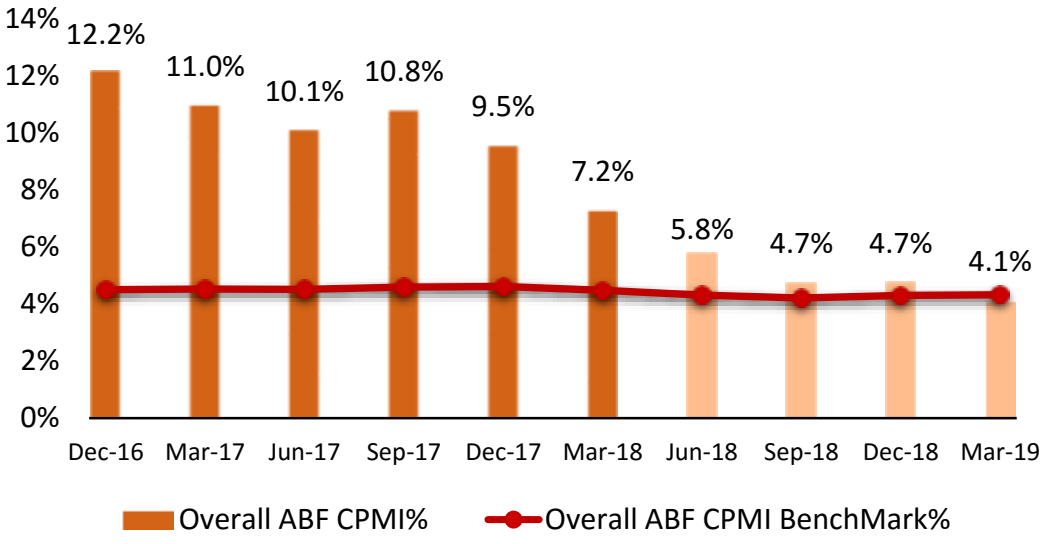
## EWI Trend for ABF




## CPMI Trend for ABF




**EWI reduced by 29% Y-o-Y**

**CPMI reduced by 43% Y-o-Y**

*EWI: Early Warning Indicators are the 0+% of each quarterly portfolio with 1 Quarter Lag (Tractor Non-Monthly structure is with 2 Quarter Lag)*

*CPMI: Continuous Portfolio Monitoring Indicator is a composite index of 4 indices monitoring the 60+% movement of quarterly portfolio at different time lag*

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# Affordable Housing Finance Business (AHF)

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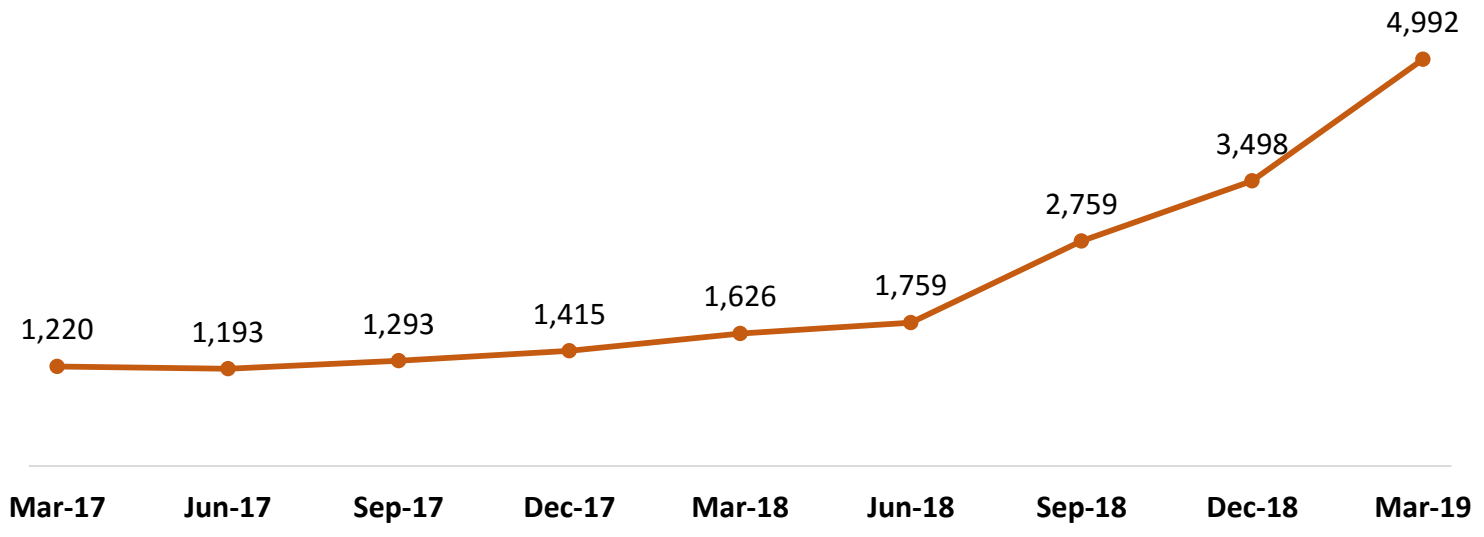
**Strategy focused on higher Home Loan disbursals**

**Streamlined Sales Management Process with focus on Direct Disbursals**

**Innovation & Strategy unit in place for digital transformation**

**Affordable Housing Finance Company with Pan India presence**

**Total AHF Disbursement (Units)**




- AHF Disbursements (units) have been growing consistently, from 1,220 units in March-17 to 4,992 units in March-19
- Q4- FY19 – Disbursements units have increased by 207% Y-o-Y basis

# Affordable Housing Finance Business (AHF)

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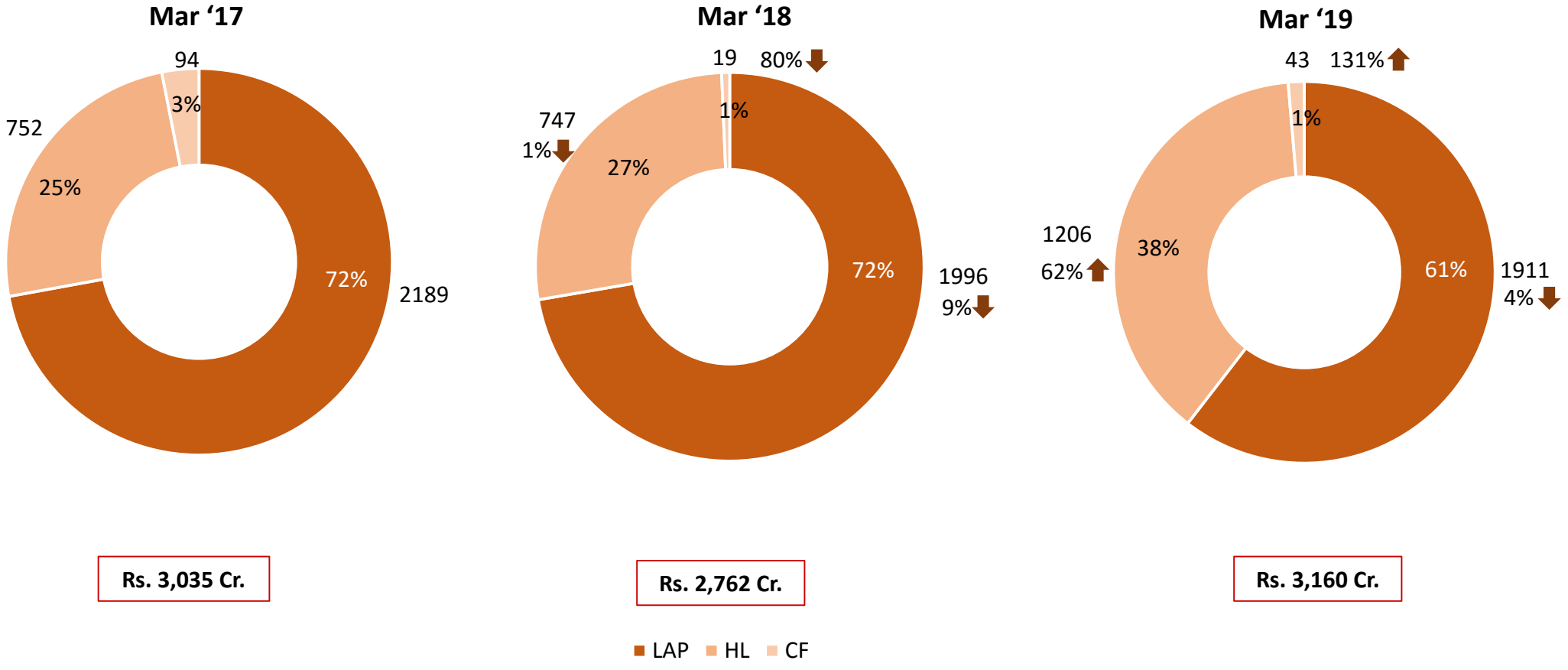
## Product-wise AUM Contribution




**Rs. 3,035 Cr.**

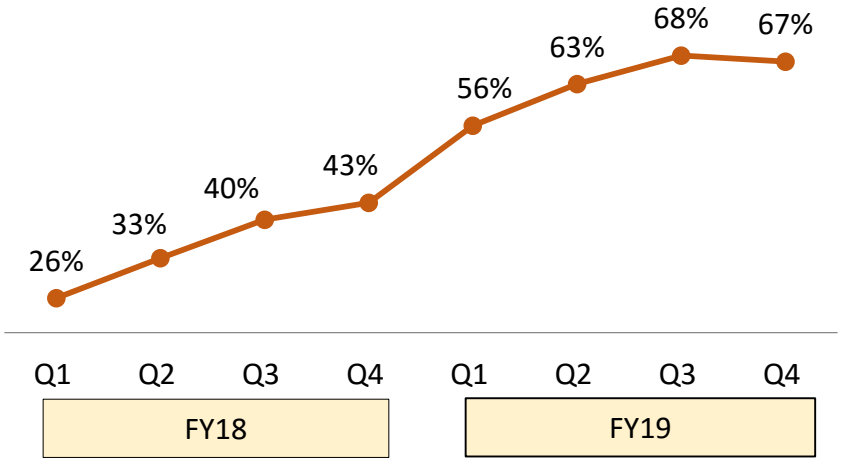
**Rs. 2,762 Cr.**

**Rs. 3,160 Cr.**

# AHF - Business Initiatives

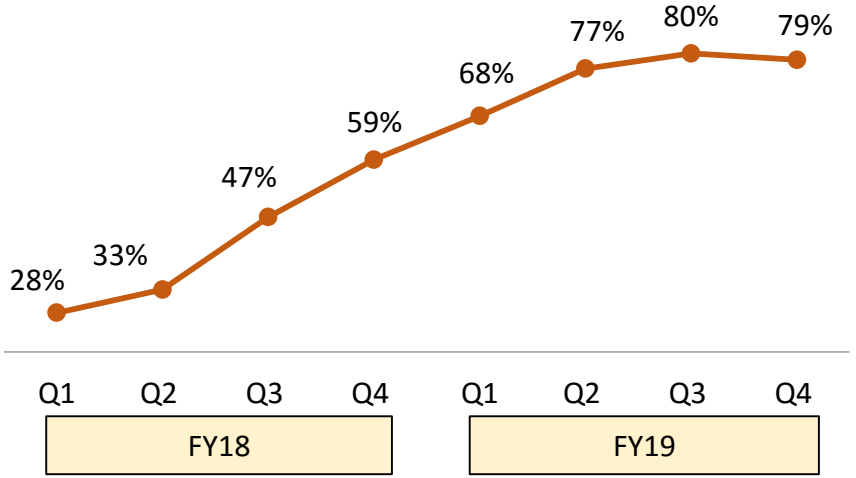
## Go Home Loan

### HL Ratio (Units)




## Go Direct

### Direct Ratio (Units)




## Key Takeaways

- HL Ratio has improved from 33% in Q2 FY18 to 67% in Q4 FY19
- Direct distribution capabilities being built-up; direct sourcing has improved from 33% in Q2 FY18 to 79% in Q4 FY19
- Focus on Go-to market strategy for further improvement in HL and Direct Sourcing – Spot Sanction Events, Builder Activities, Existing Customer Referrals, Micro Market Activities etc.

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

# AHF Disbursal Strategy - Change is evident

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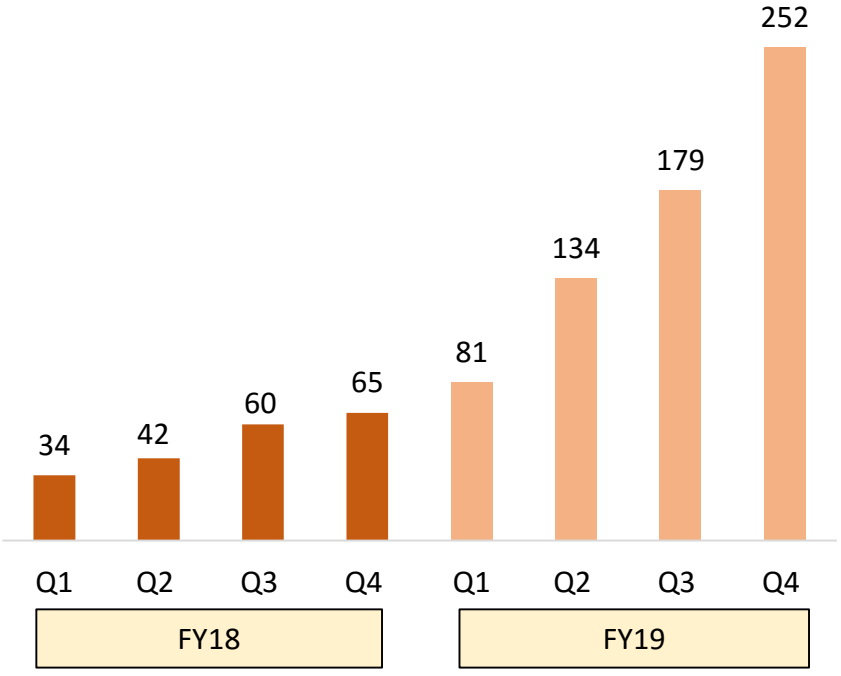
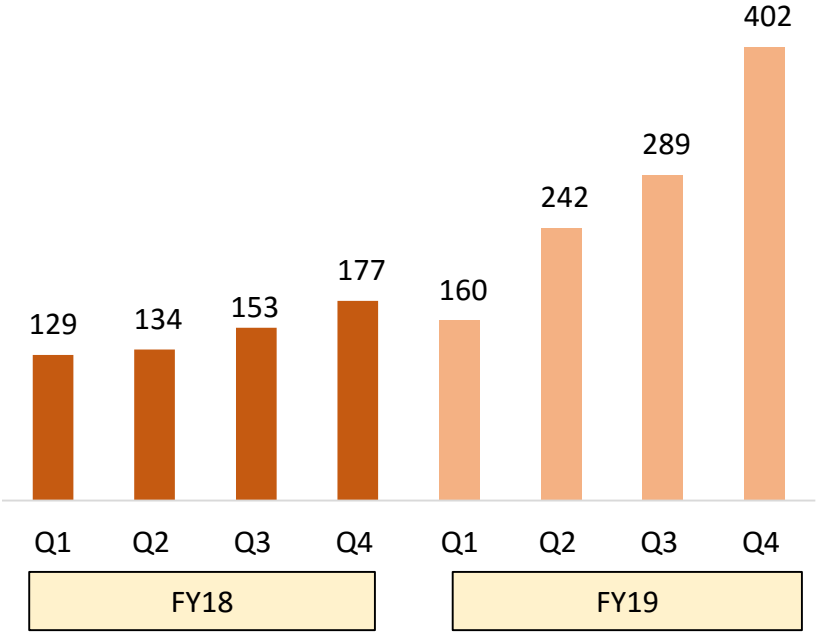
## Home Loan Disbursement




## Total AHF Disbursement

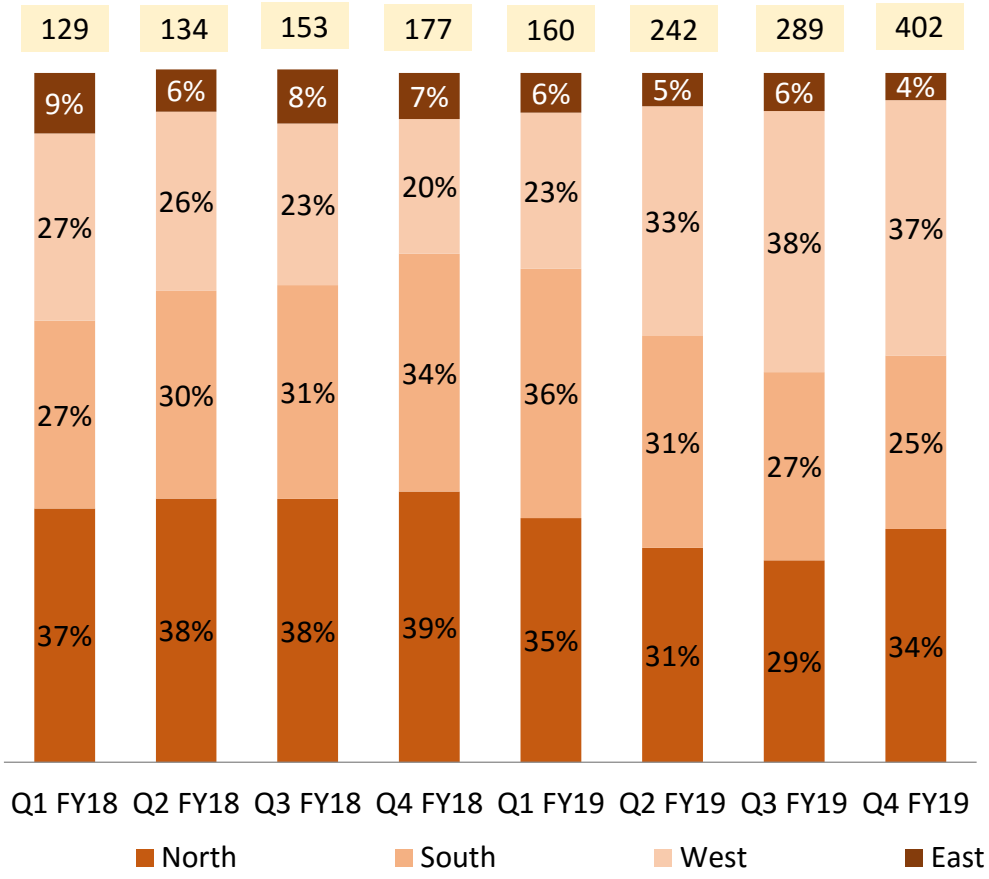



- 286% Y-o-Y improvement in HL disbursals in Q4 FY19 and 127% Y-o-Y improvement in overall Affordable Housing Finance disbursals in Q4 FY19

*Values in Rs Crore; HL does not include Construction Finance*

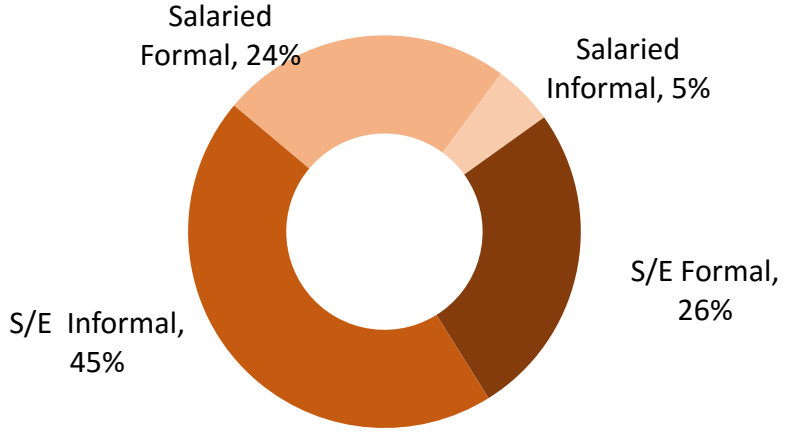
# AHF Disbursement - Diversified Business

## Geography




- **Focused deep market penetration** in 93 locations across 10 states using unit model implementation
- Significant reduction in the concentration risk
- Poised towards being a unique affordable finance company having national presence

## Customer Mix (FY19)



# AHF - Early Indicators: ID & ED Trends

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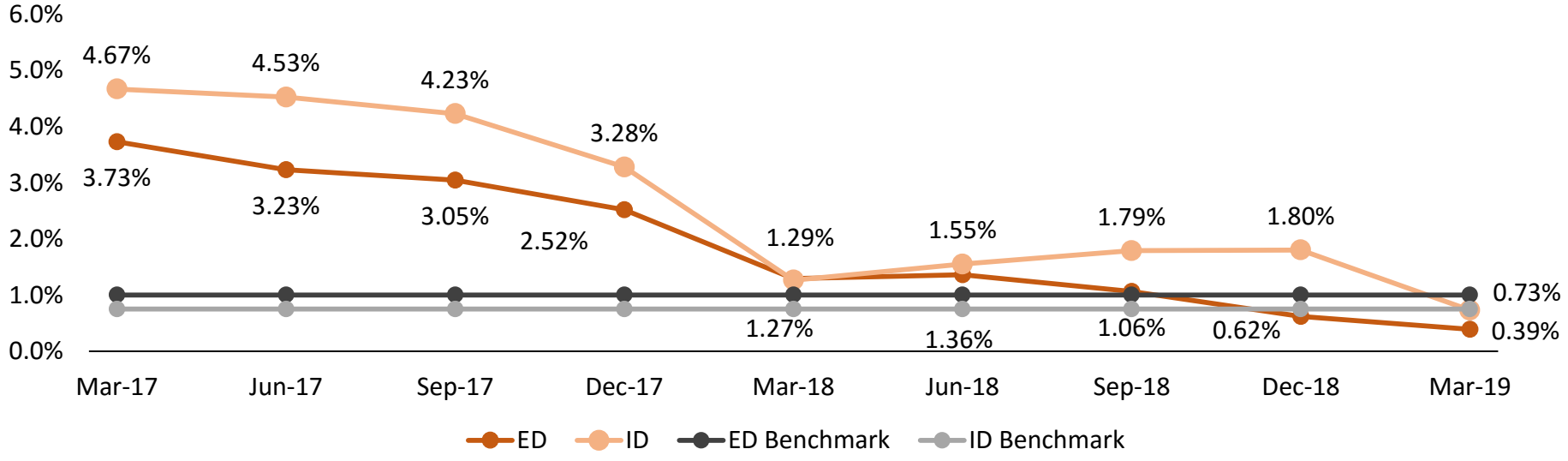
## ID & ED Trend for AHF




**Y-o-Y improvement in ED and ID for Affordable Housing Finance**

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

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# SME Finance Business

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**Direct distribution model launched to increase customer wallet share through auto top-ups**

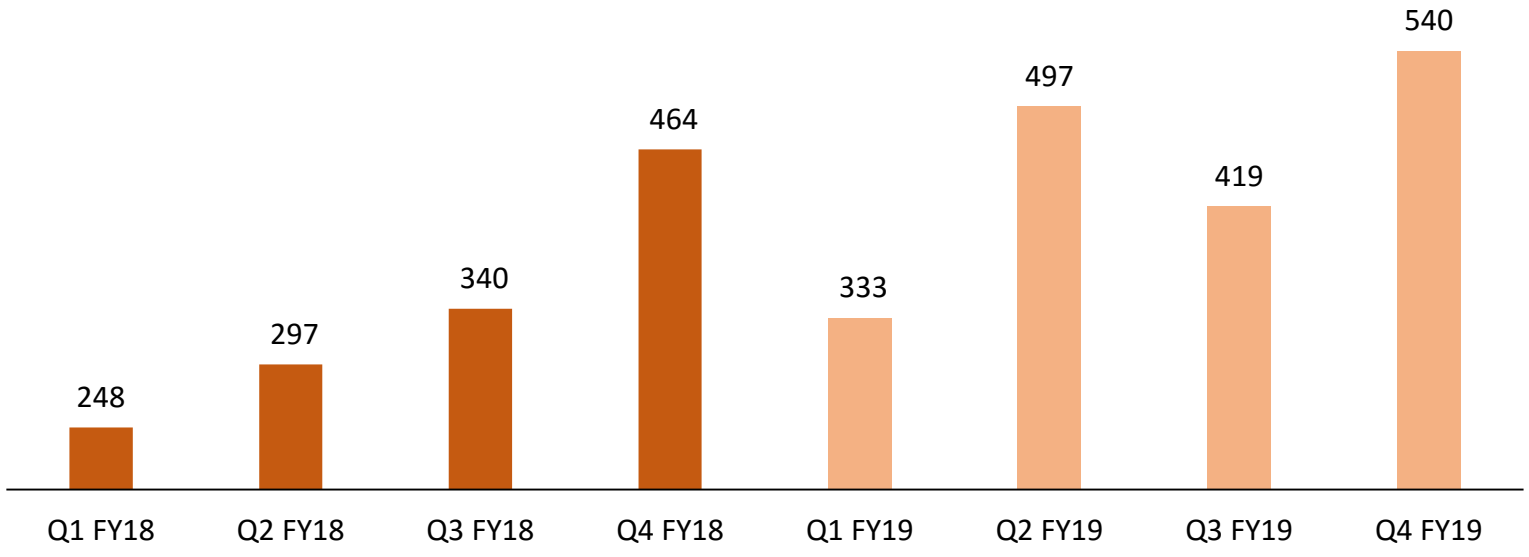
**Distribution focus in Upcountry markets. Clocked growth over 41% in upcountry cities**

**MScore Credit Rule Engine launched, along with back-tested Credit Scorecards.**

**60% of logins now following Straight-through-processing**

**Simplified agreement kit, and removed 80% of signatures for improved customer experience**

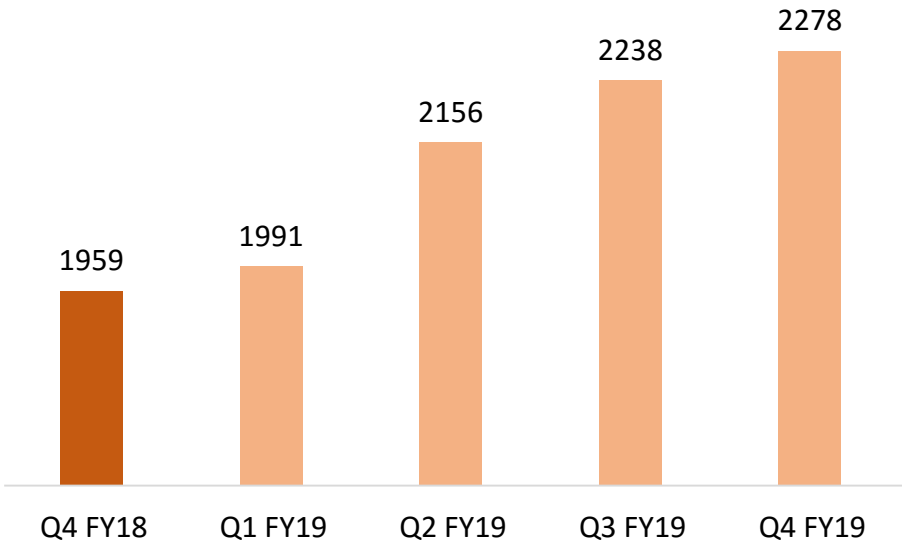
## Disbursement picking up momentum



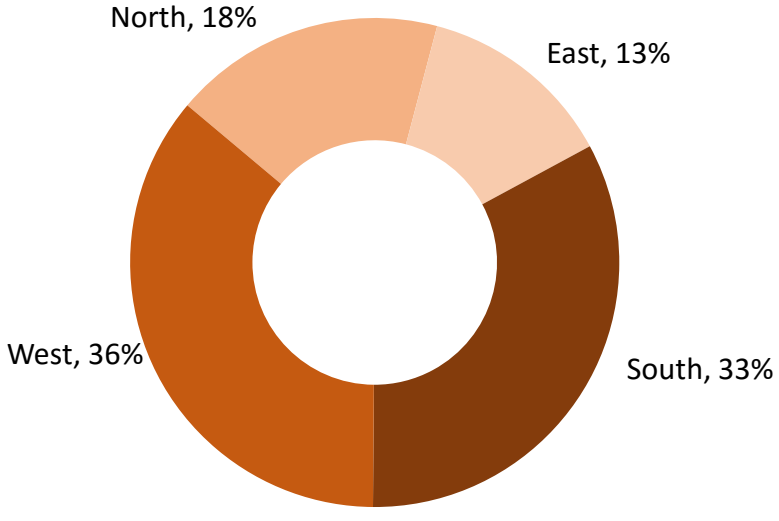

- SME Finance Business disbursement grew by ~33%, increasing from Rs. 1,348 Crs In FY18 to Rs. 1,789 Crs in FY19
- During this period, AUM of SME Finance business grew by ~16% from Rs. 1,959 Crs to Rs. 2,278 Crs

# SME Finance – AUM

## AUM Growth




## Geographical Diversification




SME Finance business AUM grew by ~16% Y-o- Y

Geographically well diversified portfolio as on March'19

# SME Finance - Early Indicators: ID & ED Trends

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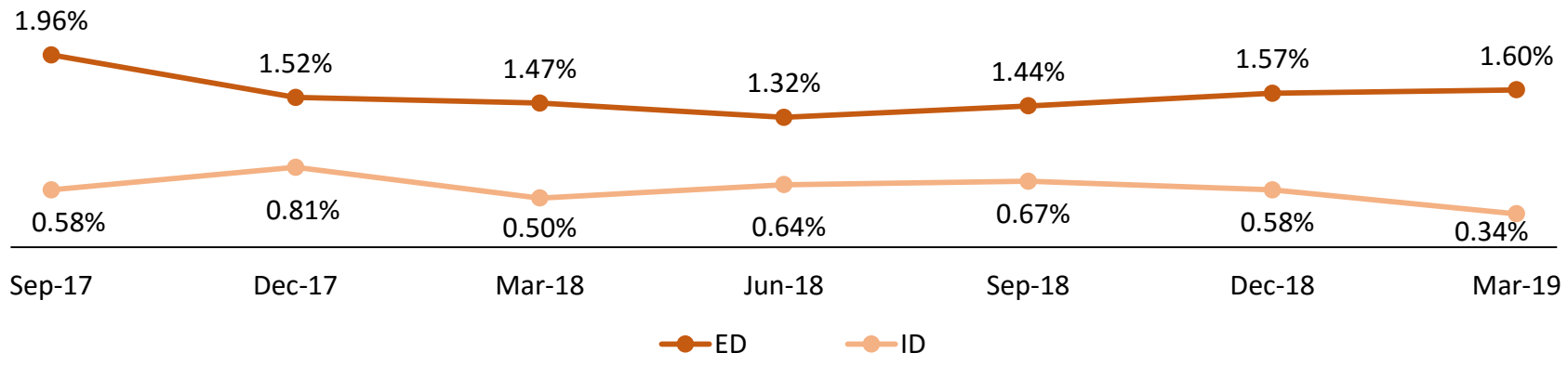
**ID & ED Trend for SME Finance**




**Sharp decline in ID, consistent trend in ED**

**EWI & CPMI parameters for SME Finance under development**

*ID = 0+ bkt % for cases sourced in last 6 months on 1 month lag basis including current month .*
*ED = 60+ bkt % for cases sourced in last 12 months on 3 month lag basis including current month.*

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# Magma HDI General Insurance

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**Crossed Rs. 1000 crs mark in terms of GWP**

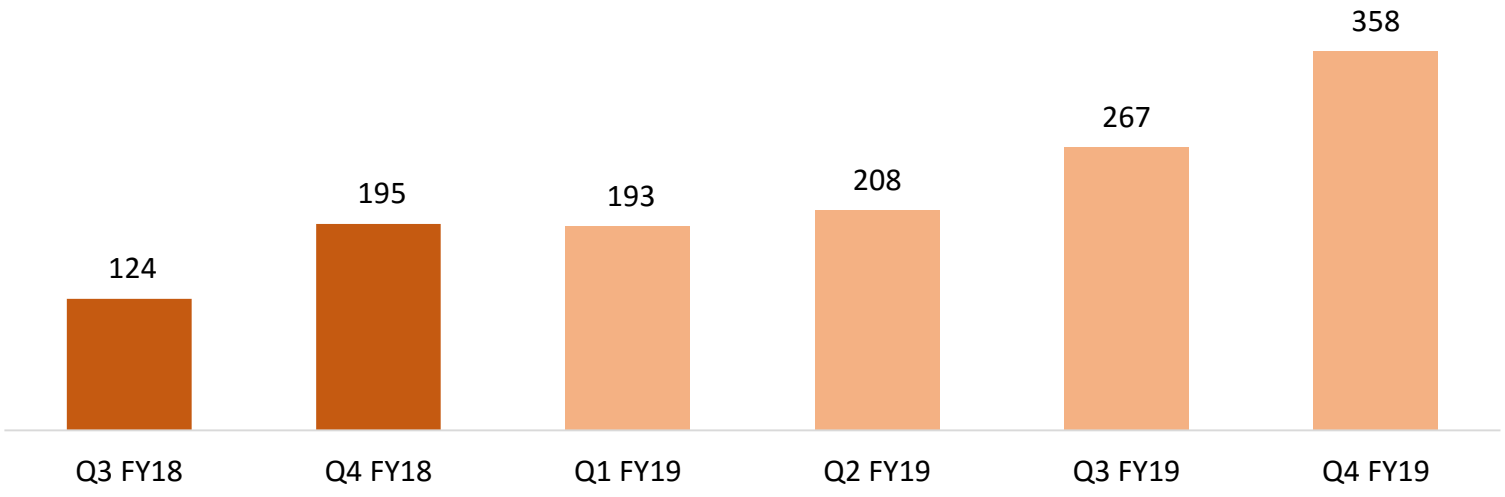
**Recorded 83.1% growth in FY19 vs industry growth of 12.9%**

**Customer base of 1 million in FY19 and 5,000+ partners as at March 19**

**Momentum in new OEM tie-ups**

**Servicing infrastructure for retail and group health put in place. Continued ramp up planned for FY20**

## Gross Written Premium

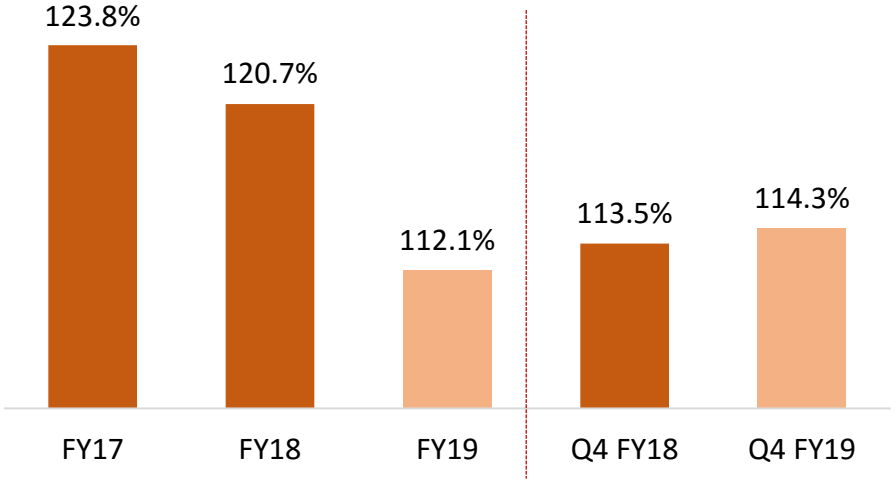



- **Business growth –** 84.0% growth Q-o-Q, 83.1% growth Y-0-Y
- **Branch expansion –** branch strength of 169 as at FY19 against 125 as at FY18
- OEM tie-up contributed 13.2% of GWP for FY19
- **Significant productivity** Improvement in retail agency and banc-assurance & alliances channels
- Continued increase in the **Non Motor commercial portfolio**; backed by a **strong panel of reinsurers**

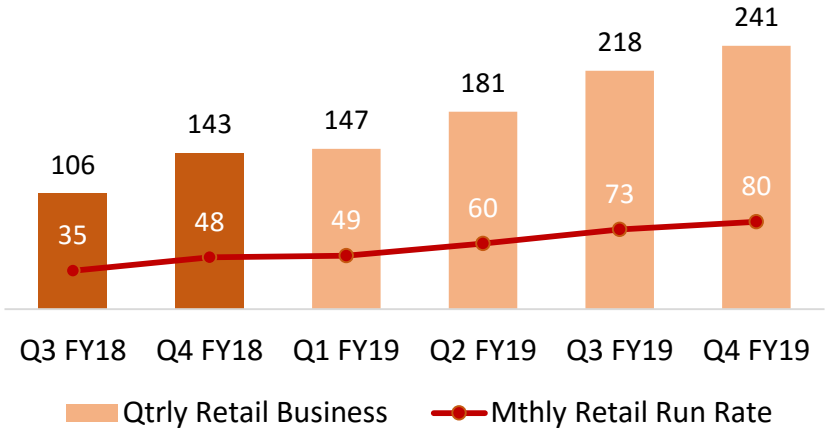
*Values in Rs crore*

# Magma HDI General Insurance: Robust growth

## Combined Ratio Movement




## Retail Run Rate

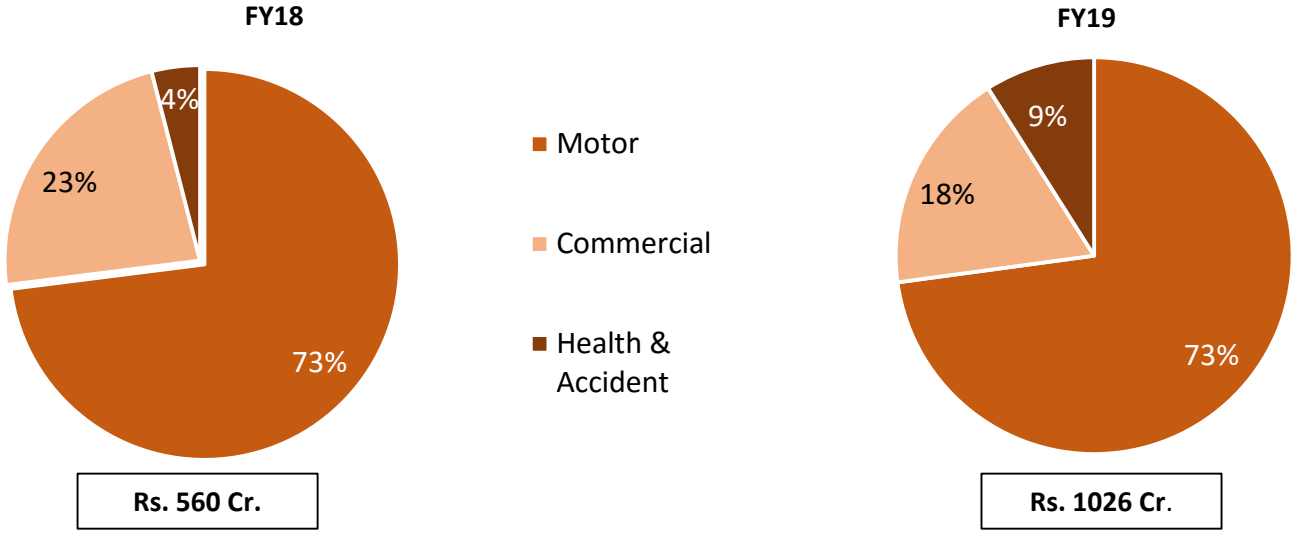



- Combined ratio improves YoY
- Continued focus on building the retail franchise
- Quarter on Quarter increase in retail run rate
- Increase in average monthly retail run rate: 78% in FY19 and 69% in Q4 FY19
- Continue to **explore additional OEM and Banca** opportunities

*Values in Rs crore*

# Magma HDI General Insurance: Portfolio

## Portfolio Construct




- **Motor Portfolio:** Continue to enjoy the best Own Damage loss ratio in the industry as per IRDAI Q3 FY19 quarterly disclosures
- **Health & Accident Portfolio:** Continued focus on building critical illness portfolio on underlying credit portfolios; group health launched in November 2018, focusing on smaller Corporate clients, a better segment in terms of profitability
- Sale of Retail health indemnity products: ramp up planned for FY20 with focused initiatives

# Magma HDI General Insurance Company (MHDI) Profit & Loss Statement

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| | Ind AS | | | | |
|---|---|---|---|---|---|
| **INR Crs** | **Q4 FY19** | **Q3FY19** | **Q4 FY18** | **FY19** | **FY18** |
| Gross Written Premium | 359 | 267 | 195 | 1026 | 560 |
| Net Written Premium | 224 | 154 | 125 | 517 | 376 |
| **Net Earned Premium** | **188** | **134** | **86** | **385** | **335** |
| Net Claims Incurred | 166 | 112 | 74 | 271 | 278 |
| Net Commission | -15 | -17 | -3 | -29 | -12 |
| Management Expenses | 76 | 71 | 39 | 248 | 154 |
| Impairment loss (including recoveries) | 8 | 0 | 0 | 10 | 0 |
| **Underwriting Profit** | **-47** | **-32** | **-24** | **-116** | **-86** |
| Investment & Other Income | 33 | 26 | 24 | 107 | 91 |
| **Profit Before Tax** | **-14** | **-6** | **0** | **-8** | **5** |
| Taxes | -10 | 0 | 0 | -10 | 1 |
| **Profit After Tax** | -4 | -6 | 0 | 1 | 4 |

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# Enterprise wide, independent risk management framework

## An integrated approach covering entity wide risks

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**Board of Directors**

| Risk Management Committee | ALCO | Audit Committee | ITSC |
|---|---|---|---|

**Independent Risk Management Unit**

| 1st line of defense | 2nd line of defense | 3rd line of defense |
|---|---|---|
| Operational and Business Units (design and operating effectiveness) | Credit Governance, Operational Risk, Fraud Risk, InfoSec and Compliance | Independent Assurance by Internal Audit |

| Components of Risk Management | Overarching principles and execution |
|---|---|
| **Risk Governance** | ▪ Risk Appetite Statement and Strategic Risk Assessment set the guardrails<br>▪ Quarterly Committee meetings to assess enterprise risk profile<br>▪ Well defined risk policies and standards |
| **Operating controls and compliance** | ▪ Comprehensive Risk library. Regular monitoring of Key Risk Indicators.<br>▪ Internal Financial Controls (IFC) standards as mandated by Companies Act |
| **Credit underwriting strategies** | ▪ Decisioning platforms based on segmental behavior and risk based pricing<br>▪ Automated Credit Rule Engine with connectivity to bureau and fraud systems |
| **Analytics driven portfolio management** | ▪ Statistically derived Early Warning Indicators (EWI) and Continuous Portfolio Monitoring Indicators (CPMI)<br>▪ Robust PD and LGD models guide consistently accurate loss forecasting |
| **Capital and Liquidity Management** | ▪ Proactive management of ALM mismatch in each time bucket<br>▪ Prudent capital and liquidity buffers for stress resilience |

# Business enablers to drive sustainable growth - Technology

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- Enterprise Transformation '**Project Navoday'** launched **in order to modernize entire Technology stack:** Loan Origination System, Loan Management System, Data Warehouse, ERP, Mobility solutions etc.

- Proposed features will be **Automation of Workflow** vs. Email approvals**, Digital vs. physical document flow, Credit Engine, I**ntegration into **API economy, Field-force gamification** of incentive plan**,** and **Data analytics led decision making.** Expected outcome is significant **productivity enhancement and Turn Around Time (TAT) reduction**

- **Analytics powered Credit Engine** for Car, CV and Tractor loans implemented in FY19 leading to improvement in TAT and uniformity in credit decision. Credit engine for SME successfully launched April 2019.

- Defense in-depth protection approach, with controls and process implementation at every layer of IT landscape to **secure against internal and external cyber threats**.

# Business enablers to drive sustainable growth - People

- Fully functional **role based training framework** aimed at enhancing productivity and behavior
- **Structured onboarding** focused on middle and senior management (General Manager+)
- Structured **development intervention** for Senior leadership, including 360 degree feedback
- **Leadership Development** for VPs & SVPs to commence with an objective of building leadership depth
- **Talent management framework** with objective of building internal succession planning bench and strengthening retention
- Empowering business leaders with **real time HR dashboard** to drive people agenda proactively

# Business enablers to drive sustainable growth - Customer Service

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- **360° customer view** across Lines of Business (LoB). CRM search basis several ID's including customer phone number
- **Unique Customer ID** across finance business
- Moving from paper to **digital communication** via both email and SMS
- Communication in **12 vernacular languages** for all key messages
- Increased **adoption of Mobile payments**
- **Structured customer engagement program** - Welcome calling to customers, Proactive connect to prevent complaints etc.
- **Transparent communication of all charges**
- Deep credit-bureau tie-ups to provide relevant products for cross-sell and increase **lifetime value of customer**
- **42% increase** in cross sell disbursements in Q4 FY19 vs Q4 FY18
- Customer Relations Management (CRM) application implementation leads to substantial improvement in cross sell to existing customers through **improved collaboration between customer service, branch operations and sales teams.**
- **34% reduction** in overall customer complaints in FY19 vs FY18

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# Board of Directors

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## Promoter Directors

| | |
|---|---|
| **Mayank Poddar** ***Chairman Emeritus and Whole time Director*** | • Supports policy formulation and guidance to the Management/Board<br>• Over 30 years of experience in the financial sector. |
| **Sanjay Chamria** ***VC and MD*** | • Anchors strategic policy formulation and execution.<br>• Drives new business initiatives and leads management team |

## Non Promoter Directors

| | | | |
|---|---|---|---|
| **Narayan K Seshadri** ***Non- executive Independent Chairman*** | He is on the Board of companies including Clearing Corporation of India Limited, PI Industries Limited and TVS Electronics Limited | **Satya Brata Ganguly Independent Director** | Serves on the Boards of various reputed Indian companies including West Bengal Industrial Development Corporation Limited and Emami Limited |
| **VK Viswanathan Independent Director** | Chairman of Bosch Ltd. Previously he served as Managing Director of Bosch Ltd. He currently serves on board of various reputed Indian corporates as an Independent Director. | **Madhumita Dutta-Sen** ***(Nominee of IFC)*** | Ms. Madhumita Dutta-Sen has worked for IFC for almost 25 year. She has a Master's degree in Finance from the American University, Washington D.C. |
| **Vijayalakshmi R Iyer** ***Non-Executive Independent Director*** | Previously served as an Executive Director of Central Bank of India, Chairperson and Managing Director of Bank of India. She was also a Whole Time Member (Finance and Investment) in the IRDAI. | | |

# Key Management Team

**Sanjay Chamria**
*VC and MD*

**Business CEO**

**Support Functions**

**Kaushik Banerjee**
*President & CEO - ABF*

**Nov-2016**

President, Strategy & Corporate Affairs, Cholamandalam Investment & Finance Limited

**Manish Jaiswal**
*MD & CEO - HFC, CEO - SME*

**Jun-2017**

Head, Risk Advisory, Research and SME Ratings, CRISIL

**Rajive Kumaraswami**
*MD & CEO-MHDI*

**Jun-2016**

Chief Representative Officer - India Liaison office, SCOR Re, India

**Chirag Jain**
*Chief Operating Officer*

**Feb-2017**

Director - Operations, Canara HSBC Oriental Bank of Commerce Life Insurance Co Ltd

**Rajneesh Mishra**
*Chief People Officer*

**Jan-2019**

Vice president-HR, Bajaj Finserv Limited

**Deepak Patkar**
*Chief Risk Officer*

**Sept-2018**

Chief Risk Officer, Fullerton India Credit Company Limited.

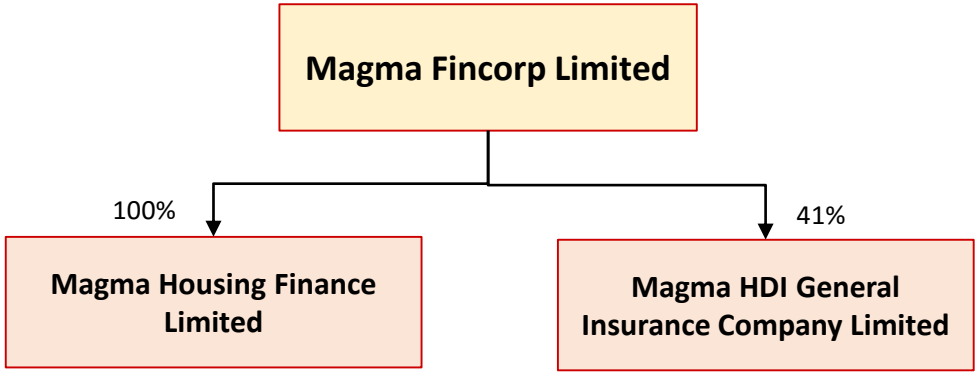
**Kailash Baheti**
*Chief Financial Officer*

**Oct-2011**

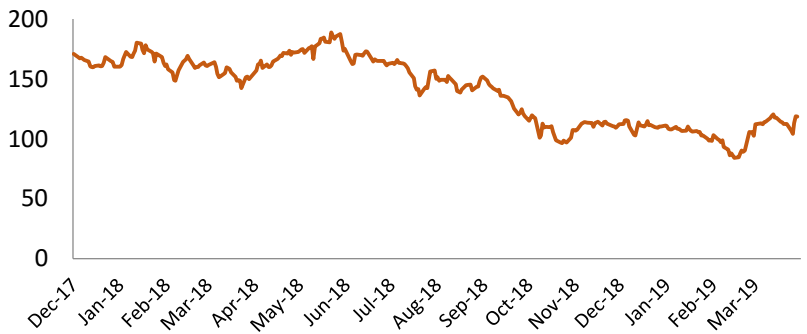
CEO, Century Extrusions Limited

**Joined** | Title and Previous Company

# Holding Structure & Shareholding Pattern

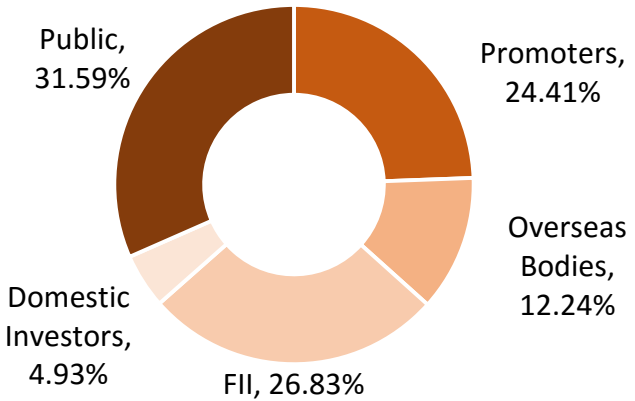



**Share Price Performance**




*Average share price data from NSE*

**Shareholding (31-Mar-2019)**



# THANK YOU

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# Glossary

| | |
|---|---|
| AUM | Assets Under Management: On-Book & Off-Book Loan Assets |
| Average AUM (AAUM) | Average of opening and closing AUM |
| FOS / Field Officer | Feet on Street |
| ABF | Asset Backed Finance |
| AHF | Affordable Housing Finance |
| HL | Home Loan |
| LAP | Loan against property |
| SME | Small & Medium Enterprises |
| NDSA | Non-dealer Direct Selling Agent |
| DDSA | Dealer Direct Selling Agent |
| Direct Biz | Direct Biz means Business directly generated by Magma employees without help from DDSAs / NDSAs / Brokers, and includes Cross-sell |
| Mortgage Direct Biz | Business through connectors is included in Direct business |
| ATS | Average Ticket Size |
| Mortgage ATS | Disbursals during the month / Number of first time disbursals |
| ODPOS | Overdue + Principal Outstanding |
| NIM | Net Interest Margin: [Total Income (incl. Other Income)– Interest Expenses]/Average AUM |
| Yield | Weighted average yield on Loan Assets including Off-Book Loan assets |
| CoF | Cost of Funds: Weighted average cost of borrowings including securitization |
| Opex / AUM% | Opex / Average AUM |
| Total Assets | On B/S Assets of MFL (Consolidated) |
| NCL | Prov. & Write-off/ Average AUM |
| Gross Stage 3 Assets % | Gross Stage 3 Assets / Closing AUM (On-book) |
| Net Stage 3 Assets % | (Gross Stage 3 Assets – ECL Provision – Stage 3) / (Closing AUM (On-book) – ECL Provision Stage 3) |
| ECL | Estimated Credit Loss |
| RoA | PAT (excluding OCI) / Average AUM |
| RoE | PAT (Excluding OCI)/ (Net worth - Goodwill) |
| Networth | Equity Share Capital +Reserves & Surplus |
| BVPS | Book Value per share: (Net worth-Goodwill) / No. of Equity shares outstanding |
| EPS | Earnings Per Share (Diluted) |
| MITL | Magma ITL Finance Limited (Merged with MFL) |
| MHF | Magma Housing Finance Limited (100% Subsidiary) |
| MHDI | Magma HDI General Insurance Company Limited (Joint Venture) |
| SENP | Self-employed Non Professional |
| SEP | Self-employed Professional |
| NIP | No income Proof |

1 Company Overview

2 Financial Performance – Q4 FY19 & FY19

3 Business Strategy

4 Business enablers to drive sustainable growth

5 Leadership Team & Shareholding Structure

6 **Annexures**

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

# Magma Fincorp Ltd. (MFL) Standalone Profit & Loss Statement

| | Ind AS | | | | |
|---|---|---|---|---|---|
| **INR Crs** | **Q4 FY19** | **Q3 FY19** | **Q4 FY18** | **FY19** | **FY18** |
| Net Revenue | 313 | 311 | 285 | 1,267 | 1,086 |
| Expenses | 145 | 155 | 152 | 602 | 552 |
| **Operating Profit** | **168** | **157** | **133** | **665** | **534** |
| Net Credit Loss | 42 | 51 | 17 | 262 | 297 |
| **Profit Before Tax** | **125** | **105** | **116** | **403** | **237** |
| Tax | 39 | 39 | 41 | 128 | 36 |
| **Profit After Tax** | **87** | **67** | **75** | **275** | **201** |

# Magma Fincorp Ltd. (MFL) Standalone Balance Sheet – Ind AS

| | Ind AS | |
|---|---|---|
| **INR Crs** | **FY19** | **FY18** |
| Cash and Cash Equivalents | 933 | 398 |
| Loans and Advances | 13,138 | 12,154 |
| Other Assets | 733 | 824 |
| Fixed Assets | 187 | 192 |
| **Total Assets** | **14,991** | **13,568** |
| Borrowings | 11,828 | 11,200 |
| Other Liabilities | 607 | 557 |
| Share Capital | 54 | 47 |
| Reserves & Surplus | 2,502 | 1,763 |
| **Total Liabilities** | **14,991** | **13,568** |

# Magma Housing Finance Ltd. (MHFL) Standalone Profit & Loss Statement

| | Ind AS | | | | |
|---|---|---|---|---|---|
| **INR Crs** | **Q4 FY19** | **Q3 FY19** | **Q4 FY18** | **FY19** | **FY18** |
| Net Revenue | 35 | 36 | 35 | 133 | 124 |
| Expenses | 27 | 20 | 15 | 83 | 53 |
| **Operating Profit** | **8** | **15** | **20** | **50** | **71** |
| Net Credit Loss | -1 | 1 | 11 | 3 | 19 |
| **Profit Before Tax** | **9** | **14** | **9** | **47** | **52** |
| Tax | 3 | 4 | 3 | 13 | 18 |
| **Profit After Tax** | **6** | **10** | **5** | **34** | **34** |

# Rewards & Recognition

## Corporate Social Responsibility

Magma has received nearly a dozen awards in the last few years for its CSR activities including the following awards received in FY19:

- Asian Customer Engagement Forum & Awards - Best CSR Event, 2018 **(M Care)**
- Indian Chamber **SOCIAL IMPACT AWARDS** – Special Jury Award for environment Sustainability, 2018 **(Highway Heroes)**
- **Best CSR Impact Award** from Corporate Social Responsibility Summit & Awards, 2019 (by UBS Forum)

## Corporate Communication

Magma has received about 10 awards for Corporate Communications from leading forums. The recent ones are:

- League of American Communications Professionals (LACP) Spotlight Awards, 2017 for Annual Report Design
- EPC Awards 2017, Best PR Campaign of the Year

## Information Technology

- CIO Crown Award for Innovation, 2017

# Community Commitment: Corporate Social Responsibility

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## *Magma Highway Heroes*

HIGHWAY HEROES
A MAGMA CSR INITIATIVE

- A programme for Truck Drivers to train them on Road Safety and vehicle maintenance. The lone formal Training camp run by PCRA, Govt of India, with a Truck Financing NBFC in India.
- Training provided to over 1.75 Lac Truck Drivers at 250 camps across the country.
- Reduction in CO2 Emission estimated 790 Lac kg and Diesel consumption reduced by 2 crore Litres per year.
- E-Toilets for Sanitation at Transport Nagars benefit approx. 50,000 Truck drivers per year

## *Ekal Vidyalaya & Mid Day meal Programmes*

- **Mid-day Meal** offered to 6500 kids in Govt. Schools in 7 states (West Bengal, NCR, Maharashtra, Jharkhand, Andhra, Haryana and Rajasthan)

- Adopted 16 Ekal Vidyalaya Schools in Tribal areas of CG, Jharkhand

## *Magma M Scholar*

M-Scholar

- **Magma M Scholar** offers Scholarship to meritorious students from poor families
- Over past 4 years, M Scholar has offered 300 scholarships. 2015 batch students now work for ISRO, Grant Thornton, Qualcomm, Amdots etc.

## *Magma M Care – Mobile health Camps*

- Magma runs M Care health camps at Rural India. Till date, nearly 1 Lac people benefitted.
- Magma's M Care camps in Post Flood Kerala, Sept – Nov 2018 was highly appreciated.

M-Care

*Group level CSR activities are managed by Magma Foundation*

MAGMA FOUNDATION
SOWING WHERE OTHERS CAN REAP

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