

16 December 2019

The Manager,
 Listing Department,
National Stock Exchange of India Limited
 Exchange Plaza,
 Bandra- Kurla Complex, Bandra (E)
 Mumbai-400051

Symbol : MAGMA

BSE Limited
 Corporate Relationship Department
 25th floor, Phiroze Jeejeebhoy Towers
 Dalal Street
 Mumbai-400001

Company Code: 524000

Dear Sir,

Sub: Credit Rating outlook

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the details of rating for the Company:

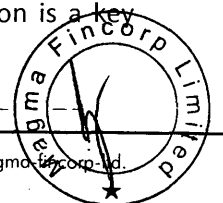
Name of the Agency	Type of Credit Rating	Rating	Rating Action
ICRA	Term Loans (bank)	[ICRA]AA- (Negative)	Rating reaffirmed and outlook revised from Stable to Negative
ICRA	Non-convertible Debenture Programme	[ICRA]AA- (Negative)	Rating reaffirmed and outlook revised from Stable to Negative

Further, please find below the details of the rating for its Wholly Owned Subsidiary i.e. Magma Housing Finance Limited:

Name of the Agency	Type of Credit Rating	Rating	Rating Action
ICRA	Term Loans (bank)	[ICRA]AA- (Negative)	[ICRA]AA- (Negative); Assigned
ICRA	Non-convertible Debenture Programme	[ICRA]AA- (Negative)	Rating reaffirmed and outlook revised from Stable to Negative

Furthermore, ICRA has given the following rationale for the Rating:

The rating factors in the Group's strong presence in the retail asset finance business with a wide geographical presence through 310 branches across 21 states. The rating also factors in the Group's comfortable capitalisation levels (CRAR – 27.6% for MFL, CRAR – 33.8% for MHFL as on September 30, 2019), well-diversified portfolio mix and adequate liquidity buffer in the form of unutilised drawable bank lines and unencumbered cash and liquid investments. In ICRA's opinion, prudent capitalisation is a key



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91 33 44017350
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Web: www.magma.co.in



mitigant against delinquencies and other credit risks associated with the Group's business. The Group's retail loan book supports its asset liability management (ALM) profile and since a sizeable part of its loan book qualifies for priority sector lending, down-selling is an important funding option for the Group.

The revision in the outlook on the Group's rating factors in the deterioration in the asset quality indicators following the reduced collection efficiencies in certain geographies and loan segments (commercial vehicles - CVs and construction equipment - CE). Consequently, the credit costs were high and adversely impacted the profitability metrics of the Group. While there could be some recovery in H2 FY2020, ICRA expects the Group's profitability to remain subdued over the medium term. Moreover, ICRA expects the Group to continue having relatively weaker asset quality indicators compared to the peer set. Given the relatively moderate borrower credit profiles (first-time buyers, small entrepreneurs, self-employed and non-income proof category), the Group's ability to profitably grow its business while improving the asset quality from the current levels and maintaining prudent capitalisation would be a key rating sensitivity.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Magma Fincorp Limited


Shabnum Zaman
Company Secretary
ACS No. 13918

Note: Magma Fincorp Limited and Magma Housing Finance Limited together referred to as 'Group'.