

Magma Fincorp Limited  
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CIN : L51504WB1978PLC031813  
Web : www.magma.co.in



05 August 2019

Corporate Relationship Department  
**BSE Limited**  
25<sup>th</sup> 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,


Further to our letter dated 04 August 2019, we are enclosing herewith the presentation to be made in the Investors/Analysts meet scheduled to be held today in Mumbai.

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,

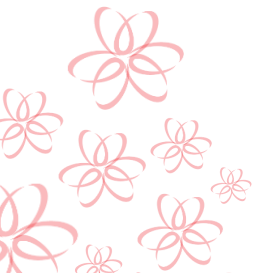
**Yours faithfully,  
For Magma Fincorp Limited**

  
Shaheen Zaman  
Company Secretary  
ACS No. 13918

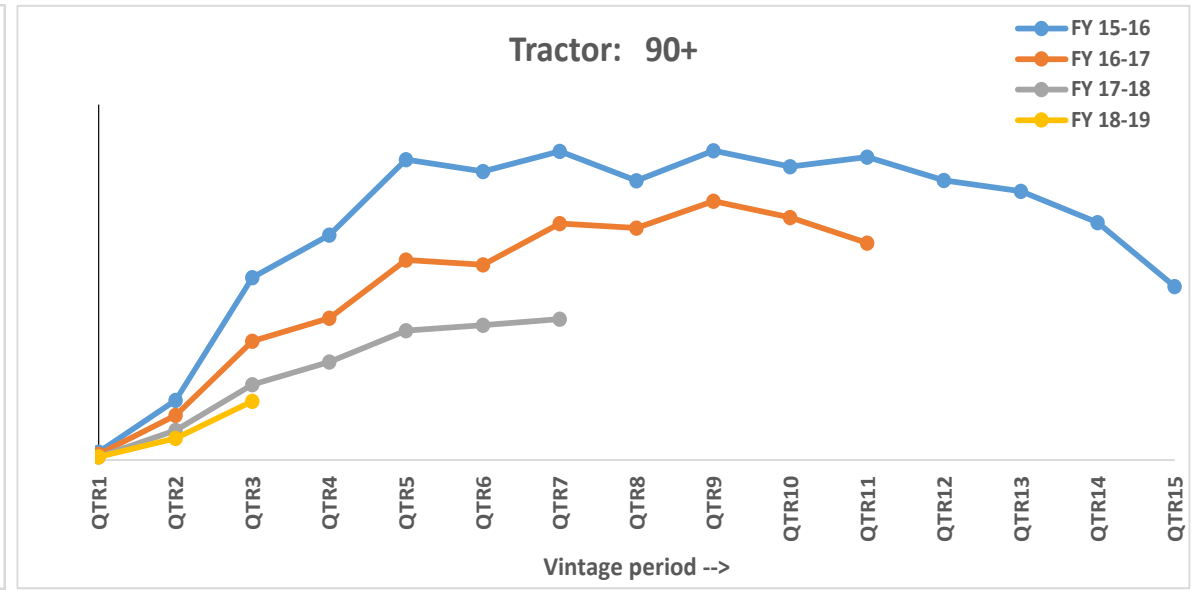
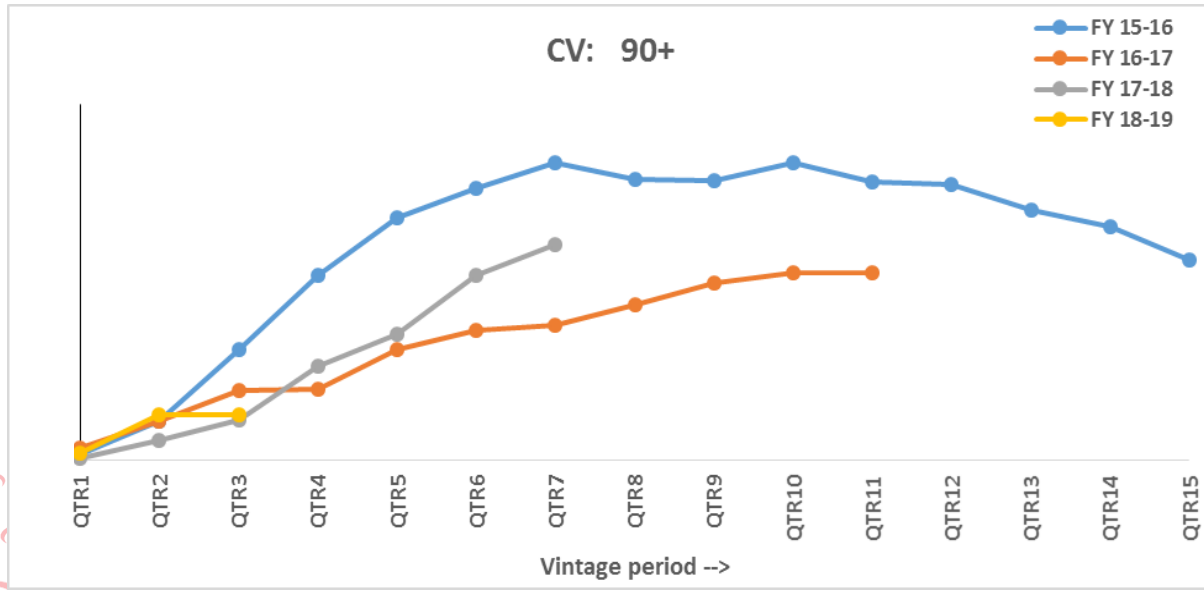
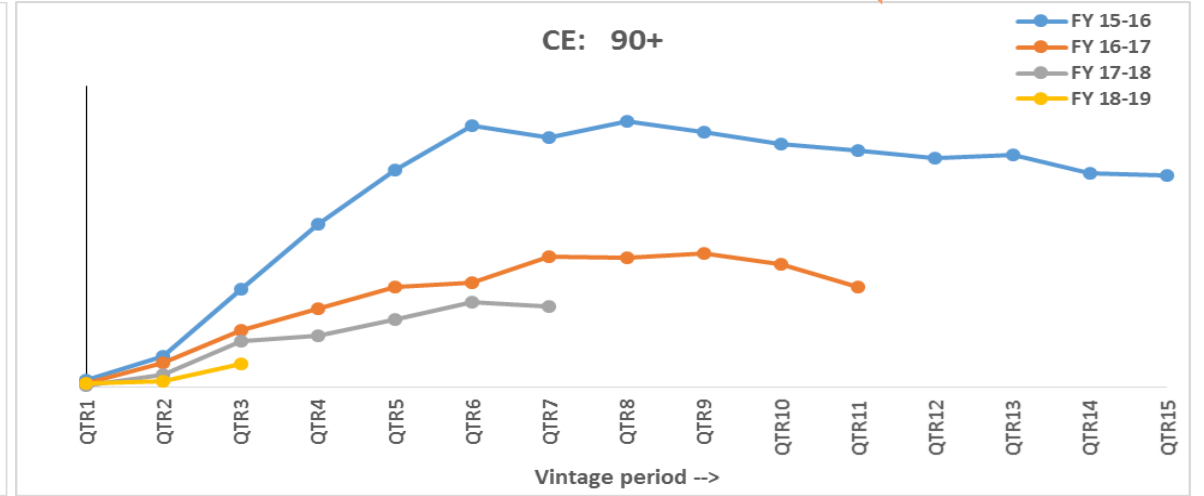
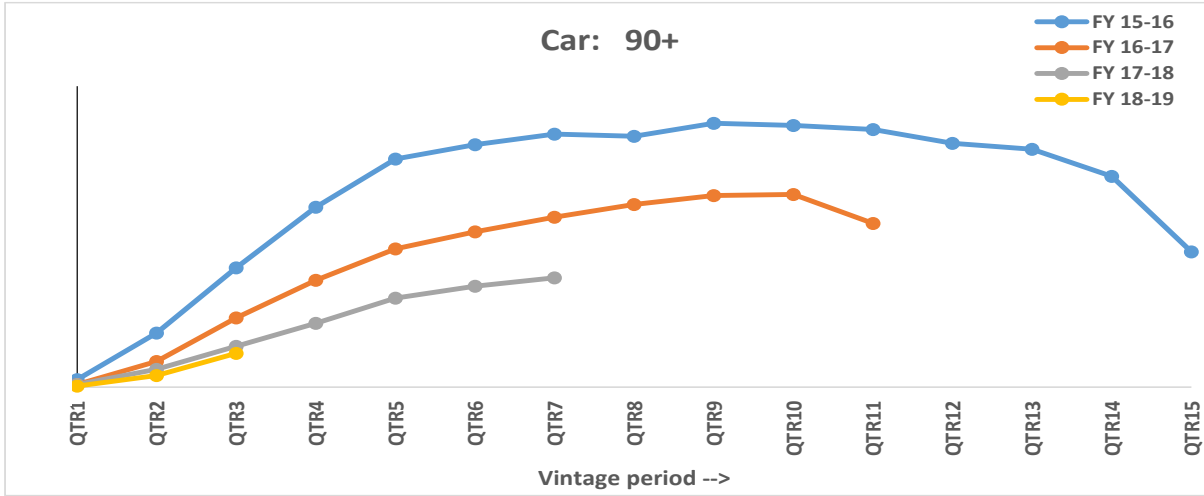
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# Organizational Priorities

- **Improve Asset Quality through the cycle...**Sourcing, Onboarding, Servicing 
- **Opex optimization & Yield enhancement...**balanced risk-adjusted returns
- **Navoday Technology capex...**Digital intervention for productivity enhancement

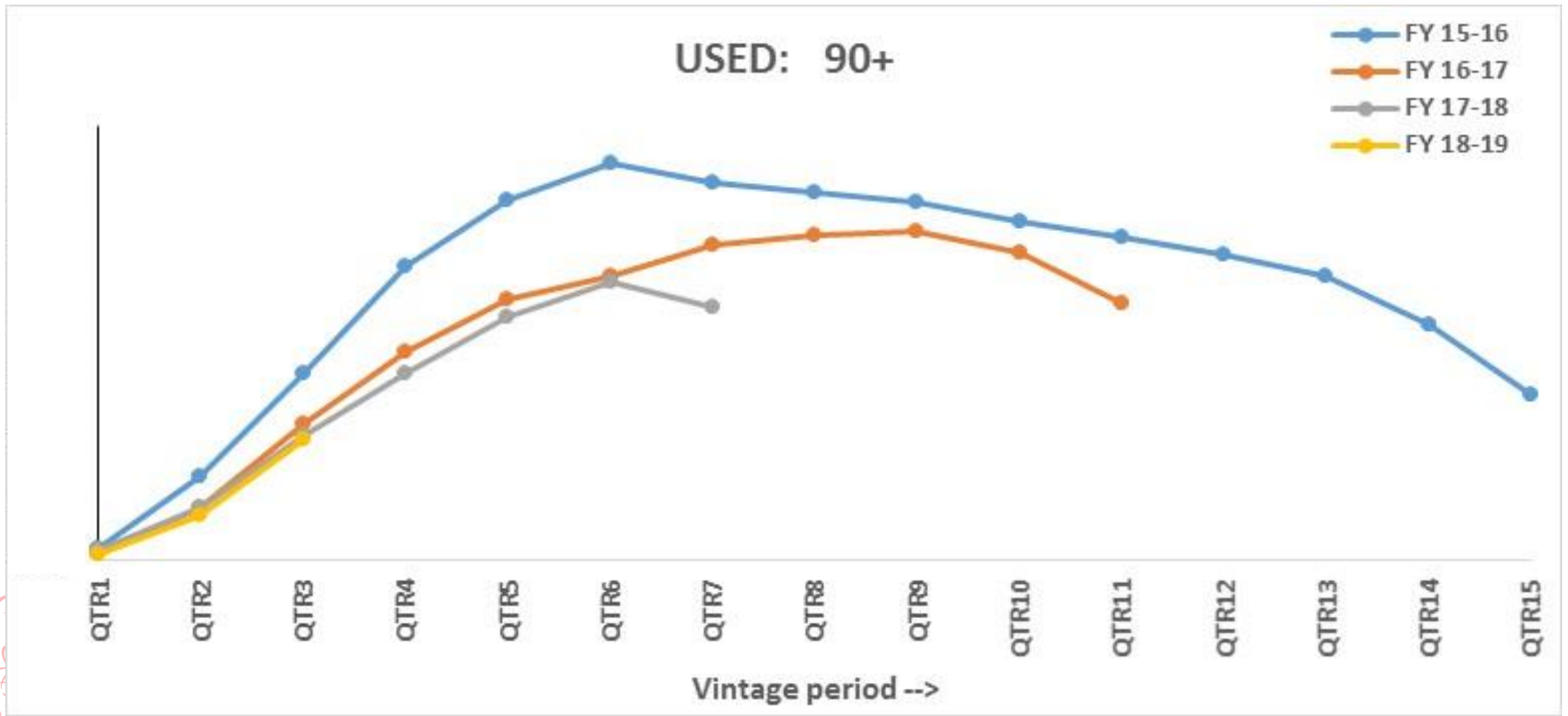
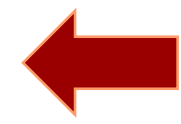


# 90+ Static Pool: ABF- Car, CE, CV & Tractor



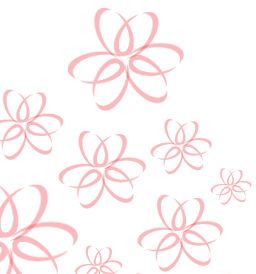
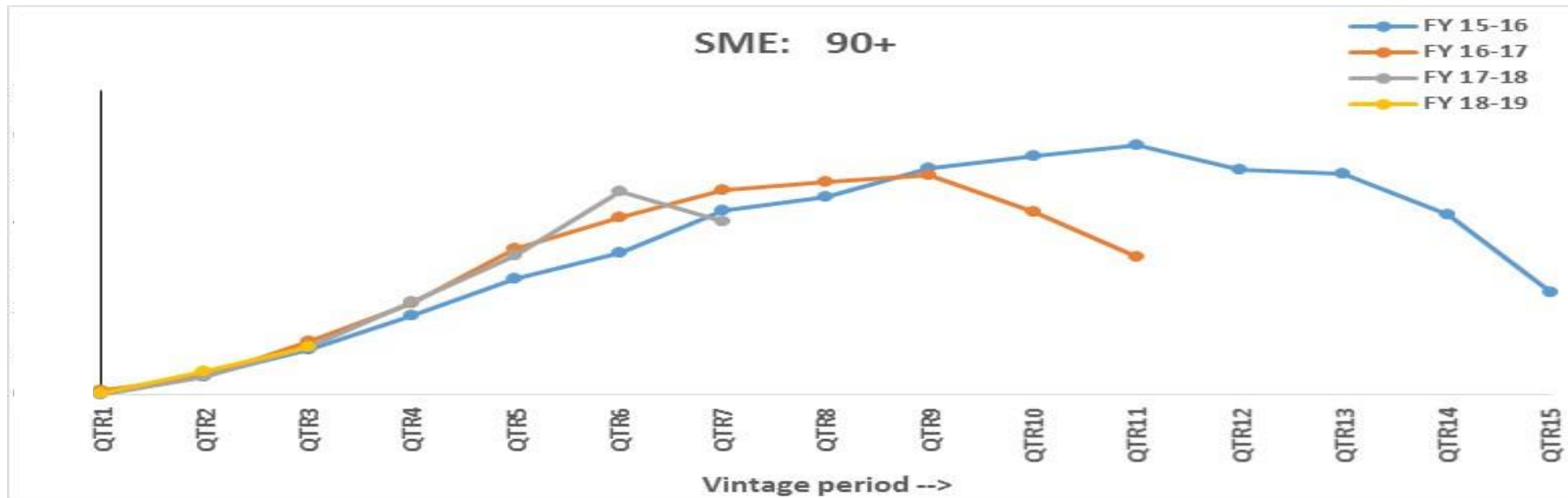
Recent vintage delinquencies trending at multi-year lows:  
 1/3<sup>rd</sup> to 1/7<sup>th</sup> of last 4 year peak levels

# 90+ Static Pool: ABF- Used Assets



Recent vintage delinquencies trending at multi-year lows:  
1/3<sup>rd</sup> to 1/7<sup>th</sup> of last 4 year peak levels

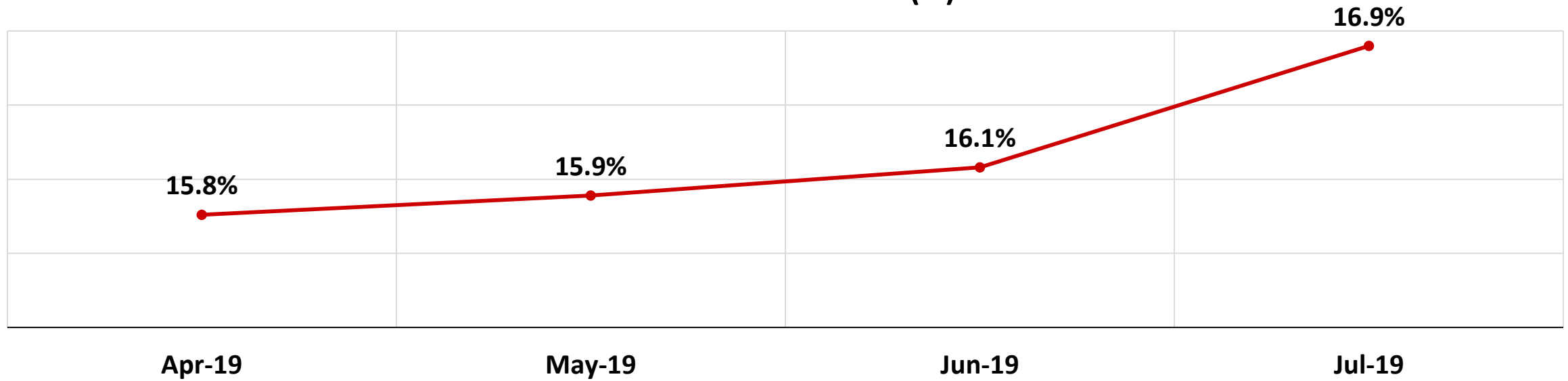
# 90+ Static Pool: Mortgages & SME



Recent vintage delinquencies trending at multi-year lows:  
 1/3<sup>rd</sup> to 1/7<sup>th</sup> of last 4 year peak levels

# NIM Strategy

Disbursement Yield (%)



- Q1 FY20 Disbursement yield at 15.9%
- Projecting Q2 FY20 Disbursal yield 100bps higher (weighted for entire company)
- In ABF, it is through product-mix change majorly and approx. 20bps increase in per product yield

# Credit Losses – Higher in Q1; recovery expected in Q2-Q4

Collection efficiency impacted by seasonality and weak macros - 96.1% vs 97.7% (YoY)

- Successfully contained assets in lower buckets:
  - Better YoY roll forwards into 90+ but lesser roll backs due to smaller stock
  - Lower YoY flows into 730+ (ABF) and 450+ (SME)
- Q1FY19 had lower NCL due to significant bucket improvement from FY18 to FY19  
(ECL Reduction in Q1FY19 due to strong performance- Stage 1-2 coverage: Q4FY18 2.9% to Q1 FY19 2.6%)

Traditionally, Q2-Q4 collection efficiency superior to Q1 – expected to settle @ 98-99%

- July Collection Efficiency at 98.1% (2% higher than Q1 96.1%)
- Lower stage 2 & 3 inventories will lead to reduction in provisioning requirement
- Cash recoveries estimated** from technical write off pool @ **15-17% annualised**

**Overall NCL guidance remains at 1.5-1.75% for FY20.**

*Note: Macro-economic scenario assumed to be stable at current levels*

Table A

Rs. Crs

Q1 FY20	Reported	Simulated
Provision	25	85
Technical Write off^	60	-
Loss on repo&set	44	44
<b>NCL Total</b>	<b>129</b>	<b>129</b>

Table B

Rs. Crs

	Q1 FY19	Q4 FY19	Q1 FY20 Reported	Q1 FY20 Simulated
GNPA	<b>1,302</b>	<b>747</b>	<b>814</b>	<b>874</b>
NNPA	<b>626</b>	<b>472</b>	<b>523</b>	<b>523</b>
GNPA%	8.8%	4.8%	5.1%	5.4%
NNPA%	4.4%	3.1%	3.3%	3.3%
PCR%	51.9%	36.8%	35.7%	40.2%
On Book	14,871	15,645	16,096	16,156



*\* Simulation before change in technical write off policy*

# Investment in ABF Leadership

- **Search for new CEO-ABF initiated**
- **Mahender Bagrodia elevated to Chief Business Officer-ABF...current Chief Credit Officer, past Zonal Business Head**
  - In addition to handling Credit & Collections, will also lead Business (driven by existing NBH)
- **Current Chief Strategy Officer-ABF to continue handling ABF Support functions**  
(Product, Finance, OEM relationships, strategy)



## Corporate Governance: Key Focus

- ❑ Board comprises of **6 Directors**: 4 Independent Directors, and 2 Promoter Directors
- ❑ **Chairman** of Board, Audit Committee and NRC are **Independent Directors**.
- ❑ **Experienced management team** with proven track record, VC&MD provides strategic direction 
- ❑ Effective Monitoring through quarterly **Board and Audit Committee, ALCO and RMC** meetings.
- ❑ Key Policies: ALM, Code of Conduct, Risk Appetite Statement, etc
- ❑ **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. 
- ❑ The Company does not have any non-core investment / related party exposure, and is focused on building core biz with zero distractions.
- ❑ **Single listed entity in the group**; Promoters and Holding Companies have zero leverage.
- ❑ Top shareholders include **IFC, Chrys Capital, Leap Frog, True North Fund, Amansa Holdings**

# Key Management Team (1/2)



## **Mr. Manish Jaiswal, CEO of Magma Housing Finance & SME Business**

Mr. Jaiswal is an engineer from VNIT, Nagpur and has done his Fast Track General Management from IIM, Bangalore. He has over 25 years of rich corporate experience and joined Magma after a very successful stint with CRISIL where he was spearheading the businesses of Risk Advisory, Research and SME Ratings. Mr. Jaiswal in his prior stints is credited with setting up and building SME businesses from inception or turning them around for almost a decade and a half. He held key positions in the companies such as Fullerton, Citigroup, Dhanlaxmi Bank and Eicher motors. During his career span, Mr. Jaiswal has built and managed assets of more than 15000 crores of SME secured portfolio.



## **Mr. Mahender Bagrodia, Chief Business Officer – Asset Finance**

Mr. Bagrodia has been with Magma for over two decades. He is a Chartered Accountant by training. He has Led several transformational projects at Magma and was the Chief Credit officer in his previous role.



## **Mr. Rajive Kumaraswami, MD & CEO – Magma HDI General Insurance**

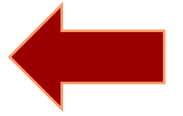
A fellow member of the Institute of Chartered Accountants of India and an associate member of the Institute of Cost Accountants India, Mr. Kumaraswami has vast experience in the financial sector, spanning 23 years. He has been involved with the insurance industry. Prior to Magma, Mr. Kumaraswami was with SCOR SE, the fifth largest reinsurer in the world, where in he served as the chief representative for the Indian subcontinent.



## **Mr. Harshvardhan Chamria, Chief Digital Officer**

Mr. Chamria holds a bachelor's degree in science from Cornell University and a master's degree in business administration from the Stanford University. He leads Navoday – IT transformation project and the Information Technology Department for Magma Group. He additionally also manages 'Operations', 'Customer Service' and works on Market Expansion.

# Key Management Team (2/2)



## **Mr. Rajneesh Mishra, Chief People Officer**

Rajneesh Mishra is the Chief People Officer of our Company. He holds a bachelor's degree in Commerce and a bachelor's degree in law from Pt. Ravishankar Shukla University, Raipur. He also holds a master's degree in Personnel Management & Industrial Relations. He has over two decades of experience in various Human Resource functions. He has previously served with Aditya Birla Group, ACC Cement, Eicher Tractors and Bajaj Allianz Life Insurance Co. Limited, where he led the HR function.



## **Mr. Deepak Patkar, Chief Risk Officer**

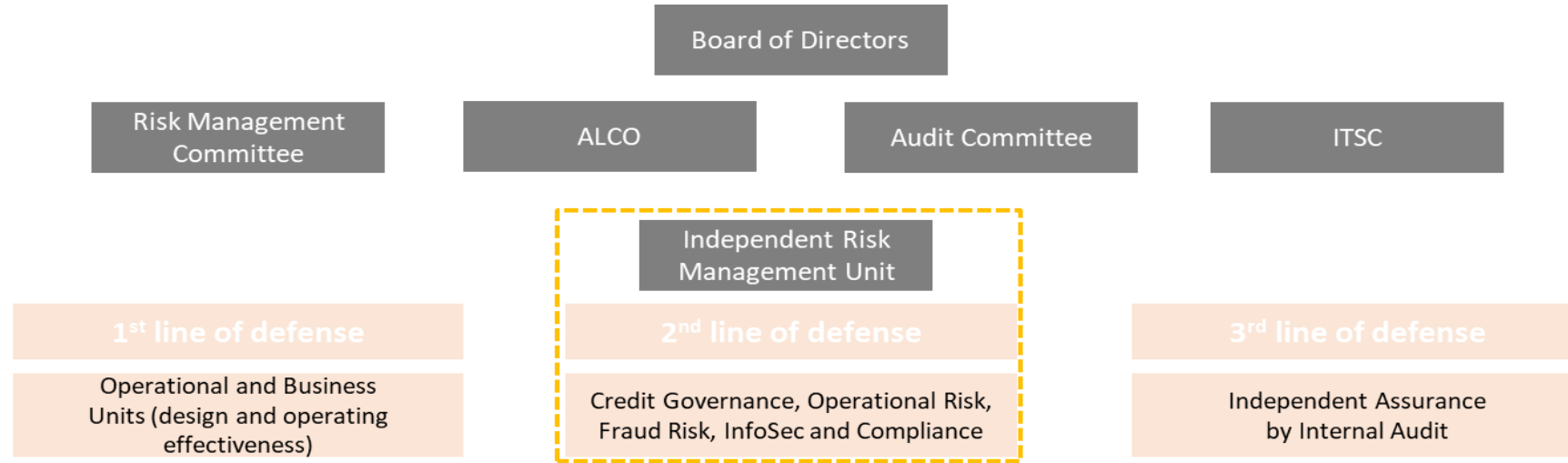
Mr. Deepak Patkar has over 20 years of professional experience across multiple disciplines including Quality Assurance, Sales and Distribution, Debt Collections, Operational Risk, Audit and Risk Management across multiple industries including manufacturing, information technology, banking and non-banking financial services. He is an Electrical Engineer with a Masters in Management from Jamnalal Bajaj Institute, Mumbai. Mr. Patkar has worked with leading organizations like, Citi Bank, HCL Infosystems Ltd & Cable Corporation of India Ltd. In his recent assignment, he was associated with Fullerton India Credit Company Ltd as Executive VP & Chief Risk Officer.



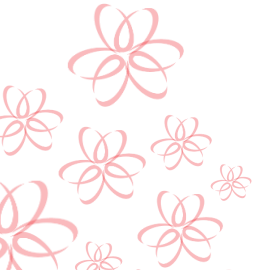
## **Mr. Kailash Baheti, Chief Financial Officer**

Mr. Baheti is a chartered accountant, company secretary and a cost and management accountant. He heads the finance function of the Company as the Chief Financial Officer. He handles all aspects of finance (treasury, investor relations, accounts, tax and corporate legal matters).

# Enterprise wide, independent risk management framework



Components of Risk Management	Overarching principles and execution
<b>Risk Governance</b>	<ul style="list-style-type: none"> <li>▪ Risk Appetite Statement and Strategic Risk Assessment set the guardrails</li> <li>▪ Quarterly Committee meetings to assess enterprise risk profile</li> <li>▪ Well defined risk policies and standards</li> </ul>
<b>Operating controls and compliance</b>	<ul style="list-style-type: none"> <li>▪ Comprehensive Risk library. Regular monitoring of Key Risk Indicators.</li> <li>▪ Internal Financial Controls (IFC) standards as mandated by Companies Act</li> </ul>
<b>Credit underwriting strategies</b>	<ul style="list-style-type: none"> <li>▪ Decisioning platforms based on segmental behavior and risk based pricing</li> <li>▪ Automated Credit Rule Engine with connectivity to bureau and fraud systems</li> </ul>
<b>Analytics driven portfolio management</b>	<ul style="list-style-type: none"> <li>▪ Statistically derived Early Warning Indicators (EWI) and Continuous Portfolio Monitoring Indicators (CPMI)</li> <li>▪ Robust PD and LGD models guide consistently accurate loss forecasting</li> </ul>
<b>Capital and Liquidity Management</b>	<ul style="list-style-type: none"> <li>▪ Proactive management of ALM mismatch in each time bucket</li> <li>▪ Prudent capital and liquidity buffers for stress resilience</li> </ul>



# Magma: Looking Ahead

- **FinTech Enablement:** Launched Enterprise-wide Technology Transformation: **'Project Navoday'**  
Expecting **20-40% improvement in productivity** (reduction in Opex)
  - modernize entire Technology stack: LOS, LMS, Data Warehouse, ERP, Mobility solutions
  - Geo-tagging, Better Risk controls due to Automated Workflow, API Integrations
  - Data Analytics, Artificial Intelligence, Machine Learning
- **Customer centricity:** Implemented State of the art Customer Relation Management (CRM) system for 360° customer view across Business leading to **doubling of cross sell volumes** and improvements in customer experience (**50% reduction in Avg Call Handling Time**); capturing Customer Net Promoter Score (NPS)
- **Direct Business:** Share of Direct business at 41% for ABF and 78% for Affordable Housing Finance. Have kicked off dedicated Direct Sales vertical in SME in FY20. Cross Sell business volumes doubled to 100cr/mo already, plan is to double from here now
- **Informal documentation customer risk assessment expertise:** **60-65% automated underwriting**, surrogate data collection (on ground), digital underwriting (rule-engines); strong collections process
- **Three businesses at Scale:** 15% Consolidated AUM growth target, Business-wise strategy

**Thank You**

