

Adar Poonawalla takes charge as Magma Fincorp Chairman

- **Abhay Bhutada to take over as MD; Top ICICI Bank honcho Vijay Deshwal to join as CEO from July**
- **Provisioning to mitigate asset risk in FY21 without lingering effect next fiscal**

Mumbai, 31 May 2021: Mumbai-based NBFC, Magma Fincorp Limited, has announced a series of leadership changes following the Poonawalla-controlled Rising Sun Holdings acquiring controlling stake through an equity infusion of Rs 3,456 crore in May 2021.

The Board, on Monday, appointed Mr. Adar Poonawalla as the Chairman of the Company. The Company has also appointed Mr. Abhay Bhutada as the Managing Director. Mr. Vijay Deshwal, a seasoned banker with a track record of over two decades, will take charge as CEO at Magma Fincorp from the first week of July. He will also be the Group CEO of Poonawalla Group's financial services business.

Mr. Deshwal is currently a business head at ICICI Bank, responsible for its fast growing services sector, including new age businesses. He is also responsible for driving the liability strategy for the corporate ecosystem at the Bank. Having handled pan-India financial institutions including NBFCs for over six years, Mr. Deshwal has vast understanding of various asset classes and the cyclical nature of these businesses. He had previously headed debt syndication business for ICICI Bank for over five years.

These changes reflect the Company's transition into the next phase of growth and the ongoing commitment to achieving the highest standards of corporate governance. The balance sheet has been strengthened significantly through the equity infusion, with the Tier-1 capital adequacy ratio standing at 66.8%, and leverage at 1.3 times as on 15 May 2021. The Company has created capital buffers and opted for aggressive write off policies in line with a Bank structure.

The Company is going to augment the leadership team with the appointment of highly qualified and experienced professionals from reputed financial institutions for various senior management positions, set to join by Q2 FY22. As the second wave of Covid-19 is subsiding, the new management is expected to drive business acceleration. The rebranding of the Company as a Poonawalla Group firm is underway. The Company's cost of funds is expected to fall in line with the industry best, along with resultant improvement in credit rating and progress towards resilience under the Poonawalla brand.

"I am excited to take over as the Managing Director of Magma Fincorp and embark on a new journey of Magma 2.0. I see enormous potential in the financial services space in India and in line with our vision, we at Magma will serve the needs and dreams of the nation. At the outset, we have outlined the core strategic pillars of Magma 2.0, laying out a clear and focused direction for the Company: Professionally-run organization under a new leadership team fully supported by the existing leadership, Capitalize benefits from large capital base and stronger parentage, Realignment of the product and geographic focus, Early recognition and tackling of asset quality challenges with accelerated write-offs and buffer provisioning, Robust ALM

profile, and Best in class risk management, technology and data analytics.” **Abhay Bhutada, MD, Magma Fincorp.**

Financial Results FY21

The company has improved operating performance during FY21 and reported increase in NIMs, reduction in operating expense ratios, reduction in cost of funds. Disbursals have been lower resulting in lower AUM. The Company has exited FY21 with a very strong Balance Sheet and with further capital infusion of Rs. 3,456 Crore, is adequately capitalised to usher in a period of growth and superior risk-return ratios and RoA and RoE.

The Company introduced 100% provisions and wrote off all accounts in the 90+ DPD (Days Past Due) bucket in the SME lending business, 180+ DPD bucket in the Vehicle Finance Business and 730+ DPD bucket in the Affordable Housing Finance Business. It also made significant provisions for the Covid second wave applying management overlay, with no lingering impact in FY22. This resulted in Gross Stage 3 Assets and Net Stage 3 Assets as on 31-Mar-21 declining from 6.4% to 3.7% YoY and from 4.2% to 1.2% YoY respectively. Prudent provisioning led to sharply higher 90+ DPD Provision Coverage Ratio (PCR) going up to 68.6% from 36.5% last year and overall coverage ratio going up to 9.5% from 4.4%, being one of the highest and most conservative in the industry.

Apart from one-time incremental write-off impact of Rs. 274 crore, the Company has created management overlay provisions of Rs 621 Crore, aggregating to a one-time P&L charge of Rs 895 crore. Loss before Tax stood at Rs 749 Crore for FY21. The Company expects some recoveries from written-off contracts through legal actions taken against the defaulting customers which will flow into income in subsequent quarters. The management is confident that with such provisions buffers and stringent write-off policies, the Company is adequately prepared to deal with the potential impact of Covid Wave 2 in FY22 and these provisions will be reviewed quarterly on the basis of on the ground situation in collections and regulatory forbearance, if any.

About Magma Fincorp Limited

Magma Fincorp Limited (“Magma”) a Mumbai-based non-deposit taking non-banking finance Company (NBFC), is registered with the Reserve Bank of India (RBI). The Company started operations nearly three decades back and is listed on the Bombay Stock Exchange Limited and the National Stock Exchange in India. Consequent to the capital raise of Rs 3,456 Crore in May '21, the Company is now part of Poonawalla Group with 60% shares owned by Rising Sun Holdings, a Company owned and controlled by Mr Adar Poonawalla.

Magma a financial conglomerate, offers a bouquet of financial products including commercial finance, agri finance, SME finance, mortgage finance and general insurance. Magma is focused on the rural and semi-urban sector with a widespread coverage and presence across 21 States 297 Branches. Magma’s customer base stood at 5.4 million and manages a loan book of Rs 14,225 crore.

For more information, please log on to: www.magma.co.in

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